Termbray Industries
International (Holdings) Limited
Stock Code: 0093

ANNUAL REPORT
2018/2019

ANNUAL REPORT
2018/2019

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

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. Ching Yu Lung
Mr. Lee Ka Sze, Carmelo

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 31 March 2019. The Group recorded a loss for the year of HK$19,880,000 compared with a profit for the year of HK$83,193,000 recorded in last year.

DIVIDEND

No interim dividend was paid by the Company for the six months ended 30 September 2018 (2017: Nil).

The board of directors (the "Board") does not recommend the payment of a final dividend for the year ended 31 March 2019 (2018: Nil).

On 16 June 2017, the Board approved a special interim dividend by way of distribution in specie of all shares of the Company's associate, Petro-king Oilfield Services Limited ("Petro-king"), held by the Group on the basis of 268 shares of Petro-king for every 1,000 shares of the Company held (the "Distribution in Specie"). The Company distributed a special interim dividend of 524,648,320 shares of Petro-king with a carrying amount of HK$170,511,000 to its shareholders on 14 July 2017.

CLOSURE OF REGISTER OF MEMBERS

The forthcoming annual general meeting of the Company ("2019 AGM") is scheduled to be held on Friday, 13 September 2019. For determining the entitlement to attend and vote at the 2019 AGM, the register of members of the Company will be closed from Monday, 9 September 2019 to Friday, 13 September 2019 (both days inclusive), during which no transfer of shares will be effected. In order to qualify for attendance of 2019 AGM, all completed transfer forms accompanied with the relevant share certificates must be lodged with the Company's share registrar, Tricor Standard Limited, not later than 4:30 p.m. on Friday, 6 September 2019. The address of Tricor Standard Limited is currently at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong. With effect from 11 July 2019, Tricor Standard Limited will change its address to Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

REVIEW OF OPERATIONS

Property investment and Development

The operating environment for the Group's property investment and development business remains stable during the year under review.

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.

CHAIRMAN'S STATEMENT

Due to the construction of Shenzhen-Zhongshan sea-crossing bridge connecting the cities of Shenzhen and Zhongshan, the sales of residential properties in Zhongshan market is bloomed. The sale activities of the Group's property project in Zhongshan is active during the year. Facing the overheated environment of the property market in the People's Republic of China ("PRC"), the Central government has laid down a series of regulations and rules to restrict the selling price of residential properties and the qualifications of buyers to purchase residential properties. In Zhongshan, all sale and purchase agreements entered into during the year under review have to be approved by the relevant government authorities before they can be registered in the government's property sale system. During the year under review, the Group have entered into 34 sale and purchase agreements, and out of which, 28 sale transactions are approved and registered in the government's property sale system. The Group has recognized the sale of 28 residential units during the year under review (year ended 31/3/2018: 44 units). 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 decreased by approximately 48% from that of last corresponding year. As at 31 March 2019, 66 residential units remained to be sold, out of which 25 residential units were let out.

Oilfield engineering and consultancy services

On 16 June 2017, the Board approved a special interim dividend by way of Distribution in Specie of all the shares of the Company's associate, Petro-king. The share certificates for the Petro-king shares distributed under the Distribution in Specie were despatched on 14 July 2017 to the qualifying shareholders.

The Petro-king Group shares were distributed at its market value at the date of completion of the Distribution in Specie. Accordingly, there was a gain on assets distributed to shareholders of the Company of approximately HK$64 million recorded in the consolidated financial statements of the Company for the year ended 31 March 2018.

As no fraction of a Petro-king share had been distributed under the Distribution in Specie, fractional entitlements to the Petro-king shares of 1,532,015 shares was held by the Company as investments held for trading recorded in the financial statements of the Company as at 31 March 2018. The relevant Petro-king shares was reclassified as financial assets at fair value through profit or loss ("FVTPL") in the financial statements of the Company as at 31 March 2019.

Money lending

On 1 August 2018, the Group acquired 100% shareholdings in X8 Finance Limited ("X8 Finance") at its net asset value of HK$193,443 from Mr. Lee Lap, a director of the Company and settlor of the Lee & Leung Family Trust. X8 Finance holds a money lending license in Hong Kong but not yet commence any business.

After acquisition, X8 Finance has commenced the property mortgage money lending business in Hong Kong during the year under review. The management will cautiously carry out the money lending business aiming at earning steady interest income to the Group.

CHAIRMAN'S STATEMENT

OUTLOOK

China and United States ("US") 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 and the trade conflicts between China and US, have an unpredictable impact on the 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 economy. 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.

The Group will cautiously operate its property investment and development business and money lending business aiming at earning steady interest income to the Group. The Group will continue to explore investment opportunities which will result in a steady growth in the Group's long term performance. On the other hand, there exists some underlying risk factors such as oil and commodity price volatility, interest rate movements, the recovery progress of the global economy and natural disasters which cannot be ignored. The Group remains cautiously optimistic about the year ahead in respect of its business and has the confidence to strengthen its competitiveness and to build value for our shareholders.

Lee Lap
Chairman

Hong Kong, 14 June 2019

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

During the current year under review, the Group achieved a revenue of HK$30,594,000 and recorded a loss for the year of HK$19,880,000, compared with a revenue of HK$34,089,000 and profit for the year of HK$83,193,000 recorded in last year.

The loss for the current year ended 31 March 2019 as opposed to profit for the corresponding year ended 31 March 2018 is primarily due to:

(a) non-recurring items recorded for the year ended 31 March 2018 as follows:

(i) the recognition of a fair value gain of approximately HK$24.7 million on an investment property;

(ii) the recognition of a gain of approximately HK$64 million on assets distributed to the shareholders of the Company resulting from Distribution in Specie; and

(b) the recognition of foreign exchange loss arising from the devaluation of the Renminbi currency by approximately 6.5% for the year ended 31 March 2019.

REVENUE

(i) Disaggregation of revenue from contracts with customers

	2019 **HK$'000**	2018 HK$'000
Sales of properties in the PRC (note)	**24,673**	29,413
Rental income (under HKAS 17)	**4,199**	4,676
Interest income from money lending business (under HKFRS 9)	**1,722**	–
	30,594	34,089
Timing of revenue recognition (for sale of properties)		
A point in time	**24,673**	29,413

Note:

Sales of properties

Revenue from sales of properties is recognised at a point in time. Details of which are set out in note 3 to the consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

(ii) Transaction price allocated to the remaining performance obligation for contracts with customers

All sales of properties are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING SEGMENTS

Services from which operating and reportable segments derive their revenues

The Group's operating and reportable segments are as follows:

Property development and investment	–	Property development for sale of properties in the PRC and property investment for letting of properties in Hong Kong and the PRC
Money lending	–	Provide mortgage loan financing to customers

The Group has commenced the property mortgage money lending business in Hong Kong during the year ended 31 March 2019.

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

For the year ended 31 March 2019

	Property development and investment HK$'000	Money lending HK$'000	Consolidated HK$'000
REVENUE	28,872	1,722	30,594
RESULT			
Segment results	7,242	454	7,696
Unallocated other income			873
Unallocated other gain and loss			(3,247)
Unallocated expenses			(16,830)
Loss before taxation			(11,508)

MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended 31 March 2018

	Property development and investment HK$'000
REVENUE	34,089
RESULT	
Segment results	57,029
Unallocated other income	524
Unallocated other gains and losses	4,485
Unallocated expenses	(16,472)
Gain on assets distributed to shareholders	63,866
Share of results of an associate	(17,524)
Profit before taxation	91,908

MANAGEMENT DISCUSSION AND ANALYSIS

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

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3 to the consolidated financial statements. Segment results represents the profit before tax earned by each segment without allocation of unallocated other income, unallocated other gains and losses, unallocated expenses, gain on assets distributed to shareholders and share of results of an associate. This is the measure reported to the chief operating decision maker of the Group for the purposes of resource allocation and performance assessment.

Geographical information

The Group's operations are located in Hong Kong and the PRC.

