Termbray Industries International (Holdings) Limited

Stock Code: 0093

ANNUAL REPORT

2016/2017

ANNUAL REPORT

2016/2017 CONTENTS

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. Ching Yu Lung (appointed on 10th November, 2016)
Mr. Siu Lok Chow, Gabriel (passed away on 6th May, 2016)

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. Lee Ka Sze, Carmelo
Mr. Ching Yu Lung

REMUNERATION COMMITTEE

Mr. Lo Yiu Hee
Mr. Lee Lap
Mr. Tong Hin Wor

NOMINATION COMMITTEE

Mr. Lee Lap
Mr. Lo Yiu Hee
Mr. Tong Hin Wor

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, 2017. The Group recorded a loss for the year of HK$132,387,000 compared with loss for the year of HK$396,081,000 (restated) recorded in last year.

DIVIDEND

No interim dividend was paid by the Company for the six months ended 30th September, 2016. (2015: Nil).

The board of directors (the "Board") does not recommend the payment of a final dividend for the year ended 31st March, 2017 (2016: Nil).

CLOSURE OF REGISTER OF MEMBERS

The forthcoming annual general meeting of the Company ("2017 AGM") is scheduled to be held on Friday, 8th September, 2017. For determining the entitlement to attend and vote at the 2017 AGM, the register of members of the Company will be closed from Monday, 4th September, 2017 to Friday, 8th September, 2017 (both days inclusive), during which no transfer of shares will be effected. In order to qualify for attendance of 2017 AGM, 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, 1st September, 2017.

REVIEW OF OPERATIONS

Property investment and development

The operating environment for the Group's property investment and development business improves during the year under review. The sales of the Group's property project in Zhongshan is active 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. The management has put a lot of effort in marketing the properties and is endeavouring to improve the operation of the commercial arcades. Due to the planned construction of Shenzhen-Zhongshan sea-crossing bridge connecting the cities of Shenzhen and Zhongshan, the sales of properties in Zhongshan market is bloomed. The Group has sold 64 residential units during the year under review. Following the increase in sales of residential units, the number of residential units which are available for earning rental income is decreased during the year. The rental income earned by the Group from Ever Success Plaza during the year slightly decreased by 5.5% from that of last corresponding year. As at 31st March, 2017, 138 residential units remained to be sold, out of which 110 residential units were let out.

CHAIRMAN'S STATEMENT

Oilfield engineering and consultancy services

The Group held 30.47% interest as at 1st April, 2016 and 31st March, 2017 in Petro-king Oilfield Services Limited (Stock code: 2178) listed on The Stock Exchange of Hong Kong Limited as an associate through Termbray Natural Resources Company Limited ("Termbray Natural Resources"), a wholly owned subsidiary of the Group.

In July 2016, Petro-king made a right issue to shareholders on the basis of three rights share for ten existing shares held on the record date at HK$0.31 per rights share ("Right Issue"). Termbray Natural Resources subscribed for its full entitlement of 121,426,231 rights shares in net consideration of HK$37,642,000.

According to the 2016 annual report issued by Petro-king Group, Petro-king recorded a revenue of approximately HK$392 million for the year ended 31st December, 2016, representing a decrease of approximately 38% from that of HK$631 million for the year ended 31st December, 2015 ("2015"). The decrease in revenue was mainly due to the general slow-down in exploration and production ("E&P") investments of most oil and gas operators that led to the low level of oilfield service activities. The loss attributable to the owners of Petro-king was approximately HK$443 million in the current year, compared with the loss attributable to the owners of Petro-king of approximately HK$384 million in 2015. Included therein, Petro-king Group has accounted for an impairment loss of goodwill of the oilfield project tools and services of approximately HK$214 million in 2016 (2015: Nil).

Year 2016 remained challenging for the oilfield service industry. The E&P industry found itself mired in the deepest financial crisis. Low profitability and uncertainty in cash flow made most oil and gas operators take cautious approaches to both capital and operating expenditure planning, such as postponing investments in exploration, curtailing development activity and squeezing service industry prices. As a result, the oilfield service providers suffered as much as the oil and gas operators. Most of the oilfield service providers were forced to offer discounts when negotiating contracts with the E&P operators in order to stay competitive. Petro-king Group had experienced another challenging year marked by lower activity levels and continued downward pressure on pricing in both the China market and the overseas market.

During the year, Petro-king Group continuously conducted special financial risk management plans to cope with the industry downturn, enhanced its financial position and further reduced its borrowings. At the same time, Petro-king Group has been seeking advancement in organizational structure and management performance, focusing on intrinsic improvement in operational performance and overall long-term competitiveness.

As a high-end integrated oilfield services provider, Petro-king Group attaches great importance to technology, and prides itself in introducing innovative products and services in a number of areas in oilfield services. In 2016, Petro-king Group continued to seek advancement in technology and introduced new products to the market.

CHAIRMAN'S STATEMENT

OUTLOOK

The global economy has been recovering from the global financial crisis happened in 2008. United States ("US") and China are experiencing various challenges after the global economic crisis. All of the factors including debit crisis in Europe, the fluctuation in oil price and Renminbi currency, and the progress of increase in US interest rate have an unpredictable impact on the recovery of global economy. In China, Central government has implemented various tightening monetary policies to cool down the overheated property market. 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 opportunities available to build up its own distinctive strength and to explore new businesses in China.

Property investment and development has been the principal business of the Group for all these years and the Group is looking 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.

On 16th June, 2017, the Board resolved to declare a special interim dividend in respect of the financial year ending 31st March, 2018 in the form of a distribution in specie of the 526,180,335 shares in Petro-king ("Petro-king Shares") held by the Group to the qualifying shareholder(s) of the Company ("Distribution in Specie") in proportion to their respective shareholdings in the Company. For more details, please refer to the announcement of the Company dated 16th June, 2017 in relation to the Distribution in Specie.

The Board is of the view that the Distribution in Specie will allow the Group to reduce its exposure to the risks inherent to the industry of oilfield engineering and consultancy services, streamline its business activities by focusing on property investment and development business. It will also provide the qualifying shareholders of the Company with an opportunity to directly participate in the investment of the Petro-king Shares, and the flexibility to determine the level of their participation in investing in Petro-king at their own discretion.

The Group will continue to operate its property investment and development business. 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 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, 16th June, 2017

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

During the current year under review, the Group achieved a revenue of HK$39,496,000 and recorded a loss for the year of HK$132,387,000, compared with the revenue of HK$12,449,000 and loss for the year of HK$396,081,000 (restated) recorded in last year.

The loss in current year is mainly due to the Group's share of operating loss from Petro-king Oilfield Services Limited ("Petro-king", stock code: 2178), which is listed on The Stock Exchange of Hong Kong Limited, for the year ended 31st December, 2016. According to the 2016 annual report issued by Petro-king, the loss attributable to the owners of Petro-king was approximately HK$443 million in the current year, compared with loss attributable to owners of Petro-king approximately HK$384 million in the last year.

Amidst the general slowdown in exploration and production investments by most oil and gas operators that led to the low level of oilfield service activities, Petro-king recorded a decline in revenue in 2016 by 38% and recorded an increase in operating loss of 21% in 2016. As part of the operating costs, Petro-king accounted for an impairment loss of goodwill of the oilfield project tools and services of approximately HK$214 million in 2016 (2015: Nil).

REVENUE AND SEGMENT INFORMATION

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

	2017 **HK$'000**	2016 HK$'000
Sales of properties	**34,195**	6,916
Rental income	**5,301**	5,533
	39,496	12,449

MANAGEMENT DISCUSSION AND ANALYSIS

Segment revenue and results

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

	2017 **HK$'000**	2016 HK$'000 (restated)
Revenue from property investment and development segment	**39,496**	12,449
Segment profit from property investment and development segment	**17,364**	10,081
Unallocated other income	**573**	687
Unallocated other gains and losses	**(2,586)**	(1,796)
Unallocated expenses	**(11,907)**	(14,484)
Share of result of an associate	**(135,831)**	(118,120)
Impairment loss on interest in an associate	**–**	(272,449)
Loss for the year	**(132,387)**	(396,081)

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 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 impairment loss on 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Geographical information

The Group's operations are located in Hong Kong and the 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	
	2017	2016
	HK$'000	HK$'000
Hong Kong	**1,887**	1,884
The PRC	**37,609**	10,565
	39,496	12,449

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

MANAGEMENT DISCUSSION AND ANALYSIS

SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES

The Group has accounted for leasehold land and buildings, and investment property using the cost model in previous years. In order to more accurately reflect the value of leasehold land and buildings, and investment property held by the Group and provide more relevant information to the users of the financial statements of the Group, the directors of the Company have approved changes in the accounting policies of the Group for the leasehold land and buildings from cost model to revaluation model, and investment property from cost model to fair value model, with effect from 31st March, 2017. The Group has adopted the change in accounting policy of leasehold land and buildings prospectively, and the change in accounting policy of investment property retrospectively, accordingly.

The effects of the changes in the Group's accounting policies described above on the results for the current and preceding years by line items presented in the consolidated statement of profit or loss and other comprehensive income are as follows:

	2017 **HK$'000**	2016 HK$'000
Impact on profit or loss for the year		
Decrease in administrative expenses	**333**	333
Increase in other gains and losses	**18,500**	10,800
Net decrease in loss for the year attributable to owners of the Company	**18,833**	11,133
Impact on other comprehensive income for the year		
Increase in gain on revaluation of leasehold land and buildings	**326,966**	–
Net increase in total comprehensive income attributable to owners of the Company	**345,799**	11,133

MANAGEMENT DISCUSSION AND ANALYSIS

The effects of the changes in accounting policies described above on the financial positions of the Group as at the end of the immediately preceding financial year, 31st March, 2016, are as follows:

	31.3.2016 HK$'000 (originally stated)	Adjustments arising from changes in the accounting policies HK$'000	31.3.2016 HK$'000 (restated)
Investment property	28,840	114,960	143,800
Total effects on net assets	28,840	114,960	143,800
Retained profits	(114,490)	(114,960)	(229,450)
Total effect on equity	(114,490)	(114,960)	(229,450)

	1.4.2015 HK$'000 (originally stated)	Adjustments arising from changes in the accounting policies HK$'000	1.4.2015 HK$'000 (restated)
Investment property	29,173	103,827	133,000
Total effects on net assets	29,173	103,827	133,000
Retained profits	(521,704)	(103,827)	(625,531)
Total effect on equity	(521,704)	(103,827)	(625,531)

MANAGEMENT DISCUSSION AND ANALYSIS

Impact on basic and diluted loss per share

	2017 HK$'000	2016 HK$'000
Basic and diluted loss per share before adjustments	**(7.72)**	(20.80)
Adjustments arising from changes in accounting policies	**0.96**	0.57
Reported basic and diluted loss per share	**(6.76)**	(20.23)

MANAGEMENT DISCUSSION AND ANALYSIS

RETURN ON CAPITAL EMPLOYED

The Group's aim is to increase shareholders' value. The extent to which this goal has been achieved is assessed by computing Return on Capital Employed ("ROCE") over the year and comparing this measure from one year to the next, as it is a measure of how well the money invested in the business is providing a return to investors.

ROCE measures the operating result as a percentage of the average total capital employed (invested) in the business over the year. The Group uses "Earnings before interest, tax, depreciation and amortization" as a measure of operating result for this purpose. The Group considers its "capital" to comprise equity plus non-current debt financing. Figures from the consolidated financial statements of the Group are used to calculate the ROCE.

	Year ended 31/3/2017 HK$'000	Year ended 31/3/2016 HK$'000 (restated)
Operating result for calculation of ROCE		
Loss before tax	**(130,455)**	(395,418)
Add: interest expense, depreciation and amortization charges	**1,028**	1,370
Add: impairment loss on interest in an associate*	**–**	272,449
	(129,427)	(121,599)
Capital employed		
Equities	**991,185**	803,844
Add: non-current debt financing	**–**	–
	991,185	803,844
Average capital employed		
(Opening capital employed + closing capital employed) / 2	**897,515**	1,010,163
Consolidated ROCE%	**-14.42%**	-12.04%

* Non-recurring item

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

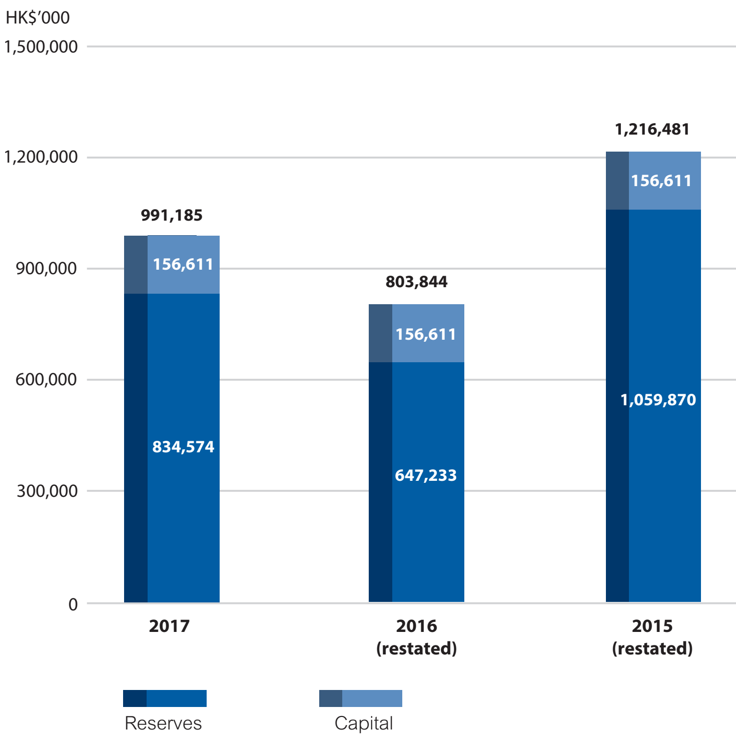
As at 31st March, 2017, the Group remains cash-rich and no material capital expenditure commitments. The operations are financed by capital and reserves.

Bank balances and cash amounted to approximately HK$282 million and accounted for 77.7% 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, 2017, 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, 2017. The Group has no new product and services to be introduced to the market.

MANAGEMENT DISCUSSION AND ANALYSIS

ENVIRONMENTAL POLICIES AND PERFORMANCE

With regard to the environmental policies, the Group aims to minimize the Group's environmental impact. The Group have adopted various environmental protection measures for energy efficiency, carbon reduction and to improve efficiency of water usage. These measures are regularly reviewed and results are closely monitored.

A report containing the prescribed information of environmental, social and governance matters will be published within 3 months after the publication of this annual report.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

During the year, as far as the Directors are aware, there was no material non-compliance with applicable laws and regulations by the Group that has a significant impact on the Group's business and operations.

RELATIONSHIP WITH MAJOR CUSTOMERS AND SUPPLIERS

The Group understand the importance of maintaining good relationship with its customers and suppliers to met its immediate and long term goals.

The aggregate sales attributable to the Group's largest customer and five largest customers accounted for approximately 5% and 13% respectively of the Group's revenue for the year. The five largest suppliers of the Group accounted for less than 30% 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 28 to 29 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.

The Group have good relationship with its customers and suppliers. During the year ended 31st March, 2017, there was no significant dispute between the Group and its suppliers and/or customers.

MANAGEMENT DISCUSSION AND ANALYSIS

RELATIONSHIP WITH EMPLOYEES AND EMOLUMENT POLICY

One of most important resource of the Group is employees. It is the Group's policy to comply with all applicable laws and regulations, including those concerning employment, compensation, minimum wages, occupational safety and privacy. The Group strictly prohibit discrimination or harassment against any employee because of the individual's race, religion, gender, age, or any status protected by law. The Group also value good conduct of employees and has set out clear guidelines to prevent bribery and to regulate the acceptance of benefits by the employees.

As at 31st March, 2017, the Group employed 39 staff at market remunerations with staff benefits such as insurance, provident fund scheme and discretionary bonus.

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

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, 2017.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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.

Further discussion and analysis of these activities as required by Schedule 5 to the Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, can be found in the Chairman's Statement on pages 3 to 6 and the Management Discussion and Analysis set out on pages 7 to 16 of this Annual Report. This discussion forms part of this Directors' Report.

Besides, details of financial risk management objectives and policies of the Group are set out in note 27 to the consolidated financial statements on pages 103 to 108. There may be other risks and uncertainties in addition to those mentioned above which are not known to the Group or which may not be material now but could turn out to be material in future.

RESULTS

The results of the Group for the year ended 31st March, 2017 and the state of affairs of the Group as at that date are set out in the consolidated financial statements on pages 53 to 111.

DIVIDEND

On 16th June, 2017, the Board resolved to declare a special interim dividend in respect of the financial year ending 31st March, 2018 in the form of a distribution in specie of the 526,180,335 shares in Petro-king ("Petro-king Shares") held by the Group to the qualifying shareholder(s) of the Company ("Distribution in Specie") in proportion to their respective shareholdings in the Company. For more details, please refer to the announcement of the Company dated 16th June, 2017 in relation to the Distribution in Specie.

The Board is of the view that the Distribution in Specie will allow the Group to reduce its exposure to the risks inherent to the industry of oilfield engineering and consultancy services, streamline its business activities by focusing on property investment and development business. It will also provide the qualifying shareholders of the Company with an opportunity to directly participate in the investment of the Petro-king Shares, and the flexibility to determine the level of their participation in investing in Petro-king at their own discretion.

DIRECTORS' REPORT

No interim dividend was paid by the Company for the six months ended 30th September, 2016 (2015: Nil).

The Board does not recommend the payment of a final dividend for the year ended 31st March, 2017 (2016: Nil).

CLOSURE OF REGISTER OF MEMBERS

The forthcoming annual general meeting of the Company ("2017 AGM") is scheduled to be held on Friday, 8th September, 2017. For determining the entitlement to attend and vote at the 2017 AGM, the register of members of the Company will be closed from Monday, 4th September, 2017 to Friday, 8th September, 2017 (both days inclusive), during which no transfer of shares will be effected. In order to qualify for attendance of 2017 AGM, 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, 1st September, 2017.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 22 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of the movements in the property, plant and equipment and investment properties of the Group during the year are set out in note 15 and note 16 to the consolidated financial statements respectively.

MAJOR PROPERTIES

Particulars of the Group's major completed properties for sale are set out on page 112.

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 56.

DONATIONS

During the year, the Group had not made any charitable and other donations (2016: Nil).

FIVE YEAR FINANCIAL SUMMARY

A five year financial summary of the Group is set out on pages 113 and 114.

DIRECTORS' REPORT

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31st March, 2017 were as follows:

	HK$'000
Contributed surplus	191,810
Retained profits	217,169
	408,979

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

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. Ching Yu Lung (appointed on 10th November, 2016)
Mr. Siu Lok Chow, Gabriel (passed away on 6th May, 2016)

DIRECTORS' REPORT

Non-executive Director

Mr. Lee Ka Sze, Carmelo

Mr. Tommy Lee, Mr. Lee Ka Sze, Carmelo and Mr. Tong Hin Wor, being the director longest in office since their last re-election, shall retire by rotation in accordance with the Company's Bye-law 99(A). Mr. Ching Yu Lung, as a new director appointed during the year, shall retire in accordance with the Company's Bye-law 102(B). All retiring directors, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

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

DIRECTORS' 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, 2017 to 31st December, 2018, which appointment shall terminate on the earlier of (i) 31st December, 2018; or (ii) the date on which the director concerned ceases to be an independent non-executive director or non-executive director pursuant to the Bye-laws or any other applicable laws.

Mr. Ching Yu Lung, the independent non-executive director, has entered into an appointment letter with the Company for service as an independent non-executive director for a term of 2 years from 10th November, 2016 to 9th November, 2018, which appointment shall terminate on the earlier of (i) 9th November, 2018; 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.

DIRECTORS' REPORT

BIOGRAPHICAL DETAILS OF DIRECTORS

Executive Directors

Mr. Lee Lap, aged 74, 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 40, is the Vice Chairman and the 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 and a director of Guangdong Ellington Electronics Technology Company Limited, which is listed on the Shanghai Stock Exchange.

Madam Leung Lai Ping, aged 68, 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 53, 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. He is a director of Guangdong Ellington Electronics Technology Company Limited, which is listed on the Shanghai Stock Exchange.

Independent Non-executive Directors

Mr. Lo Yiu Hee, aged 59, 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 and a member of the Disciplinary Panel of CPA Australia from 2009 to 2014. He is presently the chief financial officer of an apparel manufacturing company.

DIRECTORS' REPORT

Mr. Tong Hin Wor, aged 72, was appointed as an independent non-executive director in 2008 and is a member of the audit committee, the remuneration committee and the nomination 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. Ching Yu Lung, aged 47, was appointed as an independent non-executive director in November 2016 and is a member of the audit committee of the Board of the Company. He has more than 25 years of experience in auditing, corporate finance and accounting. Mr. Ching currently serves as a financial consultant. He obtained a bachelor's degree in business administration from the Chinese University of Hong Kong and executive master degree in business administration from Tsinghua University in 1992 and 2006, respectively. Mr. Ching is a fellow member of Hong Kong Institute of Certified Public Accountants and Association of Chartered Certified Accountants and a member of the American Institute of Certified Public Accountants. Mr. Ching is an independent non-executive director of Hopson Development Holdings Limited and Ngai Hing Hong Company Limited which are listed on the Stock Exchange.