The Group's revenue from external customers is presented based on location where the goods are delivered and services are rendered:

	Revenue from external customers	
	2019	2018
	HK$'000	HK$'000
Hong Kong	**3,678**	1,956
The PRC	**26,916**	32,133
	30,594	34,089

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

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 31/3/2019 HK$'000	Year ended 31/3/2018 HK$'000
Operating result for calculation of ROCE		
(Loss) profit before taxation	**(11,508)**	91,908
Add: interest expense, depreciation and amortization charges	**5,801**	5,584
Less: Gain on assets distributed to shareholders*	**–**	(63,866)
	(5,707)	33,626
Capital employed		
Equities	**943,909**	956,990
Add: non-current debt financing	**–**	-
	943,909	956,990
Average capital employed		
(Opening capital employed + closing capital employed)/ 2	**950,450**	974,088
Consolidated ROCE%	**-0.60%**	3.45%

* Non-recurring item

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

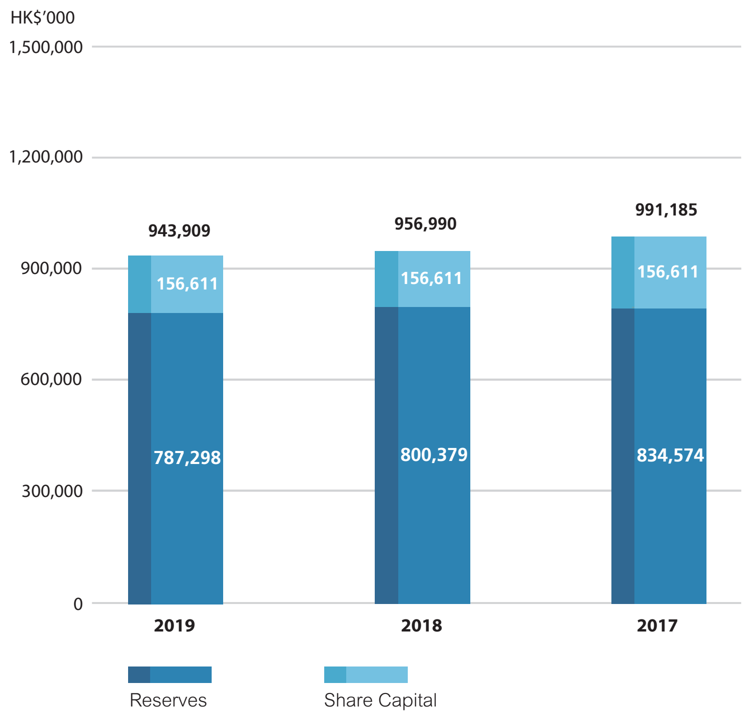
As at 31 March 2019, the Group remains cash-rich and no material capital expenditure commitments. The operations are financed by capital and reserves.

Bank balances and cash amounted to approximately HK$262 million and accounted for approximately 76% 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 arranged for hedging purposes in respect of interest rate and currency.

CAPITAL STRUCTURE

As at 31 March 2019, the Group's operations were financed by capital and reserves.



ORDER BOOK

Due to its business nature, the Group has no order book at 31 March 2019. The Group has no new product and services to be introduced to the market except for the commencement of property mortgage money lending business in Hong Kong during the year under review.

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 meet its immediate and long term goals.

The aggregate sales attributable to the Group's largest customer and five largest customers accounted for approximately 9.54% and 26.70% 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 transactions disclosed in page 26 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 31 March 2019, there was no significant dispute between the Group and its suppliers and/or customers.

MANAGEMENT DISCUSSION AND ANALYSIS

RELATIONSHIP WITH STAFF 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 31 March 2019, 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 Board of the Company present their annual report together with the audited consolidated financial statements of the Group for the year ended 31 March 2019.

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 and property mortgage money lending business in Hong Kong.

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 15 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 31(b) to the consolidated financial statements on pages 117 to 123. 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 31 March 2019 and the state of affairs of the Group as at that date are set out in the consolidated financial statements on pages 48 to 128.

DIVIDEND

No interim dividend was paid by the Company for the six months ended 30 September 2018 (2017: Nil).

The Board does not recommend the payment of a final dividend for the year ended 31 March 2019 (2018: Nil).

On 16 June 2017, the Board of the Company approved a special interim dividend by way of Distribution in Specie of all shares of the Company's associate, Petro-king. Out of the total of 526,180,335 shares of Petro-king held by the Group, a total of 524,648,320 shares of Petro-king had been distributed, and the remaining 1,532,015 undistributed shares of Petro-king had been recognised as held-for-trading investments in the consolidated financial statements. The gain amounting to approximately HK$63,866,000 was determined with reference, amongst others, to the market price per share of Petro-king on 14 July 2017, being the date of the distribution, and the carrying value of the Group's interest in Petro-king as an associate.

DIRECTORS' REPORT

CLOSURE OF REGISTER OF MEMBERS

The 2019 AGM is scheduled to be held on Friday, 13 September 2019. For determining the entitlement to attend and vote at the 2019 AGM, the register of members of the Company will be closed from Monday, 9 September 2019 to Friday, 13 September 2019 (both days inclusive), during which no transfer of shares will be effected. In order to qualify for attendance of 2019 AGM, all completed transfer forms accompanied with the relevant share certificates must be lodged with the Company's share registrar, Tricor Standard Limited, not later than 4:30 p.m. on Friday, 6 September 2019. The address of Tricor Standard Limited is currently at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong. With effect from 11 July 2019, Tricor Standard Limited will change its address to Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 25 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

Details of the movements in the property, plant and equipment and investment property of the Group during the year are set out in note 16 and note 17 to the consolidated financial statements respectively.

MAJOR PROPERTIES

Particulars of the Group's major completed properties for sale are set out on page 129.

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 51.

DONATIONS

During the year, the Group had not made any charitable and other donations (2018: Nil).

FIVE YEAR FINANCIAL SUMMARY

A five year financial summary of the Group is set out on pages 130 to 132.

DIRECTORS' REPORT

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31 March 2019 were as follows:

	HK$'000
Contributed surplus	191,810
Retained profits	195,556
	387,366

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 realisable 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

DIRECTORS' REPORT

Non-Executive Director

Mr. Lee Ka Sze, Carmelo

Mr. Tommy Lee, Mr. Tong Hin Wor and Mr. Lee Ka Sze, Carmelo, 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). 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 1 January 2019 to 31 December 2020, which appointment shall terminate on the earlier of (i) 31 December 2020; 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 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 from 10 November 2018 to 31 December 2020, which appointment shall terminate on the earlier of (i) 31 December 2020; 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.

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 76, 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 42, is the Vice Chairman and Chief Executive Officer of the Company since 2008 and 2010 respectively. He is the son of Mr. Lee Lap and Mdm. Leung Lai Ping. He studied Economics in the Seneca College in Canada. Mr. Lee had been the Vice President of a private company which is principally engaged in the manufacture and sale of printed circuit board and he was responsible for the overall management and strategic planning of the private company. He is a non-executive director of Petro-king, 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 70, 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 55, 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 61, was appointed as 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 74, was appointed as 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 which is listed on the Stock Exchange.

Mr. Ching Yu Lung, aged 49, was appointed as 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 26 years of experience in auditing, corporate finance and accounting. Mr. Ching is currently the chief financial officer of a listed company on the Stock Exchange. 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, Ngai Hing Hong Company Limited and Hopewell Highway Infrastructure Limited which are listed on the Stock Exchange.

Non-Executive Director

Mr. Lee Ka Sze, Carmelo, aged 59, has been an independent non-executive director of the Company from March 1997 to September 2004. On 30 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 CSPC Pharmaceutical Group Limited and Safety Godown Company, Limited, and an independent non-executive director of Esprit Holdings Limited, KWG Group Holdings Limited and China Pacific Insurance (Group) Co.,Ltd., all of which are companies whose shares are listed on the Stock Exchange. Mr. Lee was appointed as Convenor cum member of the Financial Reporting Review Panel for a term of 3 years from 16 July 2016 to 15 July 2019. Mr. Lee was appointed as Chairman of the Appeal Tribunal Panel (Section 45 of the Building Ordinance (Cap. 123)) for a period of 3 years from 1 December 2018 to 30 November 2021 and a member of the InnoHK Steering Committee for a period of 2 years from 4 February 2019 to 3 February 2021. Mr. Lee was a member of SFC (HKEC Listing) Committee until 31 March 2018. Mr. Lee resigned as a non-executive director of Yugang International Limited (listed on the Stock Exchange) and Hopewell Holdings Limited (listed on the Stock Exchange until 3 May 2019) with effect from 30 April 2019 and 3 May 2019 respectively.