Non-executive Director

Mr. Lee Ka Sze, Carmelo, aged 57, has 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, Safety Godown Company Limited, and an independent non-executive director of Esprit Holdings Limited, KWG Property Holding Limited and China Pacific Insurance (Group) Co., Ltd., all of which are companies whose shares are listed on the Stock Exchange. Mr. Lee is a member of SFC (HKEC Listing) Committee. Mr. Lee is appointed as Convenor cum member of the Financial Reporting Review Panel for a term of 3 years from 16th July, 2016 to 15th July, 2019.

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.

DIRECTORS' REPORT

EMOLUMENTS OF DIRECTORS AND SENIOR EMPLOYEES

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

DIRECTORS' INTERESTS IN SHARES AND OPTIONS

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, 2017 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

	Number of Shares					
Name of director	Personal interest	Family interest	Corporate interest	Other interest	Total	Percentage of total issued shares
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 Lee & Leung Family Investment Limited, which is wholly owned 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, certain 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	526,180,335	30.47%
Mr. Tommy Lee	526,289,816	30.48%

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 Lee & Leung Family Investment Limited, which is wholly owned 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, certain children of Mr. Lee Lap and Mdm. Leung Lai Ping (including Mr. Tommy Lee) and the offspring of such children.

(C) Long Positions in Underlying Shares in respect of Share Options of Petro-king Oilfield Services Limited, an Associated Corporation

Name of directors	Number of shares	% of total issued shares
Mr. Tommy Lee	109,481	0.01%
Mr. Tong Hin Wor	109,481	0.01%

DIRECTORS' REPORT

(D) 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.

Saved as disclosed above, as at 31st March, 2017, 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 TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

During the year, the Group had entered into transactions with Panda Investment Company Limited ("Panda Investment"), which are described in note 26 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 transactions, arrangements or 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' REPORT

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.

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, 2017 as recorded in the register kept by the Company pursuant to Section 336 of the SFO were as follows:

Ordinary Share of the Company

Name of shareholders	Capacity	Number of issued ordinary shares of HK$0.08 each held	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%
Lee & Leung Family Investment Limited *(note 1)*	Held by controlled corporation	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%

DIRECTORS' REPORT

Name of shareholders	Capacity	Number of issued ordinary shares of HK$0.08 each held	Percentage of the issued share capital of the Company
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%

Notes:

(1) The 1,252,752,780 shares are held by Lee & Leung (B.V.I.) Limited. Lee & Leung (B.V.I.) Limited is wholly owned by Lee & Leung Family Investment Limited, which a wholly owned 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, certain 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, 2017.

DIRECTORS' REPORT

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 2014, 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, 2014 to 15th March, 2017 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.

On 20th February 2017, Termbray Fujian as lessor and Mr. Lee Wing Keung as lessee renewed the above lease agreement for a term of three years from 16th March, 2017 to 15th March, 2020 at a monthly rent of HK$163,000 (exclusive of rates, management fees and utility charges). The monthly rent is based on a valuation report as at 31st January, 2017 issued by Vigers Appraisal & Consulting Limited.

The rental income earned by the Group during the current year is HK$1,887,000 (2016: HK$1,884,000). 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, the Vice Chairman and the 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 Chapter 14A 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.

DIRECTORS' REPORT

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. Pursuant to the Rule 14A.56 of the Listing Rules, the auditor has issued a letter to the Board of the Company that nothing has come to their attention that causes them to believe that the continuing connected transactions disclosed by the Group:

(a) has not been approved by the Board;

(b) has not, in all material respects, in accordance with the pricing policies of the Company;

(c) has not entered into, in all material respects, in accordance with the relevant agreement governing such transaction; and

(d) has exceeded the cap.

SHARE OPTION SCHEME

The 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.

No option was granted, exercised, lapsed or cancelled during the year. The Scheme was expired on 18th August, 2016 and there was no outstanding options as at 31st March, 2017.

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, 2017, the Group had no forfeited contributions (2016: Nil) available to offset future employers' contributions to the MPF Scheme.

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

DIRECTORS' REPORT

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

	2017 **HK$**	2016 HK$'000
Gross employer's contributions	**262**	264
Less: Forfeited contributions	**–**	–
Net contributions	**262**	264

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.

PERMITTED INDEMNITY

The Company's Bye-laws provided that the directors for the time being of the Company shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices or trusts, except such (if any) as they shall incur or sustain through their own willful neglect or default, fraud or dishonesty respectively.

The Company has taken out insurance against the liability and costs associated with defending any proceedings which may be brought against directors of the Company.

DIRECTORS' REPORT

EQUITY-LINKED AGREEMENTS

Save for the share option scheme, no equity-linked agreements were entered into by the Company during the year ended 31st March, 2017.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this annual report, at no time during the year was the Company, its parent company, or any of its subsidiaries or fellow subsidiaries a party to any arrangements to enable the directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

AUDITOR

The financial statements for the three years ended 31st March, 2017 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, 16th June, 2017

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

The Company has complied during the year ended 31st March, 2017 with the CG Code save as disclosed below.

Pursuant to code provision A.4.2. of the CG Code, 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.

Code provision E.1.2 of the CG Code stipulates that the Chairman of the Board should attend the annual general meeting. Mr. Lee Lap, the Chairman of the Board, was unable to attend the annual general meeting of the Company held on 9th September, 2016 due to physical discomfort and Mr. Tommy Lee, the Vice-Chairman of the Board, took the chair of the annual general meeting.

Following the passing away of Mr. Siu Lok Chow, Gabriel, an independent non-executive director of the Company, on 6th May, 2016, the Board comprises seven members, including four executive directors, one non-executive director and two independent non-executive directors, with the number of independent non-executive directors falling below the minimum number required under Rule 3.10(1) of the Listing Rules and falling below one-third of the Board as required under Rule 3.10A of the Listing Rules. Besides, the remuneration committee members decreased from three to two, comprising one independent non-executive director and one executive director, which did not fulfill the requirement that a remuneration committee must comprise a majority of independent non-executive directors under Rule 3.25 of the Listing Rules; and the nomination committee members decreased from three to two, comprising one independent non-executive director and one executive director, which did not fulfill the requirement that a nomination committee must comprise a majority of independent non-executive directors under code provision A.5.1. of the CG Code.

CORPORATE GOVERNANCE REPORT

On 4th November, 2016, Mr. Tong Hin Wor, an independent non-executive director of the Company, was appointed as members of remuneration committee and nomination committee of the Company. Following the said appointment, the Company complies with Rule 3.25 of the Listing Rules and code provision A.5.1. of the CG Code.

On 10th November, 2016, Mr. Ching Yu Lung was appointed as an independent non-executive director and a member of audit committee of the Company. Following the said appointment, the number of independent non-executive directors of the Company is three and is not less than one-third of the Board which fulfills the requirements under Rule 3.10(1) and Rule 3.10A of the Listing Rules.

BOARD OF DIRECTORS

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

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

The Board of the Company consists of 4 executive directors, 3 independent non-executive directors and 1 non-executive director. During the year, Mr. Siu Lok Chow, Gabriel, an independent non-executive director passed away on 6th May, 2016 and Mr. Ching Yu Lung, an independent non-executive director of the Company was appointed on 10th November, 2016. The brief biographical details of the existing directors are described on pages 21 and 22 of the Annual Report. Saved as disclosed therein, there are no other business, financial, family and other relevant interests among directors.

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

The independent non-executive directors, all of whom are independent of the management of the Company, are highly experienced professionals coming from a diversified industrial background. 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.

CORPORATE GOVERNANCE REPORT

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, 2017 to 31st December, 2018, which appointment shall terminate on the earlier of (i) 31st December, 2018; 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. Ching Yu Lung, the independent non-executive director, has entered into an appointment letter with the Company for service as an independent non-executive director for a term of 2 years from 10th November, 2016 to 9th November, 2018, which appointment shall terminate on the earlier of (i) 9th November, 2018; 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.

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 attending by the Board during the year ended 31st March, 2017:

– 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, 2017:

Name of directors	Reading regulatory updates/attending in house briefing	Attending expert briefing/seminars/ conference relevant to the business/ directors' duties
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. Ching Yu Lung (appointed on 10th November, 2016)	✓	✓
Mr. Siu Lok Chow, Gabriel (passed away on 6th May, 2016)	N/A	N/A

There were 4 board meetings held in the financial year ended 31st March, 2017. 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

Name of directors	No. of board meeting attended	Attendance rate
Mr. Lee Lap (Chairman)	4/4	100%
Mr. Tommy Lee (Vice Chairman & Chief Executive Officer)	4/4	100%
Mdm. Leung Lai Ping	3/4	75%
Mr. Wong Shiu Kee	4/4	100%
Mr. Lee Ka Sze, Carmelo	3/4	75%
Mr. Lo Yiu Hee	4/4	100%
Mr. Tong Hin Wor	4/4	100%
Mr. Ching Yu Lung (appointed on 10th November, 2016)	3/4	75%
Mr. Siu Lok Chow, Gabriel (passed away on 6th May, 2016)	N/A	N/A

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, 2017.

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 CG Code of the Listing Rules. Other members during the year are Mr. Lee Ka Sze, Carmelo, Mr. Tong Hin Wor, Mr. Ching Yu Lung (appointed on 10th November, 2016) and Mr. Siu Lok Chow, Gabriel (passed away 6th May, 2016).

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, 2017. 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, 2016 and for the six months ended 30th September, 2016;

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

– to review the internal audit report prepared by outsourced professional firm;

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

– to consider and approve the 2016 audit fees.

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

Name of audit committee members	No. of meeting attended	Attendance rate
Mr. Lo Yiu Hee (Chairman)	2/2	100%
Mr. Tong Hin Wor	2/2	100%
Mr. Lee Ka Sze, Carmelo	1/2	50%
Mr. Ching Yu Lung (appointed on 10th November, 2016)	1/2	50%
Mr. Siu Lok Chow, Gabriel (passed away on 6th May, 2016)	N/A	N/A

REMUNERATION COMMITTEE

The remuneration committee, chaired by Mr. Lo Yiu Hee has been established with defined terms of reference. Other members during the year are Mr. Lee Lap, Mr. Tong Hin Wor (appointed on 4th November, 2016) and Mr. Siu Lok Chow, Gabriel (passed away on 6th May, 2016).

CORPORATE GOVERNANCE REPORT

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 and bonus to provide incentives to directors and senior management to improve their individual performances.

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

Set out below is the summary of work done of the remuneration committee during the year under review:

– to review the remuneration policy of the year ended 31st March, 2017;

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

– to review the director fee of new director.

The remuneration committee met once during the financial year ended 31st March, 2017 with the presence of all members of the remuneration committee and also transacted business by a written resolution. The attendance record of each member is shown below:

Name of remuneration committee members	No. of meeting attended	Attendance rate
Mr. Lo Yiu Hee (Chairman)	1/1	100%
Mr. Lee Lap	1/1	100%
Mr. Tong Hin Wor (appointed on 4th November, 2016)	1/1	100%
Mr. Siu Lok Chow, Gabriel (passed away on 6th May, 2016)	N/A	N/A

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 12 to the consolidated financial statements.

CORPORATE GOVERNANCE REPORT

NOMINATION COMMITTEE

The nomination committee, chaired by Mr. Lee Lap has been established with defined terms of reference. Other members during the year are Mr. Lo Yiu Hee, Mr. Tong Hin Wor (appointed on 4th November, 2016) and Mr. Siu Lok Chow, Gabriel (passed away on 6th May, 2016).

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;

– 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; and

– consider other topics as defined by the Board.

The nomination committee met once during the financial year ended 31st March, 2017 with the presence of all members of the nomination committee and transacted business by written resolution to review the structure, size and composition of the Board, to access the independence of independent non-executive directors and to make recommendations on appointment of new director and re-election of retiring directors. The attendance record of each member is shown below:

Name of nomination committee members	No. of board meeting attended	Attendance rate
Mr. Lee Lap (Chairman)	1/1	100%
Mr. Lo Yiu Hee	1/1	100%
Mr. Tong Hin Wor (appointed on 4th November, 2016)	1/1	100%
Mr. Siu Lok Chow, Gabriel (passed away on 6th May, 2016)	N/A	N/A

CORPORATE GOVERNANCE REPORT

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 recognizes 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 difference 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.

AUDITOR'S REMUNERATION

The remuneration in respect of services provided by Deloitte Touche Tohmatsu for the Group for the year ended 31st March, 2017 are analysed as follows:

	31st March, 2017 HK$	31st March, 2016 HK$
Audit service	**1,103,000**	760,000
Non audit service	**207,000**	207,000
	1,310,000	967,000

Note: The remuneration for non audit services mainly includes fee regarding the review of the interim financial report of the Group for the six months ended 30th September, 2016 amounted to HK$207,000 (2016: HK$207,000).

CORPORATE GOVERNANCE REPORT

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 pages 46 to 52.

RISK MANAGEMENT AND 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 Group has complied with code provision C.2 of the CG Code of the Listing Rules by establishing appropriate and effective risk management and internal control systems. The Board is responsible for the design, implementation and monitoring of such systems, and oversees management in performing its duties on an ongoing basis. Main features of the risk management and internal control systems are described in the sections below.

Risk management policy

A sound framework of risk oversight, risk management and internal controls is fundamental to the Group's commitment to good corporate governance. The Group adopts a risk management policy which manages the risk associated with its business and operations.

The management of risk within the Group is recognised as a critical part of its business operations. It underpins reliable financial reporting, compliance with relevant legal and regulatory obligations, efficient and effective business operations.

To manage the risk exposures faced by the Group, the Board recognises the need to identify areas of significant business risk and to develop and implement strategies to investigate these risks as a basis of implementing a formal system of risk management and internal control and compliance.

Risk identification sets out to identify the Company's exposure to uncertainties. Risk types will be categorised as strategic risks, operational risks, reporting risks and compliance risks.

The Group will undertake a formal risk assessment review and to routinely monitor and reassess material risk exposures within the Group.

CORPORATE GOVERNANCE REPORT

Internal control system

The Group has in place an internal control system which enables the Group to achieve objectives regarding effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations. The components of the system are shown as follow:

- *Control Environment*: A set of standards and procedures that provide the basis for carrying out internal control across the Group.

- *Risk Assessment*: A process for identifying and analysing risks to achieve the Group's objectives and for determining how risks should be managed.

- *Control Activities*: Action established by policies and procedures to help ensure that risk mitigation is carried out by management.

- *Information and Communication*: Internal and external communication to provide the Group with the information needed to carry out day-to-day controls.

- *Monitoring*: Ongoing evaluations to ensure each components of internal control is functioning.

Internal audit function

The Group has engaged an external professional firm to perform internal audit ("IA") function, which is consisted of professional staffs with relevant expertise (such as Certified Public Accountant). The IA is independent of the Group's daily operation and carries out assessment of the risk management and internal control systems by conducting interviews, walkthroughs and tests of operating effectiveness.

Based on the analysis of the identified key risks over financial reporting, compliance and operation aspects of the Group, the IA has designed a 3 year IA plan. The IA plan has been approved by the Board. According to the established IA plan, reviews of the risk management and internal control systems are conducted annually and the results are reported to the Board after approval by the Audit Committee.

Based on the internal control reviews conducted in 2017, no significant control deficiency was identified.

During the year, the Board had 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.

CORPORATE GOVERNANCE REPORT

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.

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 chairman 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.

Due to physical discomfort, Mr. Lee Lap, the Chairman of the Board, was unable to attend the annual general meeting of the Company. Mr. Tommy Lee, the vice Chairman of the Board, took the chair of the annual general meeting. At the annual general meeting held on 9th September, 2016, a resolution was proposed by the Chairman of the annual general meeting in respect of each separate issue itemized on the agenda, including re-election of retiring directors. The Chairman of the annual general meeting and members of all committees answered questions from shareholders.

CORPORATE GOVERNANCE REPORT

The Chairman of the annual general meeting 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 9th September, 2016. 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:

Name of directors	General meeting attended	Attendance rate
Mr. Lee Lap (Chairman)	0/1	0%
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. Ching Yu Lung (appointed on 10th November, 2016)	N/A	N/A
Mr. Siu Lok Chow, Gabriel (passed away on 6th May, 2016)	N/A	N/A

The forthcoming 2017 annual general meeting of the Company will be held on 8th September, 2017. A notice convening the 2017 annual general meeting will be published on the website of the Stock Exchange and the Company and will be dispatched together with the 2016/2017 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, 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

CORPORATE GOVERNANCE REPORT

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.

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.

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 and the designed website of the Stock Exchange at 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 SHAREHOLDERS OF
TERMBRAY INDUSTRIES INTERNATIONAL (HOLDINGS) LIMITED
(incorporated in Bermuda with limited liability)

OPINION

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 53 to 111, which comprise the consolidated statement of financial position as at 31st March, 2017, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31st March, 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Valuation of interest in an associate	
We identified the valuation of interest in an associate as a key audit matter due to the significance of the Group's interest in the associate to the consolidated financial statements as a whole. As disclosed in note 18 to the consolidated financial statements, the Company held 30.47% interest in an associate, Petro-king Oilfield Services Limited. The Group's share of losses from the associate for the year ended 31st March, 2017 is HK$135,831,000 and the carrying amount of interest in an associate amounted to HK$115,047,000, which are significant to the Group. As disclosed in note 3 to the consolidated financial statements, an interest 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. As such, the Group's share of results of the associate is highly dependent on the associate's revenue recognised for the year ended 31st December, 2016. We also focused on the associate's working capital sufficiency, goodwill impairment and provision for trade receivables.	Our procedures in relation to the valuation of interest in an associate included: • Involving a component audit team to perform audit of the financial information of the associate for the year ended 31st December, 2016 of the associate; • Discussing with the management of the Group and the component audit team to understand the associate's business performance and significant events for the year to identify and assess risks that are significant to the audit of the Group's consolidated financial statements; • Evaluating the sufficiency and appropriateness of the component audit team's work by reviewing their underlying audit documentation; • Discussing with the component audit team to further understand their work in particular those on the associate's revenue, assessment of working capital sufficiency, goodwill impairment and provision for trade receivables;

INDEPENDENT AUDITOR'S REPORT

Key audit matter	How our audit addressed the key audit matter
Valuation of interest in an associate (continued)	
	• Evaluating the accuracy of financial information of the associate for the year ended 31st December, 2016 used by the management of the Group by comparing them with financial information audited by the component audit team; and • Assessing if there is any adjustment for significant transactions or events that occur between 31st March, 2017, the financial year end of the Group and 31st December, 2016, the financial year end of the associate by enquiring the associate's management, reading public announcements and reviewing the management accounts of the associate.
Valuation of completed properties for sale	
We identified the valuation of completed properties for sale as a key audit matter due to the judgements associated with determining the net realisable value of the completed properties for sale. As disclosed in the consolidated financial statements, the carrying amount of completed properties for sale situated in the People's Republic of China (the "PRC") is approximately HK$79,215,000 as at 31st March, 2017. During the year ended 31st March, 2017, an impairment loss of HK$8,500,000 has been recognised in the consolidated statement of profit or loss and other comprehensive income.	Our procedures in relation to the valuation of completed properties for sale included: • Obtaining an understanding of the management basis and assessment in relation to the net realisable value of the completed properties for sale; • Assessing the appropriateness of the estimated future selling prices of the completed properties for sale, on a sample basis, by comparing them to recent transaction prices of similar properties in the same project or relevant locations, based on our knowledge of the property markets in the PRC; and

INDEPENDENT AUDITOR'S REPORT

Key audit matter	How our audit addressed the key audit matter
Valuation of completed properties for sale (continued)	
As disclosed in note 5 to the consolidated financial statements, the net realisable value of the completed properties for sale is determined by reference to the estimated future selling prices. The future selling prices are estimated by reference to the recent selling prices of similar properties in the same project or relevant locations.	• Assessing the reasonableness of the estimated future selling prices of the completed properties for sale by comparing the estimated future selling prices, on a sample basis, to the actual selling price of properties sold subsequent to the end of the reporting period.
Valuation of leasehold land and buildings and investment property	
We identified the valuation of leasehold land and buildings and investment property as a key audit matter as collectively they represented 52% of the Group's total assets, combined with the judgements associated with determining their fair values. As disclosed in notes 15 and 16 to the consolidated financial statements, the carrying amounts of leasehold land and buildings and investment property situated in Hong Kong are approximately HK$366,000,000 and HK$162,300,000 as at 31st March, 2017 respectively. During the year ended 31st March, 2017, a revaluation gain on leasehold land and buildings of approximately HK$326,966,000 was recognised in the other comprehensive income, and a fair value gain on investment property of approximately HK$18,500,000 was recognised in the profit or loss.	Our procedures in relation to the valuation of leasehold land and buildings and investment property included: • Evaluating the competence, capabilities and objectivity of the Valuer; • Obtaining an understanding of the valuation processes and significant assumptions to assess if these approaches are in compliance with the requirements of HKFRSs and industry norms; • Evaluating the appropriateness of the valuation methods used based on our knowledge of the property markets in Hong Kong; and • Assessing the reasonableness of the key inputs, including unit sale rate by comparing these estimates to entity-specific information and market data based on our knowledge of the property markets.