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 13 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 31 March 2019 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 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 31 March 2019, 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.

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' REPORT

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 30 to the consolidated 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 Transactions".

On 1 August 2018, the Group acquired 100% of the issued share capital of X8 Finance Limited ("X8") at a cash consideration of HK$193,443, from a related company in which a director, Mr. Lee Lap, has beneficial interest. X8 holds a license for money lending business in Hong Kong. At the date of acquisition, X8 had not yet commenced any business. After acquisition, X8 has commenced the property mortgage money lending business in Hong Kong. Details of which are described in note 29 to the consolidated financial statements.

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' 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 and Mr. Tommy Lee is interested in companies engaged in money lending business in Hong Kong ("Competing businesses").

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

MANAGEMENT CONTRACTS

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

DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDERS

The person (other than the directors as disclosed in the "Directors' interest in Shares and Options") interested in 5% or more of the issued share capital of the Company as at 31 March 2019 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%
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 31 March 2019.

DIRECTORS' REPORT

CONNECTED TRANSACTIONS

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

On 20 February 2017, 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 16 March 2017 to 15 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 31 January 2017 issued by Vigers Appraisal & Consulting Limited.

The rental income earned by the Group during the current year is HK$1,956,000 (2018: HK$1,956,000). 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 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;

(ii) on normal commercial terms; and

(iii) in accordance with the relevant agreement governing it on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transaction in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Review of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. 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.

On 1 August 2018, the Group acquired 100% of the issued share capital of X8 Finance Limited ("X8") at a cash consideration of HK$193,443, from a related company in which a director, Mr. Lee Lap, has beneficial interest. X8 holds a license for money lending business in Hong Kong. At the date of acquisition, X8 had not yet commenced any business. After acquisition, X8 has commenced the property mortgage money lending business in Hong Kong.

DIRECTORS' REPORT

PROVIDENT FUND SCHEME

The Group has a mandatory provident fund scheme ("MPF Scheme") managed by a banking group. All staff employed in Hong Kong joined the MPF Scheme. The MPF Scheme is a defined contribution scheme and the assets of which are held separately from those of the Group in independently administered funds. Both of the employer and the employee are required to make mandatory contributions to the MPF Scheme calculated at 5% of the employee's monthly relevant income, subject to the rules and regulations of the Mandatory Provident Fund Schemes Ordinance. As at 31 March 2019, the Group had no forfeited contributions (2018: Nil) available to offset future employers' contributions to the MPF Scheme.

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

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

	2019	2018
	HK$'000	HK$'000
Gross employer's contributions	**291**	277
Less: Forfeited contributions	**–**	–
Net contributions	**291**	277

PUBLIC FLOAT

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

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

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

PRE-EMPTIVE RIGHTS

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

DIRECTORS' REPORT

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.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into by the Company during the year ended 31 March 2019.

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 31 March 2019 were audited by Messrs. Deloitte Touche Tohmatsu.

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

By order of the Board
Termbray Industries International (Holdings) Limited

Lee Lap
Chairman
Hong Kong,14 June 2019

CORPORATE GOVERNANCE REPORT

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

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

The Company has complied with the Code during the year ended 31 March 2019 save as disclosed below.

Pursuant to code provision A.4.2. of the 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.

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. The brief biographical details of the existing directors are described on pages 20 to 21 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.

CORPORATE GOVERNANCE REPORT

The independent non-executive directors, all of whom are independent of the management of the Company, are highly experienced professionals coming from a diversified industrial background. They ensure that the Board maintains high standards of financial and other mandatory reporting as well as providing adequate check and balance to safeguard the interest of shareholders and the Company as a whole.

Mr. Lo Yiu Hee and Mr. Tong Hin Wor, the independent non-executive directors, and Mr. Lee Ka Sze, Carmelo, the non-executive director, 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 1 January 2019 to 31 December 2020, which appointment shall terminate on the earlier of (i) 31 December 2020; 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 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 from 10 November 2018 to 31 December 2020, which appointment shall terminate on the earlier of (i) 31 December 2020; 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 31 March 2019:

– 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 31 March 2019:

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. Lo Yiu Hee	✓	✓
Mr. Tong Hin Wor	✓	
Mr. Ching Yu Lung	✓	✓
Mr. Lee Ka Sze, Carmelo	✓	✓

There were 4 board meetings held in the financial year ended 31 March 2019. 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)	3/4	75%
Mr. Tommy Lee (Vice Chairman & Chief Executive Officer)	4/4	100%
Mdm. Leung Lai Ping	2/4	50%
Mr. Wong Shiu Kee	4/4	100%
Mr. Lo Yiu Hee	4/4	100%
Mr. Tong Hin Wor	4/4	100%
Mr. Ching Yu Lung	3/4	75%
Mr. Lee Ka Sze, Carmelo	3/4	75%

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 31 March 2019.

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.

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE

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

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 31 March 2019. 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 31 March 2018 and for the six months ended 30 September 2018;

– 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 2018 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. Ching Yu Lung	2/2	100%
Mr. Lee Ka Sze, Carmelo	1/2	50%

CORPORATE GOVERNANCE REPORT

REMUNERATION COMMITTEE

The remuneration committee, chaired by Mr. Lo Yiu Hee has been established with defined terms of reference. Other members are Mr. Lee Lap and Mr. Tong Hin Wor.

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 31 March 2019; and

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

The remuneration committee met once during the financial year ended 31 March 2019 with the presence of all members of the remuneration committee. 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	1/1	100%

The Board considers that only the four executive directors are regarded as members of the senior management. Particulars regarding director's remuneration and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in note 13 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 are Mr. Lo Yiu Hee and Mr. Tong Hin Wor.

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 2 times during the financial year ended 31 March 2019 with the presence of all members of the nomination committee to review the structure, size and composition of the Board, to access the independence of independent non-executive directors and to make recommendations on re-election of retiring directors. The attendance record of each member is shown below:

Name of nomination committee members	No. of meeting attended	Attendance rate
Mr. Lee Lap (Chairman)	2/2	100%
Mr. Lo Yiu Hee	2/2	100%
Mr. Tong Hin Wor	2/2	100%

The Board has also adopted a nomination policy (the "Nomination Policy") which sets out the selection criteria and procedure of appointing and re-appointing a Director. The selection criteria used in assessing the suitability of a candidate include, inter alia, such candidate's academic background and professional qualifications, relevant experience in the industry, character and integrity etc.

CORPORATE GOVERNANCE REPORT

Pursuant to the Nomination Policy, the nomination committee reviews the structure, size and composition of the Board periodically and make recommendation on any proposed changes to the Board to complement the Company's corporate strategy. When it is necessary to fill a casual vacancy or appoint an additional director, the nomination committee identifies or selects candidates as recommended to the committee pursuant to the criteria set out in the Nomination Policy. Based upon the recommendation of the nomination committee, the Board deliberates and decides on the appointment. In addition, every director shall be subject to retirement by rotation or re-election at least once every three years and shall be eligible for re-election at each annual general meeting. The nomination committee shall review the overall contribution and service to the Company, expertise and professional qualifications of the retiring directors, who offered himself/herself for re-election at the annual general meeting, to determine whether such director continues to meet the criteria as set out in the Nomination Policy.

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 measureable 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 measureable objects, if appropriate.

DIVIDEND POLICY

The Board has adopted a dividend policy (the "Dividend Policy") which does not have any pre-determined dividend payout ratio. In considering dividend payment, the Board will take into account factors such as depending on results of operations, working capital, financial position, future prospects, and capital requirements, as well as any other factors which the directors of the Company may consider relevant from time to time. The Board will review the Dividend Policy from time to time and the Dividend Policy does not constitute any commitment or obligation of the Company to declare dividends.

CORPORATE GOVERNANCE REPORT

AUDITOR'S REMUNERATION

The remuneration in respect of services provided by Deloitte Touche Tohmatsu for the Group for the year ended 31 March 2019 are analysed as follows:

	31 March 2019 HK$	31 March 2018 HK$
Audit service	**1,121,000**	850,000
Non audit service	**232,000**	209,000
	1,353,000	1,059,000

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 30 September 2018 amounted to HK$232,000 (2018: HK$209,000).

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 42 to 47.

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 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 control 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.

CORPORATE GOVERNANCE REPORT

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.

Internal control system

The Company has in place an internal 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 analyzing 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.

CORPORATE GOVERNANCE REPORT

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 2019, 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.

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.

CORPORATE GOVERNANCE REPORT

At the annual general meeting held on 14 September 2018, separate resolution was proposed in respect of each separate issue itemized on the agenda, including re-election of retiring directors. The Chairman of the Board and members of all committees answered questions from shareholders.

The Chairman of the 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 14 September 2018. 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)	1/1	100%
Mr. Tommy Lee (Vice Chairman & Chief Executive Officer)	1/1	100%
Mdm. Leung Lai Ping	0/1	0%
Mr. Wong Shiu Kee	1/1	100%
Mr. Lo Yiu Hee	1/1	100%
Mr. Tong Hin Wor	1/1	100%
Mr. Ching Yu Lung	1/1	100%
Mr. Lee Ka Sze, Carmelo	0/1	0%

The forthcoming 2019 annual general meeting of the Company will be held on 13 September 2019. A notice convening the 2019 annual general meeting will be published on the website of the Stock Exchange and the Company and will be dispatched together with the 2018/2019 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.

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 48 to 128, which comprise the consolidated statement of financial position as at 31 March 2019, 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 31 March 2019, 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 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$60,523,000 as at 31 March 2019. As disclosed in note 4 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.	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 • 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.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
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 61% of the Group's total assets, combined with the judgements associated with determining their fair values. As disclosed in notes 16 and 17 to the consolidated financial statements, the carrying amounts of leasehold land and buildings and investment property situated in Hong Kong are approximately HK$409,000,000 and HK$187,000,000 as at 31 March 2019 respectively. During the year ended 31 March 2019, a revaluation gain on leasehold land and buildings of approximately HK$5,711,000 was recognised in the other comprehensive income whereas no revaluation gain or loss was recognised on investment property. As disclosed in note 4 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 used in the valuations are disclosed in notes 16 and 17 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.	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

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.

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.

INDEPENDENT AUDITOR'S REPORT

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.

- 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.

INDEPENDENT AUDITOR'S REPORT

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

- 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
14 June 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2019

	NOTE	**2019** **HK$'000**	2018 HK$'000
Revenue	*6*		
Sales of properties		**24,673**	29,413
Rental income		**4,199**	4,676
Interest income from money lending		**1,722**	–
Total revenue		**30,594**	34,089
Cost of goods sold and services rendered		**(9,857)**	(13,263)
Gross profit		**20,737**	20,826
Other income	*8*	**1,368**	792
Other gains and losses	*9*	**(14,796)**	40,828
Administrative expenses		**(18,817)**	(16,880)
Gain on assets distributed to shareholders	*10*	**–**	63,866
Share of result of an associate		**–**	(17,524)
(Loss) profit before taxation		**(11,508)**	91,908
Taxation	*11*	**(8,372)**	(8,715)
(Loss) profit for the year	*12*	**(19,880)**	83,193
Other comprehensive income (expense)			
Item that will not be reclassified to profit or loss:			
Gain on revaluation of leasehold land and buildings		**5,711**	48,106
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**1,088**	(2,819)
Share of other comprehensive income of an associate – currency translation differences		**–**	5,798
Reserves released on assets distributed to shareholders		**–**	2,038
Other comprehensive income for the year		**6,799**	53,123
Total comprehensive (expense) income for the year attributable to owners of the Company		**(13,081)**	136,316
Dividend	*14*	**–**	170,511
		HK cents	HK cents
(Loss) earnings per share attributable to owners of the Company	*15*		
Basic		**(1.02)**	4.25
Diluted		**N/A**	4.25

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2019

	NOTE	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment	16	409,278	409,114
Investment property	17	187,000	187,000
Loan receivables	19	22,892	-
Pledged bank deposits	21 & 27	2,000	2,000
Deferred tax assets	24	2,600	2,716
		623,770	600,830
Current assets			
Completed properties for sale	18	60,523	73,442
Loan receivables	19	21,612	–
Deposits, prepayments and other receivables		2,190	1,882
Held-for-trading investment	20	-	720
Financial assets at fair value through profit or loss ("FVTPL")	20	374	–
Bank balances and cash	21	262,015	302,325
		346,714	378,369
Current liabilities			
Other payables and accrued charges		4,357	4,462
Contract liabilities	22	1,650	–
Deposit received	22	488	4,152
Amount due to a related company	23 & 30(b)	2,099	1,700
Taxation payable		17,326	11,240
		25,920	21,554
Net current assets		320,794	356,815
Total assets less current liabilities		944,564	957,645
Non-current liability			
Deferred tax liabilities	24	238	238
Net assets		944,326	957,407

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2019

	NOTE	2019 HK$'000	2018 HK$'000
Capital and reserves			
Share capital	25	**156,611**	156,611
Reserves		**787,298**	800,379
Equity attributable to owners of the Company		**943,909**	956,990
Non-controlling interests		**417**	417
Total equity		**944,326**	957,407

The consolidated financial statements on pages 48 to 128 were approved and authorised for issue by the board of directors on 14 June 2019 and are signed on its behalf by:

Lee Lap
Director

Wong Shiu Kee
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2019

	Attributable to owners of the Company							
	Share capital HK$'000	Share premium HK$'000	Translation reserve HK$'000	Property revaluation reserve HK$'000	Retained profits (accumulated losses) HK$'000	Subtotal HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 April 2017	156,611	404,370	6,175	326,966	97,063	991,185	417	991,602
Profit for the year	–	–	–	–	83,193	83,193	–	83,193
Exchange differences arising on translation of foreign operations	–	–	(2,819)	–	–	(2,819)	–	(2,819)
Gain on revaluation of leasehold land and buildings (note 16)	–	–	–	48,106	–	48,106	–	48,106
Share of other comprehensive income of an associate – currency translation differences	–	–	5,798	–	–	5,798	–	5,798
Reserves released on assets distributed to shareholders	–	–	2,038	–	–	2,038	–	2,038
Total comprehensive income for the year	–	–	5,017	48,106	83,193	136,316	–	136,316
Dividend paid (note 14)	–	–	–	–	(170,511)	(170,511)	–	(170,511)
At 31 March 2018	156,611	404,370	11,192	375,072	9,745	956,990	417	957,407
Loss for the year	**–**	**–**	**–**	**–**	**(19,880)**	**(19,880)**	**–**	**(19,880)**
Exchange differences arising on translation of foreign operations	**–**	**–**	**1,088**	**–**	**–**	**1,088**	**–**	**1,088**
Gain on revaluation of leasehold land and buildings (note 16)	**–**	**–**	**–**	**5,711**	**–**	**5,711**	**–**	**5,711**
Total comprehensive income (expense) for the year	**–**	**–**	**1,088**	**5,711**	**(19,880)**	**(13,081)**	**–**	**(13,081)**
At 31 March 2019	**156,611**	**404,370**	**12,280**	**380,783**	**(10,135)**	**943,909**	**417**	**944,326**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2019

	2019 HK$'000	2018 HK$'000
Operating activities		
(Loss) profit before taxation	(11,508)	91,908
Adjustments for:		
Depreciation of property, plant and equipment	5,801	5,584
Share of result of an associate	-	17,524
Fair value gain on investment property	-	(24,700)
Fair value loss (gain) on held-for-trading investment	353	(222)
Gain on assets distributed to shareholders	-	(63,866)
Interest income	(784)	(725)
Unrealised net exchange losses (gains)	14,443	(15,906)
Operating cash flows before movements in working capital	8,305	9,597
Decrease in completed properties for sale	6,719	10,842
Increase in loan receivables	(44,504)	–
Increase in deposits, prepayments and other receivables	(229)	(31)
Decrease in other payables and accrued charges	(121)	(676)
Decrease in deposits received	(3,664)	(912)
Increase (decrease) in amount due to a related company	399	(2,185)
Increase in contract liabilities	1,650	–
Cash (used in) generated from operations	(31,445)	16,635
Income taxes paid	(2,345)	(2,754)
Income tax refunded	–	15
Net cash (used in) from operating activities	(33,790)	13,896
Investing activities		
Interest received	784	725
Purchase of financial assets at FVTPL	(7)	–
Net cash outflow from acquisition of assets through acquisition of subsidiary (note 29)	(159)	–
Purchase of property, plant and equipment	(158)	–
Net cash from investing activities	460	725

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2019

	2019 HK$'000	2018 HK$'000
Cash used in financing activity		
Transaction cost on assets distributed to shareholders	–	(1,784)
Net (decrease) increase in cash and cash equivalents	**(33,330)**	12,837
Cash and cash equivalents at beginning of the year	**302,325**	281,659
Effect of foreign exchange rate changes	**(6,980)**	7,829
Cash and cash equivalents at end of the year, represented by bank balances and cash	**262,015**	302,325

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

1. GENERAL

Termbray Industries International (Holdings) Limited (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.