INDEPENDENT AUDITOR'S REPORT

Key audit matter	How our audit addressed the key audit matter
Valuation of leasehold land and buildings and investment property (continued) As disclosed in note 5 to the consolidated financial statements, the Group's leasehold land and buildings and investment property are stated at fair value based on the valuations performed by an independent qualified professional valuer ("Valuer"). Details of the valuation techniques and key inputs adopted in the valuations are disclosed in notes 15 and 16 to the consolidated financial statements. The valuations have been arrived at using direct comparison method, which are dependent on certain key inputs and assumptions in respect of prevailing market conditions such as unit sale rate.	

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Fung Hin Chiu.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
16th June, 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st March, 2017

	NOTES	2017 HK$'000	2016 HK$'000 (restated)
Revenue	7	**39,496**	12,449
Cost of goods sold and services rendered		**(27,296)**	(5,586)
Gross profit		**12,200**	6,863
Other income	8	**781**	834
Other gains and losses	9	**5,010**	2,742
Administrative expenses		**(12,615)**	(15,288)
Share of result of an associate		**(135,831)**	(118,120)
Impairment loss on interest in an associate		**–**	(272,449)
Loss before taxation		**(130,455)**	(395,418)
Taxation	10	**(1,932)**	(663)
Loss for the year	11	**(132,387)**	(396,081)
Other comprehensive income (expense)			
Item that may not be reclassified to profit or loss:			
Gain on revaluation of leasehold land and buildings		**326,966**	–
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising from translation of foreign operations		**2,140**	1,763
Share of other comprehensive (expense) income of an associate			
– currency translation differences		**(10,537)**	(17,160)
– revaluation loss on an available-for-sale financial asset of an associate		**–**	(1,159)
– reclassification of revaluation reserve to profit or loss		**1,159**	–
Other comprehensive income (expense) for the year		**319,728**	(16,556)
Total comprehensive income (expense) for the year attributable to owners of the Company		**187,341**	(412,637)
		HK cents	HK cents (restated)
Loss per share attributable to owners of the Company	14		
– Basic		**(6.76)**	(20.23)
– Diluted		**(6.76)**	(20.23)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTES	31.3.2017 HK$'000	31.3.2016 HK$'000 (restated)	1.4.2015 HK$'000 (restated)
Non-current assets				
Property, plant and equipment	*15*	**366,592**	40,654	41,691
Investment property	*16*	**162,300**	143,800	133,000
Interest in an associate	*18*	**115,047**	222,614	609,003
Pledged bank deposits	*19 & 24*	**2,000**	2,000	2,000
		645,939	409,068	785,694
Current assets				
Completed properties for sale	*17*	**79,215**	113,328	121,629
Deposits, prepayments and other receivables		**1,851**	1,854	2,283
Bank balances and cash	*19*	**281,659**	302,771	330,334
		362,725	417,953	454,246
Current liabilities				
Other payables and accrued charges		**4,736**	3,948	3,241
Dividend payable		**402**	12,505	12,505
Deposits received		**5,064**	798	721
Amount due to a related company	*20 & 26(b)*	**3,885**	2,553	2,190
Taxation payable		**2,738**	2,720	4,151
		16,825	22,524	22,808
Net current assets		**345,900**	395,429	431,438
Total assets less current liabilities		**991,839**	804,497	1,217,132
Non-current liabilities				
Deferred tax liabilities	*21*	**237**	236	234
Net assets		**991,602**	804,261	1,216,898

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTE	**31.3.2017** **HK$'000**	31.3.2016 HK$'000 (restated)	1.4.2015 HK$'000 (restated)
Capital and reserves				
Share capital	*22*	**156,611**	156,611	156,611
Reserves		**834,574**	647,233	1,059,870
Equity attributable to owners of the Company		**991,185**	803,844	1,216,481
Non-controlling interests		**417**	417	417
Total equity		**991,602**	804,261	1,216,898

The consolidated financial statements on pages 53 to 111 were approved and authorised for issue by the board of directors on 16th June, 2017 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, 2017

	Attributable to owners of the Company								
	Share capital HK$'000	Share premium HK$'000	Translation reserve HK$'000	Other reserve (Note) HK$'000	Property revaluation reserve HK$'000	Retained profits HK$'000 (restated)	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1st April, 2015	156,611	404,370	29,969	–	–	521,704	1,112,654	417	1,113,071
Effect of changes in accounting policies	–	–	–	–	–	103,827	103,827	–	103,827
At 1st April, 2015 (restated)	156,611	404,370	29,969	–	–	625,531	1,216,481	417	1,216,898
Loss for the year (restated)	–	–	–	–	–	(396,081)	(396,081)	–	(396,081)
Exchange differences arising from translation of foreign operations	–	–	1,763	–	–	–	1,763	–	1,763
Share of other comprehensive expense of an associate									
– currency translation differences	–	–	(17,160)	–	–	–	(17,160)	–	(17,160)
– revaluation loss on an available-for-sale financial asset of an associate	–	–	–	(1,159)	–	–	(1,159)	–	(1,159)
Total comprehensive expense for the year	–	–	(15,397)	(1,159)	–	(396,081)	(412,637)	–	(412,637)
At 31st March, 2016 (restated)	156,611	404,370	14,572	(1,159)	–	229,450	803,844	417	804,261
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(132,387)**	**(132,387)**	**–**	**(132,387)**
Exchange differences arising from translation of foreign operations	**–**	**–**	**2,140**	**–**	**–**	**–**	**2,140**	**–**	**2,140**
Gain on revaluation of leasehold land and buildings (note 15)	**–**	**–**	**–**	**–**	**326,966**	**–**	**326,966**	**–**	**326,966**
Share of other comprehensive expense of an associate									
– currency translation differences	**–**	**–**	**(10,537)**	**–**	**–**	**–**	**(10,537)**	**–**	**(10,537)**
– reclassification of revaluation reserve to profit or loss	**–**	**–**	**–**	**1,159**	**–**	**–**	**1,159**	**–**	**1,159**
Total comprehensive (expense) income for the year	**–**	**–**	**(8,397)**	**1,159**	**326,966**	**(132,387)**	**187,341**	**–**	**187,341**
At 31st March, 2017	**156,611**	**404,370**	**6,175**	**–**	**326,966**	**97,063**	**991,185**	**417**	**991,602**

Note: As at 31st March, 2016, the other reserve of the Group represented the change in fair value of the available-for-sale financial asset of an associate recognised in an associate's other comprehensive income.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st March, 2017

	2017 HK$'000	2016 HK$'000 (restated)
Operating activities		
Loss before taxation	**(130,455)**	(395,418)
Adjustments for:		
Depreciation of property, plant and equipment	**1,028**	1,037
Share of result of an associate	**135,831**	118,120
Impairment loss on interest in an associate	**–**	272,449
Impairment loss on completed properties for sale	**8,500**	–
Fair value gain on investment property	**(18,500)**	(10,800)
Interest income	**(667)**	(735)
Net exchange losses	**13,490**	8,058
Operating cash flows before movements in working capital	**9,227**	(7,289)
Decrease in completed properties for sale	**16,172**	2,744
Decrease in deposits, prepayments and other receivables	**3**	429
Increase in other payables and accrued charges	**788**	707
Increase in deposits received	**4,266**	77
Increase in amount due to a related company	**1,332**	363
Cash from (used in) operations	**31,788**	(2,969)
Income taxes paid	**(1,931)**	(2,247)
Income tax refunded	**18**	155
Net cash from (used in) operating activities	**29,875**	(5,061)
Investing activities		
Interest received	**667**	735
Subscription of shares of an associate	**(37,642)**	(22,499)
Net cash used in investing activities	**(36,975)**	(21,764)
Cash used in financing activity		
Dividend paid	**(12,103)**	–
Net decrease in cash and cash equivalents	**(19,203)**	(26,825)
Cash and cash equivalents at beginning of the year	**302,771**	330,334
Effect of foreign exchange rate changes	**(1,909)**	(738)
Cash and cash equivalents at end of the year, represented by bank balances and cash	**281,659**	302,771

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2017

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 Lee & Leung Family Investment 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 also the functional currency of the Company.

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

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to 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 2012 – 2014 Cycle
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements

The application of the amendments to 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2017

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

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014 – 2016 Cycle[3]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 7	Disclosure Initiative[5]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[5]
Amendments to HKAS 40	Transfers of Investment Property[1]

[1] Effective for annual periods beginning on or after 1st January, 2018
[2] Effective for annual periods beginning on or after 1st January, 2019
[3] Effective for annual periods beginning on or after 1st January, 2017 or 1st January, 2018, as appropriate
[4] Effective for annual periods beginning on or after a date to be determined
[5] Effective for annual periods beginning on or after 1st January, 2017

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31st March, 2017

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

HKFRS 15 *Revenue from Contracts with Customers*

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when control of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have an impact on the amounts reported as the timing of revenue recognition may be affected/and the amounts of revenue recognised are subject to variable consideration constraints, and more disclosures relating to revenue is required. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Company performs a detailed review.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2017

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

HKFRS 16 *Leases*

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Leases* and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31st March, 2017, the Group has non-cancellable operating lease commitments of HK$365,000 as disclosed in note 23. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors of the Company complete a detailed review.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2017

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

HKFRS 16 *Leases* (continued)

Except as described above, the directors of the Company do not anticipate that the application of the other new and amendments to HKFRSs will have a material effect on the Group's financial performance and position for the current and prior years and on the disclosures set out in the consolidated financial statements.

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 ("Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for leasehold land and buildings and investment property at the end of the reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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 *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, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

The principal accounting policies are set out below.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

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.

Interest 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 interest 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 that 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 interest in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the interest 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Interest in an associate (continued)

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's interest in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 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.

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.

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 is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

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 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, 2017

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.

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.

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 statement of financial position at cost or revalued amount less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost or valuation of assets 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.

If an item of property, plant and equipment has changed its accounting policy from cost model to revaluation model, any difference between the carrying amount and the revalued amount of that item at the date of change is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

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 measured at its fair value. The Group's property interest held under operating leases to earn rentals or for capital appreciation purposes is classified and accounted for as investment property and is measured using the fair value model. Gain or loss arising from change in the fair value of investment property are included in profit or loss for the period in which they arise.

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 disposals. 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 the profit or loss in the period in which the property is derecognised.

Completed properties for sale

Completed 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. Net realisable value is determined by reference to estimated selling price less selling expenses.

Impairment 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment on tangible assets (continued)

Recoverable amount is the higher of fair value less costs of disposal 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 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.

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. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group’s financial assets are classified 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

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 debt instrument, 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 loans and receivables below).

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of loans and receivables (continued)

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.

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 an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

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.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

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 have 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

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 year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity 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.

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 'loss 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.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases 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 deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and an 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 rates (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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2017

4. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES

The Group has accounted for leasehold land and buildings, and investment property using the cost model in previous years. In order to more accurately reflect the value of leasehold land and buildings, and investment property held by the Group and provide more relevant information to the users of the financial statements of the Group, the directors of the Company have approved changes in the accounting policies of the Group for the leasehold land and buildings from cost model to revaluation model, and investment property from cost model to fair value model, with effect from 31st March, 2017. The Group has adopted the change in accounting policy of leasehold land and buildings prospectively, and the change in accounting policy of investment property retrospectively, accordingly.

The effects of the changes in the Group's accounting policies described above on the results for the current and preceding years by line items presented in the consolidated statement of profit or loss and other comprehensive income are as follows:

	2017 **HK$'000**	2016 HK$'000
Impact on profit or loss for the year		
Decrease in administrative expenses	**333**	333
Increase in other gains and losses	**18,500**	10,800
Net decrease in loss for the year attributable to owners of the Company	**18,833**	11,133
Impact on other comprehensive income for the year		
Increase in gain on revaluation of leasehold land and buildings	**326,966**	–
Net increase in total comprehensive income attributable to owners of the Company	**345,799**	11,133

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2017

4. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES (continued)

The effects of the changes in accounting policies described above on the financial positions of the Group as at the end of the immediately preceding financial year, 31st March, 2016, are as follows:

	31.3.2016 HK$'000 (originally stated)	Adjustments arising from changes in the accounting policies HK$'000	31.3.2016 HK$'000 (restated)
Investment property	28,840	114,960	143,800
Total effects on net assets	28,840	114,960	143,800
Retained profits	(114,490)	(114,960)	(229,450)
Total effect on equity	(114,490)	(114,960)	(229,450)

	1.4.2015 HK$'000 (originally stated)	Adjustments arising from changes in the accounting policies HK$'000	1.4.2015 HK$'000 (restated)
Investment property	29,173	103,827	133,000
Total effects on net assets	29,173	103,827	133,000
Retained profits	(521,704)	(103,827)	(625,531)
Total effect on equity	(521,704)	(103,827)	(625,531)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2017

4. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES (continued)

Impact on basic and diluted loss per share

	2017 **HK$'000**	2016 HK$'000
Basic and diluted loss per share before adjustments	**(7.72)**	(20.80)
Adjustments arising from changes in accounting policies	**0.96**	0.57
Reported basic and diluted loss per share	**(6.76)**	(20.23)

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2017

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Fair value of leasehold land and buildings, and investment property

Leasehold land and buildings, and investment property are carried in the consolidated statement of financial position at 31st March, 2017 at their fair values, details of which are disclosed in notes 15 and 16, respectively. The fair values of the leasehold land and buildings, and investment property were determined by reference to valuations conducted on these properties by an independent qualified professional valuer using property valuation techniques which involve certain assumptions of prevailing market conditions. Favourable or unfavourable changes to these assumptions may result in changes in the fair values of the Group's leasehold land and buildings, and investment property and corresponding adjustments to the changes in fair value recognised in the other comprehensive income and profit or loss respectively. The carrying amount of the Group's leasehold land and buildings at 31st March, 2017 is approximately HK$366,000,000 (2016: at a cost model of HK$39,549,000). The carrying amount of the Group's investment property at 31st March, 2017 is approximately HK$162,300,000 (2016: HK$143,800,000).

Impairment of interest in an associate

The management of the Group carries out review on impairment on the interest in an associate whenever events or changes in circumstances indicate that its carrying amount may not be recoverable by comparing its recoverable amount (higher of the value in use and fair value less cost of disposal) with its carrying amount.

In determining whether the interest in an associate is impaired, it requires an estimation of its recoverable amount, which represents higher of the value in use and fair value less cost of disposal (market value). For the value in use, it requires the Group to estimate the future cash flows expected to arise from the operations of the investment and from the ultimate disposal, and a discount rate (that reflects the current market assessments of the time value of money and the risks specific to the associate) in order to calculate the present value. The market value of interest in an associate is determined based on the closing price as at the end of the reporting period. Where the recoverable amount of the Group's interest in an associate is less than the carrying amount, an impairment loss may arise.

During the year ended 31st March, 2016, the management concluded that there was impairment loss on interest in an associate of approximately HK$272,449,000 (note 18) as the recoverable amount of the interest in an associate which represented the fair value less cost of disposal was lower than the carrying amount.

As at 31st March, 2017, as the carrying amount of the associate is lower than the market capitalisation with reference to the quoted market price of the shares of the associate as at 31st March, 2017. the directors of the Company believe no impairment on the carrying amount of the interest in an associate is necessary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2017

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Impairment of completed properties for sale

The Group's completed properties for sale in the PRC, details of which are set out in the consolidated statement of financial position and note 17, are stated at lower of the cost and net realisable value. The net realisable value of the completed properties for sale is determined by reference to the estimated future selling prices. In case the future selling prices, less all direct selling expenses, are less than their current carrying values, the Group will recognise losses. The future selling prices are estimated by reference to the recent selling prices of similar properties in the same project or relevant locations. The management also estimated the future selling expenses by reference to the actual selling expenses, adjusted by certain current market data. The Group has recognised an impairment loss amounting to HK$8,500,000 during the year ended 31st March, 2017 (2016: Nil). Where there is any decrease in the estimated selling price arising from any changes to the property market conditions in the PRC, a further loss will be recognised on the completed properties for sale in the consolidated statement of profit or loss and other comprehensive income. The carrying amount of completed properties for sale of the Group as at 31st March, 2017 is HK$79,215,000 (2016: HK$113,328,000).

6. 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 balances. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2017

7. REVENUE AND SEGMENT INFORMATION

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

	2017 **HK$'000**	2016 HK$'000
Sales of properties	**34,195**	6,916
Rental income	**5,301**	5,533
	39,496	12,449

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 properties leasing and sales of properties.

Segment revenue and results

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

	2017 **HK$'000**	2016 HK$'000 (restated)
Revenue from property investment and development segment	**39,496**	12,449
Segment profit from property investment and development segment	**17,364**	10,081
Unallocated other income	**573**	687
Unallocated other gains and losses	**(2,586)**	(1,796)
Unallocated expenses	**(11,907)**	(14,484)
Share of result of an associate	**(135,831)**	(118,120)
Impairment loss on interest in an associate	**–**	(272,449)
Loss for the year	**(132,387)**	(396,081)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2017

7. REVENUE AND SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit earned by 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 impairment loss on 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.

Other segment information

For the year ended 31st March, 2017

	Property investment and development HK$'000	**Unallocated HK$'000**	**Total HK$'000**
Amounts included in the measure of segment profit:			
Depreciation	**64**	**964**	**1,028**
Interest income	**119**	**548**	**667**
Taxation charge	**1,932**	**–**	**1,932**

For the year ended 31st March, 2016

	Property investment and development HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment profit (restated):			
Depreciation	74	963	1,037
Interest income	73	662	735
Taxation charge	663	–	663

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2017

7. 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 external customers is presented based on the location where the goods are delivered and services are rendered. Information about the Group's non-current assets is presented based on geographical location of the assets.

	Revenue from external customers		Non-current assets	
	2017	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000 (restated)
Hong Kong	**1,887**	1,884	**528,892**	184,448
The PRC	**37,609**	10,565	**–**	6
Unallocated[1]	**–**	–	**115,047**	222,614
	39,496	12,449	**643,939**	407,068

Note: Non-current assets excluded pledged bank deposits.

1 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 18.

Information about major customers

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

	2017	2016
	HK$'000	HK$'000
Customer A[1]	**1,887**	1,884
Customer B[2]	**1,163**	1,720
Customer C[2]	**911**	1,677

1 Revenue from property leasing
2 Revenue from sales of properties

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2017

7. REVENUE AND SEGMENT INFORMATION (continued)

Segment assets and liabilities

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

8. OTHER INCOME

	2017 **HK$'000**	2016 HK$'000
Interest income from bank balances	**667**	735
Sundry income	**114**	99
	781	834

9. OTHER GAINS AND LOSSES

	2017 **HK$'000**	2016 HK$'000 (restated)
Net exchange losses	**(13,490)**	(8,058)
Fair value gain on investment property	**18,500**	10,800
	5,010	2,742

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2017

10. TAXATION

	2017 HK$'000	2016 HK$'000
Current tax:		
Hong Kong Profits Tax	**280**	228
PRC Enterprise Income Tax	**969**	433
	1,249	661
PRC Land Appreciation Tax ("LAT")	**682**	–
Deferred tax (note 21)	**1**	2
	1,932	663

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

The Group has estimated the tax provision for PRC LAT according to the requirements set forth in the relevant PRC tax laws and regulations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2017

10. TAXATION (continued)

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

	2017 **HK$'000**	2016 HK$'000 (restated)
Loss before taxation	**(130,455)**	(395,418)
Tax at the applicable income tax rate of 16.5% (2016: 16.5%)	**(21,525)**	(65,244)
Tax effect of expenses not deductible for tax purpose	**3,914**	48,310
Tax effect of income not taxable for tax purpose	**(3,183)**	(1,896)
Tax effect of share of result of an associate	**22,290**	19,490
Tax effect of tax losses not recognised	**459**	340
PRC LAT	**682**	–
Tax effect of PRC LAT	**(171)**	–
Others	**(534)**	(337)
Tax charge for the year	**1,932**	663

Details of the deferred tax are set out in note 21.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2017

11. LOSS FOR THE YEAR

	2017	2016
	HK$'000	HK$'000
		(restated)
Loss for the year has been arrived at after charging (crediting):		
Auditor's remuneration		
– current year	**1,087**	893
– underprovision in prior years	**223**	74
Cost of inventories recognised as expense	**16,172**	2,744
Impairment loss on completed properties for sale (included in the cost of goods sold)	**8,500**	–
Depreciation of property, plant and equipment	**1,028**	1,037
Staff costs including directors' emoluments other than benefits-in-kind (Note)	**8,096**	7,993
Operating lease rentals in respect of land and buildings	**531**	561
Gross rental income from investment property	**(1,887)**	(1,884)
Less: direct operating expense incurred for investment property that generated rental income during the year	**452**	483
	(1,435)	(1,401)

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 12.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31st March, 2017

12. EMOLUMENTS OF DIRECTORS, CHIEF EXECUTIVE AND SENIOR EMPLOYEES

(a) Directors' and chief executive's emoluments

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and Companies Ordinance, is as follows:

	Year ended 31st March, 2017			
	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	–	3,300
Mr. Wong Shiu Kee	–	1,500	75	1,575
Mr. Tommy Lee	–	240	12	252
Independent non-executive directors				
Mr. Lo Yiu Hee	120	–	–	120
Mr. Tong Hin Wor	120	–	–	120
Mr. Ching Yu Lung	60	–	–	60
Mr. Siu Lok Chow (Note)	–	–	–	–
Non-executive director				
Mr. Lee Ka Sze, Carmelo	120	–	–	120
	420	8,840	87	9,347

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2017

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

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

	Year ended 31st March, 2016			
	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	–	3,300
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 (Note)	100	–	–	100
Non-executive director				
Mr. Lee Ka Sze, Carmelo	100	–	–	100
	400	8,840	87	9,327

Note: Passed away on 6th May, 2016.