Termbray Industries International (Holdings) Limited and its subsidiaries (collectively referred to as the "Group") is principally engaged in property investment and development. During the year ended 31 March 2019, the Group has commenced the money lending business of providing mortgaged loans in Hong Kong.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

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

New and amendments to HKFRSs that are mandatorily effective for the current year

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

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

Except as described below, the application of the new and 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 31 March 2019

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

New and amendments to HKFRSs that are mandatorily effective for the current year (continued)

2.1 HKFRS 15 *Revenue from Contracts with Customers*

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 April 2018. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 April 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 *Revenue* and the related interpretations.

The Group recognises revenue from the following major sources, which arise from contracts with customers.

(i) Sales of properties in the People's Republic of China ("PRC");

(ii) Rental income (under HKAS 17); and

(iii) Interest income from money lending business (under HKFRS 9).

Information about the Group's performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in notes 6 and 3 respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

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

New and amendments to HKFRSs that are mandatorily effective for the current year (continued)

2.1 HKFRS 15 *Revenue from Contracts with Customers* (continued)

2.1.1 Summary of effect arising from initial application of HKFRS 15

The application of HKFRS 15 has no material impact on the Group's retained profits as at 1 April 2018. The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 April 2018. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 March 2018 HK$'000	Reclassifications HK$'000	Carrying amounts under HKFRS 15 at 1 April 2018 HK$'000
Current liabilities			
Deposits received	4,152	(3,560)	592
Contract liabilities	–	3,560	3,560

As at 1 April 2018, deposits received of HK$3,560,000 in respect of sales of properties were reclassified to contract liabilities.

The application of HKFRS 15 has no material impact on the amounts recognised in the Group's consolidated statement of profit or loss and other comprehensive income for the current year. The following tables summarise the impacts of applying HKFRS 15 on the Group's consolidated statement of financial position as at 31 March 2019 and the consolidated statement of cash flows for the current year for each of the line items affected. Line items that were not affected by the changes have not been included.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

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

New and amendments to HKFRSs that are mandatorily effective for the current year (continued)

2.1 HKFRS 15 *Revenue from Contracts with Customers* (continued)

2.1.1 Summary of effect arising from initial application of HKFRS 15 (continued)

Impact on the consolidated statement of financial position

	As reported HK$'000	Reclassifications HK$'000	Amounts without application of HKFRS 15 HK$'000
Current liabilities			
Deposits received	**488**	**1,650**	**2,138**
Contract liabilities	**1,650**	**(1,650)**	**-**

Impact on the consolidated statement of cash flows

	As reported HK$'000	Reclassifications HK$'000	Amounts without application of HKFRS 15 HK$'000
OPERATING ACTIVITIES			
Decrease in deposits received	**(3,664)**	**1,650**	**(2,014)**
Increase in contract liabilities	**1,650**	**(1,650)**	**-**

Deposits received of HK$1,650,000 in respect of sales of properties was previously included in deposits received. Upon the application of HKFRS 15, these deposits received were reclassified to contract liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

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

New and amendments to HKFRSs that are mandatorily effective for the current year (continued)

2.2 HKFRS 9 *Financial Instruments*

In the current year, the Group has applied HKFRS 9 *Financial Instruments* and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities (2) expected credit losses ("ECL") for financial assets and contract assets and (3) general hedging accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The difference between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 are recognised in the opening retained profits, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement*.

The accounting policies relating to the application of HKFRS 9 by the Group are disclosed in note 3.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

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

New and amendments to HKFRSs that are mandatorily effective for the current year (continued)

2.2 HKFRS 9 *Financial Instruments* (continued)

2.2.1 Summary of effect arising from initial application of HKFRS 9

The table below illustrate the classification of financial assets under HKFRS 9 and HKAS 39 at the date of initial application, 1 April 2018.

	Carrying amounts previously reported at 31 March 2018 under HKAS 39 HK$'000	Reclassifications HK$'000	Carryings amounts under HKFRS 9 at 1 April 2018 HK$'000
Held-for-trading investments			
– HKAS 39 (note a)	720	(720)	–
Financial assets at FVTPL			
– HKFRS 9 (note a)	–	720	720

Notes: (a) At the date of initial application, the investments previously classified as held-for-trading investments were reclassified as financial assets at FVTPL accordingly.

(b) Impairment under ECL model

ECL for all financial assets at amortised cost including loan receivables, other receivables, pledged bank deposits and bank balances are assessed on 12-month ECL basis as there had been no significant increase in credit risk since initial recognition.

As at 1 April 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. No impairment allowance was recognised as at 1 April 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

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

New and amendments to HKFRSs that are mandatorily effective for the current year (continued)

2.3 Impacts on opening consolidated statement of financial position arising from the application of all new standards, amendments and interpretation

As a result of the changes in the Group's accounting policies above, the opening consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each of the line items affected. Line items that were not affected by the changes have not been included.

	31 March 2018 HK$'000 (Audited)	HKFRS 15 HK$'000	HKFRS 9 HK$'000	1 April 2018 HK$'000 (Restated)
Current assets				
Financial assets at FVTPL	–	–	720	720
Held-for-trading investments	720	–	(720)	–
Current liabilities				
Deposits received	4,152	(3,560)	–	592
Contract liabilities	–	3,560	–	3,560

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

2. APPLICATION OF NEW AND AMENDMENTS TO 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 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKAS 1 and HKAS 8	Definition of Material[2]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 April 2019
2 Effective for annual periods beginning on or after 1 April 2020
3 Effective for annual periods beginning on or after 1 April 2021
4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 April 2020
5 Effective for annual periods beginning on or after a date to be determined

Except for the new HKFRS mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

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. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

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

New and amendments to HKFRSs in issue but not yet effective (continued)

HKFRS 16 *Leases* (continued)

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. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for own use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Upon application of 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 cash flows by the Group.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

Other than certain requirements which are also applicable to lessor, 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 31 March 2019, the Group has non-cancellable operating lease commitments of HK$1,581,000 as disclosed in note 26. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16. Upon application of HKFRS 16, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

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

New and amendments to HKFRSs in issue but not yet effective (continued)

HKFRS 16 *Leases* (continued)

In addition, the Group currently considers refundable rental deposits paid of HK$81,000 and refundable rental deposits received of approximately HK$326,000 as rights under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) – Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC) – Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained profits without restating comparative information.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs 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 ("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, investment property and financial assets at FVTPL 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Distribution of non-cash assets to shareholders

The Group recognises a liability to pay a dividend when the dividend is appropriately authorised and is no longer at the discretion of the Group. In respect of a dividend by way of distribution in specie of non-cash assets, the liability to distribute the non-cash assets as a dividend is measured at the fair value of the assets to be distributed. When the Group settles the dividend payable, it recognises the difference, if any, between the carrying amount of assets distributed and the carrying amount of the dividend payable in profit or loss and presents such difference as a separate line item under "gain on assets distributed to shareholders".

Acquisition of a subsidiary not constituting a business

When the Group acquires a group of assets that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 2.1)

Under HKFRS 15, the Group 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.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 2.1) (continued)

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to a contract are accounted for and presented on a net basis.

Sales of properties

Revenue from sales of properties is recognised at a point in time when the completed property is delivered and transferred to customers, being at the point that the customer obtains the control of the completed property and the Group has present right to payment and collection of the consideration is probable.

The Group receives a fixed percentage of the contract value as deposits from customers or receipts in advance from customers when they sign the sale and purchase agreement. Deposits and instalments received on properties sold prior to the date of revenue recognition are recorded as contract liabilities under current liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (prior to 1 April 2018)

Revenue is measured at the fair value of the consideration received or receivable.

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 apportionment 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

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

Any revaluation increase arising from revaluation of property, plant and equipment is recognised in other comprehensive income and accumulated in property revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognise in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of property, plant and equipment is recognised in profit or loss to the extent that it exceeds the balance, if any, on the property revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits.

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

The recoverable amount of tangible assets are estimated individually. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs 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 is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at FVTPL) 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.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and 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 asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income which are derived from the Group's ordinary course of business are presented as revenue.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 2.2)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 2.2) (continued)

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit- impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 2.2)

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including loan receivables, other receivables, pledged bank deposits and bank balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 2.2) (continued)

(i) Significant increase in credit risk (continued)

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 2.2) (continued)

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit- impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 2.2) (continued)

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments; and
- Past-due status.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 April 2018)

The Group's financial assets are classified as financial assets at FVTPL and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the 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 other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets and is included in the "other gains and losses" line item. Fair value is determined in the manner described in note 31 (c).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 April 2018) (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including 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 (before application of HKFRS 9 on 1 April 2018)

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

Objective evidence of impairment could include:

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

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

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

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments

Classification of debt and equity

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 and deposit received) are subsequently measured at amortised cost, using the effective interest method.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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) profit before taxation' as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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.

For the purpose of measuring deferred tax for investment property that is measured using the fair value model, the carrying amount of such property is presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

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.

4. 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 31 March 2019

4. KEY SOURCES OF ESTIMATION UNCERTIANTY (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 31 March 2019 at their fair values, details of which are disclosed in notes 16 and 17, 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 31 March 2019 is approximately HK$409,000,000 (2018: HK$409,000,000). The carrying amount of the Group's investment property at 31 March 2019 is approximately HK$187,000,000 (2018: HK$187,000,000).

Impairment of completed properties for sale

The Group's completed properties for sale in the People's Republic of China ("PRC"), details of which are set out in the consolidated statement of financial position and note 18, 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. No impairment loss is recognised for the years ended 31 March 2019 and 2018. Where there is any decrease in the estimated selling price arising from any changes to the property market conditions in the PRC, an impairment 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 31 March 2019 is approximately HK$60,523,000 (2018: HK$73,442,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity 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 and 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.

6. REVENUE

(i) Disaggregation of revenue from contracts with customers

	2019	2018
	HK$'000	HK$'000
Sales of properties in the PRC (note)	**24,673**	29,413
Rental income (under HKAS 17)	**4,199**	4,676
Interest income from money lending business (under HKFRS 9)	**1,722**	–
	30,594	34,089
Timing of revenue recognition (for sale of properties)		
A point in time	**24,673**	29,413

Note:

Sales of properties

Revenue from sales of properties is recognised at a point in time. Details of which are set out in note 3.

(ii) Transaction price allocated to the remaining performance obligation for contracts with customers

All sales of properties are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

7. OPERATING SEGMENTS

Services from which operating and reportable segments derive their revenues

The Group's operating and reportable segments are as follows:

Property development and investment	–	Property development for sale of properties in the PRC and property investment for letting of properties in Hong Kong and the PRC.
Money lending	–	Provide mortgage loan financing to customers

The accounting policies of operating and reportable segments are the same as the Group's accounting policies described in note 3. Segment results represent the profit before tax earned by each segment without allocation of unallocated other income, unallocated other gains and losses, unallocated expenses, gain on assets distributed to shareholders and share of results of an associate. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and performance assessment.

For the purposes of monitoring segment performance and allocating resources amongst segments:

- all assets are allocated to operating and reportable segments other than property, plant and equipment and financial assets at FVTPL/held-for-trading investment, and deposits, prepayments and other receivables.

- all liabilities are allocated to operating and reportable segments other than taxation payable and deferred tax liabilities.

The Group has commenced the property mortgage money lending business in Hong Kong during the year ended 31 March 2019. Details of which are set out in note 29.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

7. OPERATING SEGMENTS (continued)

Services from which operating and reportable segments derive their revenues (continued)

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

For the year ended 31 March 2019

	Property development and investment HK$'000	Money lending HK$'000	Consolidated HK$'000
REVENUE	28,872	1,722	30,594
RESULT			
Segment results	7,242	454	7,696
Unallocated other income			873
Unallocated other gains and losses			(3,247)
Unallocated expenses			(16,830)
Loss before taxation			(11,508)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

7. OPERATING SEGMENTS (continued)

Services from which operating and reportable segments derive their revenues (continued)

For the year ended 31 March 2018

	Property development and investment HK$'000
REVENUE	34,089
RESULT	
Segment results	57,029
Unallocated other income	524
Unallocated other gains and losses	4,485
Unallocated expenses	(16,472)
Gain on assets distributed to shareholders	63,866
Share of results of an associate	(17,524)
Profit before taxation	91,908

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

7. OPERATING SEGMENTS (continued)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating and reportable segments:

At 31 March 2019

	Property development and investment HK$'000	Money lending HK$'000	Consolidated HK$'000
ASSETS			
Segment assets	373,908	70,479	444,387
Unallocated assets			526,097
Consolidated total assets			970,484
LIABILITIES			
Segment liabilities	21,848	98	21,946
Unallocated liabilities			4,212
Consolidated total liabilities			26,158

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

7. OPERATING SEGMENTS (continued)

Segment assets and liabilities (continued)

At 31 March 2018

	Property development and investment HK$'000
ASSETS	
Segment assets	373,952
Unallocated assets	605,247
Consolidated total assets	979,199
LIABILITIES	
Segment liabilities	17,447
Unallocated liabilities	4,345
Consolidated total liabilities	21,792

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

7. OPERATING SEGMENTS (continued)

Other segment information

For the year ended 31 March 2019

	Property investment and development HK$'000	Money lending HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment profit:				
Depreciation	60	10	5,731	5,801
Interest income	308	17	459	784
Taxation	8,295	77	–	8,372

For the year ended 31 March 2018

	Property investment and development HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment profit:			
Depreciation	62	5,522	5,584
Interest income	225	500	725
Taxation	8,715	–	8,715

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

7. OPERATING SEGMENTS (continued)

Geographical information

The Group's operations are located in Hong Kong and the 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	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**3,678**	1,956	**619,170**	596,114
The PRC	**26,916**	32,133	**–**	–
	30,594	34,089	**619,170**	596,114

Note: Non-current assets excluded pledged bank deposits and deferred tax assets.

Information about major customers

For the years ended 31 March 2019 and 2018, no single customer contributed to 10% or more of the Group's total revenue.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

8. OTHER INCOME

	2019 HK$'000	2018 HK$'000
Interest income from bank balances	784	725
Sundry income	584	67
	1,368	792

9. OTHER GAINS AND LOSSES

	2019 HK$'000	2018 HK$'000
Net exchange (losses) gains	(14,443)	15,906
Fair value (loss) gain on held-for-trading investment	(353)	222
Fair value gain on investment property	–	24,700
	(14,796)	40,828

10. GAIN ON ASSETS DISTRIBUTED TO SHAREHOLDERS

On 16 June 2017, the Board of Directors of the Company approved a special interim dividend by way of distribution in specie of all shares of the Company's associate, Petro-king Oilfield Services Limited ("Petro-king"), held by the Group on the basis of 268 shares of Petro-king for every 1,000 shares of the Company held (the "Distribution in Specie"). Out of the total 526,180,335 shares of Petro-king held by the Group, a total of 524,648,320 shares of Petro-king with fair value amounting to HK$170,511,000 had been distributed, and the remaining 1,532,015 undistributed shares of Petro-king with fair value amounting to approximately HK$498,000 had been recognised as held-for-trading investment in the consolidated statement of financial statement of financial position. The gain amounting to approximately HK$63,866,000 was determined with reference, amongst others, to the market price as share of Petro-king on 14 July 2017, being the date of the distribution, and the carrying value of the Group's interest in Petro-king as an associate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