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group. The independent non-executive directors' emoluments and non-executive director's emoluments shown above were mainly for their services as directors of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2017

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

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

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 (2016: 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 emoluments were paid as an inducement to join or upon joining the Group or as compensation for loss of office. Neither the chief executive nor any of the directors waived any emoluments in both years.

(b) Senior employees' emoluments

Of the five individuals with the highest emoluments in the Group, four (2016: four) are directors of the Company, whose emoluments have been included in (a) above.

The emoluments of the remaining one (2016: one) individual, whose emoluments are individually below HK$1,000,000, were as follows:

	2017 **HK$'000**	2016 HK$'000
Salaries and other benefits	**351**	351
Contributions to retirement benefit schemes	**18**	18
	369	369

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2017

13. DIVIDEND

Subsequent to the end of the reporting period, the directors of the Company proposed a special interim dividend in respect of the financial year ending 31st March, 2018, satisfied by distribution in specie (the "Distribution") of approximately 30.47% of the issued capital of its associate, Petro-king Oilfield Services Limited ("Petro-king"), to the Company's shareholders. The Distribution was approved at the Company's board meeting held on 16th June, 2017. The Company's liabilities for the Distribution on the date of settlement of the Distribution will be recognised at the fair value of the Petro-king shares, which will be equal to the quoted market value of the Petro-king shares. Following completion of the Distribution, Petro-king will no longer be accounted for as an associate in the consolidated financial statements.

14. LOSS PER SHARE

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

	2017 **HK$'000**	2016 HK$'000 (restated)
Loss for the year attributable to owners of the Company for the purposes of basic and diluted loss per share	**(132,387)**	(396,081)

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

The computation of the diluted loss per share for the current and prior year does not assume the exercise of the associate's share options and convertible bonds, because this would result in a decrease in the loss per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31st March, 2017

15. 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
COST					
At 1st April, 2015 and 31st March, 2016	45,149	6,250	9,984	5,900	67,283
Surplus on revaluation (Note)	306,331	8,270	–	–	314,601
At 31st March, 2017	**351,480**	**14,520**	**9,984**	**5,900**	**381,884**
DEPRECIATION					
At 1st April, 2015	8,511	2,824	9,151	5,106	25,592
Provided for the year	373	142	296	226	1,037
At 31st March, 2016	8,884	2,966	9,447	5,332	26,629
Provided for the year	373	142	287	226	1,028
Elimination on revaluation (Note)	(9,257)	(3,108)	–	–	(12,365)
At 31st March, 2017	**–**	**–**	**9,734**	**5,558**	**15,292**
CARRYING VALUES					
At 31st March, 2017					
– at revalued amount	**351,480**	**14,520**	**–**	**–**	**366,000**
– at cost model	**–**	**–**	**250**	**342**	**592**
	351,480	**14,520**	**250**	**342**	**366,592**
At 31st March, 2016 (at cost model)	36,265	3,284	537	568	40,654

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2017

15. 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 leasehold land and buildings are in Hong Kong and used as accommodation to certain directors of the Company.

Note:

In order to more accurately reflect the value of the leasehold land and buildings held by the Group, the leasehold land and buildings were revalued on 31st March, 2017.

The Group's leasehold land and buildings were valued on 31st March, 2017 by Vigers Appraisal & Consulting Ltd ("Vigers"), independent valuers not related to the Group.

In determining the fair value of relevant properties, it is the Group's policy to engage an independent qualified professional valuer to perform the valuations. The management works closely with the valuer to establish the appropriate valuation techniques and inputs to the model.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

The fair value of the leasehold land and buildings was determined based on the direct comparison method by reference to market evidence of transaction prices for similar properties in the same locations and conditions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2017

15. PROPERTY, PLANT AND EQUIPMENT (continued)

Note: (continued)

The following table gives information about how the fair values of these leasehold land and buildings are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Leasehold land and buildings held by the Group in the consolidated statement of financial position	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Leasehold land and buildings in Hong Kong	Level 3	Direct comparison method The key input is (1) Unit sale rate	Unit sale rate, taking into account the time, location, and individual factors, such as frontage and size, between the comparable and the property, ranging from HK$22,400 to HK$71,000 per square feet on gross floor area basis for properties.	An increase in the unit sale rate used would result in an increase in the fair value measurement of the leasehold land and buildings by the same percentage increase, and vice versa.

The fair value of the leasehold land and buildings at 31st March, 2017 was measured using valuation techniques with significant unobservable inputs and hence was classified as Level 3 of the fair value hierarchy.

During the year ended 31st March, 2017, the resulting surplus arising on revaluation of HK$326,966,000 has been credited to property revaluation reserve.

If the leasehold land and buildings had not been revalued, they would have been included in these consolidated financial statements at historical cost less accumulated depreciation of HK$39,034,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2017

16. INVESTMENT PROPERTY

	HK$'000 (restated)
FAIR VALUE	
At 1st April, 2015	133,000
Gain on change in fair value	10,800
At 31st March, 2016	143,800
Gain on change in fair value	18,500
At 31st March, 2017	**162,300**

The Group's property interest held under operating leases to earn rentals is measured using the fair value model and is classified and accounted for as investment property.

In estimating the fair value of investment property, it is the Group's policy to engage an independent qualified professional valuer to perform the valuations. The management works closely with the valuer to establish the appropriate valuation techniques and inputs to the model.

On 31st March, 2017 and 2016, independent valuations were undertaken by Vigers Appraisal & Consulting Ltd. ("Vigers"), an independent qualified professional valuer not connected to the Group which has appropriate professional qualifications and recent experience in the valuations of similar properties in the relevant locations.

The valuations have been arrived at using direct comparison method by reference to market evidence of transaction prices for similar properties in the same locations and conditions.

In estimating the fair value of the property, the highest and best use of the property is its current use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2017

16. INVESTMENT PROPERTY (continued)

The following table gives information about how the fair value of the investment property is determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Investment property held by the Group in the consolidated statement of financial position	**Fair value hierarchy**	**Valuation technique(s) and key input(s)**	**Significant unobservable input(s)**	**Relationship of unobservable inputs to fair value**
Investment property in Hong Kong	Level 3	Direct comparison method		
		The key input is		
		(1) Unit sale rate	Unit sale rate, taking into account the time, location, and individual factors, such as frontage and size, between the comparable and the property, of HK$45,150 (2016: HK$40,000) per square feet on gross floor area basis for the property.	An increase in the unit sale rate used would result in an increase in the fair value measurement of the investment property by the same percentage increase, and vice versa.

The fair value of the investment property at 31st March, 2017 and 2016 were measured using valuation techniques with significant unobservable inputs and hence were classified as Level 3 of the fair value hierarchy. There were no transfer into or out of Level 3 during the year.

17. COMPLETED PROPERTIES FOR SALE

The completed properties for sale are stated at the lower of cost and net realisable value. For the year ended 31st March, 2017, HK$8,500,000 of completed properties for sale was impaired to reflect the decrease in net realisable value of certain completed properties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2017

18. INTEREST IN AN ASSOCIATE

	2017	2016
	HK$'000	HK$'000
Cost of investment in an associate listed in Hong Kong	**368,847**	331,205
Share of post-acquisition profit and other comprehensive income and effect on deemed disposal of interest in an associate, net of dividend received	**18,649**	163,858
Impairment loss recognised	**(272,449)**	(272,449)
	115,047	222,614
Market value of interest in an associate	**236,781**	222,614

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, 2016 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, 2017.

Included in the cost of investment in an associate is goodwill of HK$167,088,000 (2016: HK$167,088,000) 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.

On 24th September, 2015, the Group entered into the subscription agreements with the associate for subscription of approximately 28,480,000 new shares for a consideration of approximately HK$22,499,000. The subscription was completed on 30th December, 2015.

On 10th June, 2016, the Group entered into the subscription agreements with the associate for subscription of approximately 121,426,000 new shares for a consideration of approximately HK$37,642,000. The subscription was completed on 8th July, 2016.

As at 31st March, 2017 and 2016, the Group's shareholding in the associate remains at 30.47% as these subscriptions are in proportion to the total shares held by the shareholders.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2017

18. INTEREST IN AN ASSOCIATE (continued)

Impairment assessment

As at 31st March, 2016, the management reviewed the recoverable amount of the interest in an associate after taking into account of (i) the sluggish global oil and gas market that caused further decline in oilfield service orders of the associate for the year ended 31st December, 2015; (ii) the weak international oil price which led to stringent capital expenditure and cost cutting plans for most of the associate's customers; (iii) the estimated limits on business growth of the associate in 2016 brought about by the continuing effects of a bearish market on crude oil price; and (iv) the continuing downward trend of the associate's share price. The directors of the Company estimated that there was a significant decline in the present value of the estimated future cash flow comprising expected dividend income from the associate and expected ultimate disposal, which was lower than the fair value less cost of disposal. Based on the assessment, the recoverable amount of the Group's interest in an associate was determined based on the fair value less cost of disposal, which was lower than the carrying amount and an impairment loss of HK$272,449,000 was recognised during the year ended 31st March, 2016.

As at 31st March, 2017, as the carrying amount of the interest in an associate is lower than the market capitalisation with reference to the quoted market price of the associate as at 31st March, 2017, the directors of the Company believe no impairment on the carrying amount of the interest in an associate is necessary.

As at 31st March, 2017 and 2016, the Group had interest in the following associate:

Name of entity	Form of equity	Country of incorporation	Proportion of ownership interest held by the Group		Proportion of voting power held by the Group		Principal activity
			31.3.2017	31.3.2016	**31.3.2017**	31.3.2016	
Petro-king Oilfield Services Limited	Incorporated	British Virgin Islands	**30.47%**	30.47%	**30.47%**	30.47%	Manufacturing and sales of tools and equipment and provision for oilfield consultancy service

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2017

18. INTEREST IN AN ASSOCIATE (continued)

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 audited 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

	31.12.2016	31.12.2015
	HK$'000	HK$'000
Current assets	**743,509**	1,002,814
Non-current assets (excluding goodwill)	**502,720**	1,020,426
Current liabilities	**302,438**	735,223
Non-current liabilities	**184,390**	185,992

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2017

18. INTEREST IN AN ASSOCIATE (continued)

Summarised financial information of material associate (continued)

	Year ended 31.12.2016 HK$'000	Year ended 31.12.2015 HK$'000
Revenue	**392,442**	631,014
Loss for the year	**(445,347)**	(391,759)
Other comprehensive (expense) income for the year		
– currency translation differences	**(34,581)**	(57,702)
– reclassification of revaluation reserve to profit or loss	**3,803**	–
– revaluation loss on an available-for-sale financial asset	**–**	(3,803)
Total comprehensive expense for the year	**(476,125)**	(453,264)
Attributable to:		
Owners of the associate	**(474,131)**	(444,464)
Non-controlling interests of the associate	**(1,994)**	(8,800)
	(476,125)	(453,264)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2017

18. INTEREST IN AN ASSOCIATE (continued)

Summarised financial information of material associate (continued)

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

	31.12.2016	31.12.2015
	HK$'000	HK$'000
Net assets of an associate	**759,401**	1,102,025
Less: Non-controlling interests	**(2,840)**	(2,011)
Less: Reserves not attributable to the Group	**(43,567)**	(33,995)
Equity attributable to shareholders of the Group as at 31st December	**712,994**	1,066,019
Proportion of the Group's ownership interest in an associate	**30.47%**	30.47%
Goodwill	**167,088**	167,088
Other adjustments	**3,159**	3,159
Impairment loss on investment in an associate	**(272,449)**	(272,449)
Carrying amount of the Group's interest in an associate	**115,047**	222,614

19. 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% (2016: 0.01% to 0.26%) per annum.