11. TAXATION

	2019 HK$'000	2018 HK$'000
Current tax:		
Hong Kong Profits Tax	257	280
PRC Enterprise Income Tax	2,259	1,848
	2,516	2,128
Underprovision in prior year		
PRC Enterprise Income Tax	5,736	–
PRC Land Appreciation Tax ("LAT")	178	9,113
Deferred tax (note 24)	(58)	(2,526)
	8,372	8,715

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. 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 31 March 2019

11. TAXATION (continued)

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

	2019	2018
	HK$'000	HK$'000
(Loss) profit before taxation	**(11,508)**	91,908
Tax at the applicable income tax rate of 16.5% (2018: 16.5%)	**(1,899)**	15,165
Tax effect of expenses not deductible for tax purpose	**4,595**	1,942
Tax effect of income not taxable for tax purpose	**(537)**	(18,435)
Underprovision in respect of prior year	**5,736**	–
Tax effect of share of result of an associate	**–**	2,892
Tax effect of tax losses not recognised	**440**	360
Tax effect of PRC LAT	**120**	6,587
Others	**(83)**	204
Tax charge for the year	**8,372**	8,715

Details of the deferred tax are set out in note 24.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

12. (LOSS) PROFIT FOR THE YEAR

	2019 **HK$'000**	2018 HK$'000
(Loss) profit for year has been arrived at after charging (crediting):		
Auditor's remuneration		
– current year	**1,182**	1,089
– under (over) provision in prior years	**171**	(30)
	1,353	1,059
Cost of inventories recognised as expense	**6,719**	10,842
Depreciation of property, plant and equipment	**5,801**	5,584
Staff costs including directors' emoluments other than benefits-in-kind (note)	**8,821**	8,213
Operating lease rentals in respect of land and buildings	**943**	610
Gross rental income from investment property	**(1,956)**	(1,956)
Less: direct operating expense incurred for investment property that generated rental income during the year	**299**	484
	(1,657)	(1,472)

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 13.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

13. 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, are as follows:

	Year ended 31 March 2019			
	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	120	–	–	120
Non-executive director				
Mr. Lee Ka Sze, Carmelo	120	–	–	120
	480	8,840	87	9,407

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

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

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

	Year ended 31 March 2018			
	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	120	–	–	120
Non-executive director				
Mr. Lee Ka Sze, Carmelo	120	–	–	120
	480	8,840	87	9,407

The executive directors' emoluments shown above were 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 31 March 2019

13. 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 (2018: 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 (2018: four) are directors of the Company, whose emoluments have been included in (a) above.

The emoluments of the remaining one (2018: one) individual, whose emoluments are individually below HK$1,000,000, were as follows:

	2019 HK$'000	2018 HK$'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 31 March 2019

14. DIVIDEND

For the year ended 31 March 2018, as detailed in note 10, the Company distributed a special interim dividend of 524,648,320 shares of Petro-king with fair value of approximately HK$170,511,000 to its shareholders on 14 July 2017.

15. (LOSS) EARNINGS PER SHARE

The calculation of basic (loss) per share (2018: basic and diluted earnings per share) attributable to the owners of the Company is based on the following data:

	2019	2018
	HK$'000	HK$'000
(Loss) profit for the year attributable to owners of the Company for the purposes of basic (loss) per share (2018: basic and diluted earnings per share)	**(19,880)**	83,193

	Number of shares	
	'000	'000
Number of ordinary shares for the purposes of basic (loss) (2018: basic and diluted earnings) per share	**1,957,643**	1,957,643

The computation of the diluted earnings per share for the prior year does not assume the exercise of the associate's share options and convertible bonds, because both the conversion of potential ordinary shares in relation to the share options and the conversion of convertible bonds of the associate have an anti-dilutive effect to the basic earnings per share.

No diluted loss per share is presented as there was no potential ordinary shares in issue in year ended 31 March 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

16. 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 OR VALUATION					
At 1 April 2017	351,480	14,520	9,984	5,900	381,884
Surplus on revaluation (note)	43,520	(520)	–	–	43,000
At 31 March 2018	395,000	14,000	9,984	5,900	424,884
Acquisition of subsidiary (note 29)	–	–	96	–	96
Additions	–	–	158	–	158
At 31 March 2019	**395,000**	**14,000**	**10,238**	**5,900**	**425,138**
DEPRECIATION					
At 1 April 2017	–	–	9,734	5,558	15,292
Provided for the year	4,423	683	250	228	5,584
Elimination on revaluation (note)	(4,423)	(683)	–	–	(5,106)
At 31 March 2018	–	–	9,984	5,786	15,770
Provided for the year	5,021	690	11	79	5,801
Elimination on revaluation (note)	(5,021)	(690)	–	–	(5,711)
At 31 March 2019	**–**	**–**	**9,995**	**5,865**	**15,860**
CARRYING VALUES					
AT 31 March 2019					
– at revalued amount	**395,000**	**14,000**	**–**	**–**	**409,000**
– at cost model	**–**	**–**	**243**	**35**	**278**
	395,000	**14,000**	**243**	**35**	**409,278**
At 31 March 2018					
– at revalued amount	395,000	14,000	–	–	409,000
– at cost model	–	–	–	114	114
	395,000	14,000	–	114	409,114

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

16. 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, 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:

The Group has accounted for leasehold land and buildings using the revaluation model. The leasehold land and buildings were revalued on 31 March 2019 and 2018.

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.

The Group's leasehold land and buildings were valued on 31 March 2019 and 2018 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.

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 31 March 2019

16. 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
Residential	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$28,100 to HK$113,700 (2018: from HK$28,100 to HK$113,700) per square feet on saleable 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 31 March 2019 and 2018 were measured using valuation techniques with significant unobservable inputs and hence was classified as Level 3 of the fair value hierarchy. There were no transfer into or out of level 3 during both years.

During the year ended 31 March 2019, the resulting surplus arising on revaluation of HK$5,711,000 (2018: HK$48,106,000) has been credited to property revaluation reserve. There is no restriction on the distribution of the property revaluation reserve to the shareholders.

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$36,150,000 (2018: HK$38,519,000)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

17. INVESTMENT PROPERTY

	HK$'000
FAIR VALUE	
At 1 April 2017	162,300
Gain on change in fair value	24,700
At 31 March 2018 and 2019	**187,000**
Unrealised gain on property revaluation included in profit or loss (included in other gains and losses)	
For the year ended 31 March 2019	**–**
For the year ended 31 March 2018	24,700

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 determining 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.

The Group's investment property was valued on 31 March 2019 and 2018 by Vigers.

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 31 March 2019

17. INVESTMENT PROPERTY (continued)

The fair value of investment property 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.

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
Residential	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$58,400 (2018: HK$58,400) per square feet on saleable 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 31 March 2019 and 2018 was 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 both years.

18. COMPLETED PROPERTIES FOR SALE

The completed properties for sale are stated at the lower of cost and net realisable value. No impairment loss is recognised for the years ended 31 March 2019 and 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

19. LOAN RECEIVABLES

	2019 **HK$'000**	2018 HK$'000
Secured loan receivables	**44,504**	–
Less: Amount due within one year and classified under current assets	**(21,612)**	–
Amount due after one year	**22,892**	–

The Group holds collateral of property interests located in Hong Kong over secured loan receivables of HK$44,504,000 (2018: Nil). The directors of the Company consider the exposure of credit risk of the secured loan receivables, after taking into account the value of the collateral, is insignificant, as the fair value of the collateral (property interests) is higher than the outstanding amount of these loan receivables at the end of the reporting period.

Secured loan receivables carry fixed-rate interests ranged from 7.5% to 9% (2018: Nil) per annum and with maturity ranging from 1 year to 25 years (2018: Nil). All amounts of principal are expected to be received on respective maturity dates.