Details of the pledged bank deposits are set out in note 24.

20. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2017

21. DEFERRED TAX LIABILITIES

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

	Accelerated tax depreciation HK$'000
At 1st April, 2015	234
Credit to profit or loss	2
At 31st March, 2016	236
Charge to profit or loss	1
At 31st March, 2017	**237**

At the end of the reporting period, the Group has unused tax losses of HK$83,390,000 (2016: HK$80,607,000) available for offset against future profit.

No deferred tax asset had been recognised in respect of the unused tax losses as at 31st March, 2017 and 2016 due to the unpredictability of future profit streams. The unrecognised tax losses may be carried forward indefinitely.

22. SHARE CAPITAL

	2017 & 2016	
	Number of shares '000	Nominal value HK$'000
Ordinary shares of HK$0.08 each		
Authorised	**2,800,000**	**224,000**
Issued and fully paid	**1,957,643**	**156,611**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2017

23. OPERATING LEASE COMMITMENTS

The Group as lessor

At the end of the reporting period, the Group's investment property and certain properties held for sale with carrying amounts of HK$162,300,000 (2016: HK$143,800,000 as restated) and HK$25,760,000 (2016: HK$34,198,000) respectively were let out under operating leases. The directors of the Company considered that properties held for sale disclosed above are remained as properties held for sale by taking into accounts of the fact the Group has put selling effort to sell the said properties and actual sales were incurred during the year. The Group has engaged certain property agents to search potential buyers, set up a sales office to support the sales activities and there are advertisements to boost the sales. Moreover, the properties held for sale let out are under short term leases in order to allow the flexibility to control the number of residential units available for sale. The management has been actively marketing these properties held for sale at a price that is reasonable to its current fair value. All of the properties leased out have committed tenants for the next three years (2016: one year).

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

	2017 **HK$'000**	2016 HK$'000
Within one year	**2,457**	2,640
In the second to fifth years inclusive	**3,830**	–
	6,287	2,640

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:

	2017 **HK$'000**	2016 HK$'000
Within one year	**365**	365

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 (2016: one year), and the Group does not have an option to extend the lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2017

24. PLEDGE OF ASSETS

As at 31st March, 2017, bank deposits of HK$2,000,000 (2016: HK$2,000,000) were pledged to the banks as security in respect of mortgage loans granted to property purchasers by banks.

25. 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 expense recognised in profit or loss of HK$262,000 (2016: HK$264,000) represents contributions payable to these schemes by the Group in respect of the year.

26. 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 of Panda Investment during the year at the agreed rental of HK$486,000 (2016: HK$486,000) per annum. Panda Investment is a wholly owned subsidiary of Lee & Leung Family Investment Limited, the ultimate parent of the Company.

(b) At 31st March, 2017, the Group had an amount of approximately HK$3,885,000 (2016: HK$2,553,000) 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, 2014 to 15th March, 2017 at monthly rental of HK$157,000 (exclusive of rates, management fee and utility charges) and from 16th March, 2017 to 15th March, 2020 at monthly rental of HK$163,000 (exclusive of rates, management fee and utility charges). The rental income recognised during the year is HK$1,887,000 (2016: HK$1,884,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2017

26. RELATED PARTY TRANSACTIONS (continued)

(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$9,347,000 (2016: HK$9,327,000), details of which are set out in note 12(a).

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

27. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2017 **HK$'000**	2016 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**283,697**	304,812
Financial liabilities		
Liabilities at amortised cost	**5,024**	2,963

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2017

27. FINANCIAL INSTRUMENTS (continued)

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

(i) Market risk (continued)

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**	
	2017	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000
Group				
HK$	**10,582**	10,581	**–**	–
United States dollar ("USD")	**322**	322	**–**	–
Intra-group balances				
HK$	**127,392**	126,375	**322,243**	321,373

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2017

27. 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 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$ 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 a decrease in the loss of HK$9,213,000 (2016: HK$9,221,000) for the year.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2017

27. 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.

The management reviews the recoverable amount of each receivable at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management considers that the Group's credit risk is significantly reduced.

The Group has concentration of credit risk as 71% (2016: 80%) 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 pledged of deposits of HK$2,000,000 to banks in respect of mortgage loans granted to property purchasers. The pledge 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2017

27. FINANCIAL INSTRUMENTS (continued)

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

(iii) Liquidity risk management

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

The following table details the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities and the earliest date on which the Group can be required to pay.

	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
2017						
Other payables	**752**	**–**	**387**	**–**	**1,139**	**1,139**
Dividend payable	**402**	**–**	**–**	**–**	**402**	**402**
Amount due to a related company	**3,885**	**–**	**–**	**–**	**3,885**	**3,885**
Rental deposits received	**4,411**	**64**	**116**	**473**	**5,064**	**5,064**
	9,450	**64**	**503**	**473**	**10,490**	**10,490**

	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
2016						
Other payables	–	–	410	–	410	410
Dividend payable	12,505	–	–	–	12,505	12,505
Amount due to a related company	2,553	–	–	–	2,553	2,553
Rental deposits received	205	33	239	321	798	798
	15,263	33	649	321	16,266	16,266

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2017

27. FINANCIAL INSTRUMENTS (continued)

(c) Fair value of financial instruments

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

28. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The following list contains only the particulars of the principal subsidiaries at 31st March, 2017 and 2016 which principally affect the results, assets or liabilities of the Group as the directors of the Company 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, 2017 and 2016 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
Direct subsidiary:				
Termbray Electronics (B.V.I.) Limited (i)	British Virgin Islands	100 ordinary shares of US$1 each	100%	Investment holding
Indirect subsidiaries:				
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2017

28. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

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
Indirect subsidiaries: (continued)				
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2017

29. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2017 HK$'000	2016 HK$'000
Non-current assets		
Investments in subsidiaries (Note)	**971,606**	1,128,362
Current assets		
Bank balances and cash	**1,660**	14,471
Other current assets	**168**	168
	1,828	14,639
Current liabilities		
Dividend payable	**402**	12,505
Amount due to a subsidiary	**1,662**	–
Other current liabilities	**1,410**	997
	3,474	13,502
Net current assets	**(1,646)**	1,137
Net assets	**969,960**	1,129,499
Capital and reserves		
Share capital	**156,611**	156,611
Reserves	**813,349**	972,888
Total equity	**969,960**	1,129,499

Note: The Company's balance of investments in subsidiaries represents its investment cost and the deemed investments arising from the waiver of amounts due from subsidiaries pursuant to the relevant written statements made by the Company on 1st April, 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2017

29. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (continued)

Movement in the Company's reserves

	Share premium HK$'000	Retained profits HK$'000	Contributed surplus HK$'000	Total HK$'000
At 1st April, 2015	404,370	441,995	191,810	1,038,175
Loss for the year and total comprehensive expense for the year	–	(65,287)	–	(65,287)
At 31st March, 2016	404,370	376,708	191,810	972,888
Loss for the year and total comprehensive expense for the year	–	(159,539)	–	(159,539)
At 31st March, 2017	**404,370**	**217,169**	**191,810**	**813,349**

30. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, the directors of the Company proposed a special interim dividend in respect of the financial year ending 31st March, 2018, by way of a Distribution. Details of the special interim dividend are set out in note 13.

LIST OF MAJOR PROPERTIES

PROPERTIES FOR SALE

Property location	Use	Approximate gross floor area Sq.m.	Group's Attribution interest %
90-124 An Lan Road, Zhongshan,	Commercial and car park	15,152	100
Guangdong Province	Residential	15,473	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,				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(restated)	(restated)	(restated)	(restated)
Revenue	**39,496**	12,449	6,941	6,351	8,464
(Loss) profit before taxation	**(130,455)**	(395,418)	(139,130)	39,086	256,491
Taxation	**(1,932)**	(663)	(85)	(1,603)	(364)
(Loss) profit for the year attributable to owners of the Company	**(132,387)**	(396,081)	(139,215)	37,483	256,127

FIVE YEAR FINANCIAL SUMMARY

CONSOLIDATED ASSETS AND LIABILITIES

	As at 31st March,				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000 (restated)	HK$'000 (restated)	HK$'000 (restated)	HK$'000 (restated)
Non-current assets					
Property, plant and equipment	**366,592**	40,654	41,691	42,995	44,435
Investment property	**162,300**	143,800	133,000	123,000	129,400
Investment in an associate	**115,047**	222,614	609,003	727,785	659,262
Pledged bank deposits	**2,000**	2,000	2,000	2,000	2,000
Current assets	**362,725**	417,953	454,246	479,237	490,535
TOTAL ASSETS	**1,008,664**	827,021	1,239,940	1,375,017	1,325,632
CURRENT LIABILITIES	**(16,825)**	(22,524)	(22,808)	(22,771)	(22,601)
NON-CURRENT LIABILITIES	**(237)**	(236)	(234)	(1,144)	(1,063)
NET ASSETS	**991,602**	804,261	1,216,898	1,351,102	1,301,968
Equity attributable to equity holders of the Company	**991,185**	803,844	1,216,481	1,350,685	1,301,551
Non-controlling interests	**417**	417	417	417	417
TOTAL EQUITY	**991,602**	804,261	1,216,898	1,351,102	1,301,968

PER SHARE DATA

	Year ended 31st March,				
	2017	2016	2015	2014	2013
	HK cents	HK cents (restated)	HK cents (restated)	HK cents (restated)	HK cents (restated)
Basic (loss) earrings per share	**(6.76)**	(20.23)	(7.11)	1.91	13.08
Dividends per share					
Interim dividend	**–**	–	–	–	–
Final dividend	**–**	–	–	–	–
Net asset value per share	**50.65**	41.08	62.16	69.02	66.51

Note: The financial information for each of the four years ended 31st March, 2016 were restated due to the Group changed its accounting policy to account for investment property from cost model to fair value model.