The maturity dates of the Group's fixed-rate loan receivables before net of allowance of credit loss are as follows:

	2019 **HK$'000**	2018 HK$'000
Within one year	**21,612**	–
In more than one year but not more than two years	**663**	–
In more than two years but not more than five years	**2,342**	–
In more than five years	**19,887**	–
	44,504	–

Details of impairment assessment of the loan receivables for the year ended 31 March 2019 are set out in note 31(b)(ii)(a).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets mandatorily measured at FVTPL:

	2019	2018
	HK$'000	HK$'000
Listed securities held for trading:		
Equity securities listed in Hong Kong	**374**	720

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

21. 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% (2018: 0.01% to 0.26%) per annum.

Details of the pledged bank deposits are set out in note 27.

22. CONTRACT LIABILITIES

	31 March 2019	1 April 2018
	HK$'000	HK$'000
Deposits received for sales of properties (note)	**1,650**	3,560

Note: The Group has initially applied HKFRS 15 using the cumulative effect method and adjusted the opening balances as at 1 April 2018. Upon the adoption of HKFRS 15, sales deposits received from customers of HK$3,560,000 were reclassified to contract liabilities.

The Group receives a fixed sum as deposits from customers when they sign the sale and purchase agreement. These deposits are recognised as contract liabilities until the customers obtain control of the completed properties.

	2019
	HK$'000
Movement of contract liabilities:	
At 1 April 2018	**3,560**
Decrease in contract liabilities as a result of recognising revenue during the year	**(3,560)**
Increase in contract liabilities as a result of receiving sales deposits in respect of property sales	**1,650**
At 31 March 2019	**1,650**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

23. 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.

24. DEFERRED TAX ASSETS (LIABILITIES)

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

	LAT HK$'000	Accelerated tax depreciation HK$'000	Total HK$'000
At 1 April 2017	–	(237)	(237)
Credit (charge) to profit or loss	2,527	(1)	2,526
Exchange adjustments	189	–	189
At 31 March 2018	2,716	(238)	2,478
Credit to profit or loss	58	–	58
Exchange adjustments	(174)	–	(174)
At 31 March 2019	**2,600**	**(238)**	**2,362**

At the end of the reporting period, the Group has unused tax losses of approximately HK$83,272,000 (2018: 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 31 March 2019 and 2018 due to the unpredictability of future profit streams. The unrecognised tax losses may be carried forward indefinitely.

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to retained profits of the PRC subsidiaries as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

25. SHARE CAPITAL

	2019 & 2018	
	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 31 March 2019 and 2018.

26. 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$187,000,000 (2018: HK$187,000,000) and HK$6,786,000 (2018: HK$10,974,000) respectively were let out under operating leases. The directors of the Company considered that the 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 recognised 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 two years (2018: three years).

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

	2019 HK$'000	2018 HK$'000
Within one year	**1,996**	2,108
In the second to fifth year inclusive	**2**	1,872
	1,998	3,980

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

26. OPERATING LEASE COMMITMENTS (continued)

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:

	2019	2018
	HK$'000	HK$'000
Within one year	**843**	284
In the second to fifth year inclusive	**738**	–
	1,581	284

Operating lease payments represent rentals payable by the Group for office premises. These are negotiated and rentals are fixed for a period of three years (2018: one year), and the Group does not have an option to extend the lease.

27. PLEDGE OF ASSETS

As at 31 March 2019, bank deposits of HK$2,000,000 (2018: HK$2,000,000) were pledged to the banks as security in respect of mortgage loans granted to property purchasers by banks.

28. 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$291,000 (2018: HK$277,000) represents contributions payable to these schemes by the Group in respect of the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

29. ACQUISITION OF ASSETS THROUGH ACQUISITION OF A SUBSIDIARY

On 1 August 2018, the Group acquired 100% of the issued share capital of X8 Finance Limited ("X8") at a cash consideration of HK$193,443, from a related company in which a director, Mr. Lee Lap, has beneficial interest. X8 holds a license for money lending business in Hong Kong. At the date of acquisition, X8 had not yet commenced any business.

After acquisition, X8 has commenced the property mortgage money lending business in Hong Kong.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	HK$'000
Bank balances and cash	34
Property, plant and equipment	96
Deposits, prepayments and other receivables	79
Trade and other payables	(16)
Total identifiable net assets	193

Net cash outflow on acquisition of X8

	HK$'000
Cash consideration paid	193
Less: Cash and cash equivalents acquired	(34)
	159

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

30. 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 (2018: 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 31 March 2019, the Group had an amount of approximately HK$2,099,000 (2018: HK$1,700,000) 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 16 March 2017 to 15 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$1,956,000 (2018: HK$1,956,000).

(d) During the year ended 31 March 2019, the Group acquired 100% of issued capital of X8 at a consideration of HK$193,443 from a related company in which a director has beneficial interest. Details of the transaction are disclosed in note 29.

(e) The compensation of key management personnel paid or payable by the Group in respect of the year, substantially all of which comprised short term benefits attributable to the directors of the Company, amounted to HK$9,407,000 (2018: HK$9,407,000), details of which are set out in note 13(a).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

31. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2019 **HK$'000**	2018 HK$'000
Financial assets		
Financial assets at FVTPL	**374**	–
Held-for-trading investment	**–**	720
Amortised costs	**308,554**	–
Loans and receivables (including cash and cash equivalents)	**–**	304,360
Financial liabilities		
Amortised cost	**3,275**	6,916

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

31. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies

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

(i) Market risk

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

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

Foreign currency risk management

Certain bank balances of the Group are denominated in currencies which are different from the functional currency of the relevant group entity and therefore the Group is exposed to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arises. The carrying amounts of the Group's major foreign currency denominated monetary assets and liabilities, including intra-group balances at the reporting date are as follows:

	Assets		Liabilities	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
Group				
HK$	**10,584**	10,583	**–**	–
United States dollar ("USD")	**326**	325	**–**	–
Intra-group balances				
HK$	**168,815**	168,984	**321,549**	321,898

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

31. 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$5,331,000 (2018: a increase in the profit of HK$5,338,000) 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 31 March 2019

31. 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 and impairment assessment

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 Group has concentration of credit risk as 47% (2018: Nil) of total loan receivables was due from the Group's largest customer within the money lending segment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

31. FINANCIAL INSTRUMENTS (continued)

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

(ii) Credit risk and impairment assessment (continued)

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts and debtor frequently repays after due dates but usually settle after due date.	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources.	Lifetime ECL -not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired.	Lifetime ECL -credit-impaired
Write-off	There is evid126 ence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery.	Amount is written off

The tables below detail the credit risk exposures of the Group's financial assets at amortised cost which are subject to ECL assessment:

2019	Notes	Internal credit rating	Lifetime ECL/ 12m ECL	Gross carrying amount HK$'000
Loan receivables	a	Low risk	12m ECL	**44,504**
Other receivables	b	Low risk	12m ECL	**35**
Pledged bank deposits	c	N/A	12m ECL	**2,000**
Bank balances	c	N/A	12m ECL	**261,970**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

31. FINANCIAL INSTRUMENTS (continued)

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

(ii) Credit risk and impairment assessment (continued)

Notes:

(a) *Loan receivables*

The Group assesses the loan receivables individually. The loan receivables are secured by some property interests located in Hong Kong. The directors of the Company consider the exposure of credit risk of these loan receivables is low after taking into account the value of the collateral, historical settlements of loan interests and other forward-looking information. The fair value of the collateral (property interests) is higher than the outstanding amount of these receivables at the end of reporting period. The 12m ECL of these loan receivables is considered as insignificant to the Group, and no allowance of credit loss is provided for these loan receivables.

Before accepting any new borrower, the Group carries out research on the creditability of the new borrower and assess the potential customer's credit quality and defines loan terms with borrower. The credit of the borrowers granted with loans are reviewed once a year.

As at 31 March 2019, there were no loan receivables past due at the reporting date. The Group reviewed the recoverable amount of each individual loan receivable at the end of the reporting period to ensure that adequate impairment losses is made for irrecoverable amount. Accordingly, the directors of the Company believe that there is no allowance or impairment to provide for.

31. FINANCIAL INSTRUMENTS (continued)

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

(ii) Credit risk and impairment assessment (continued)

Notes: (continued)

(b) *Other receivables*

The management of the Group regularly reviews and assesses the credit quality of the counterparties. The Group uses 12m ECL to assess the loss allowance of other receivables since these receivables are not past due and there has not been a significant increase in credit risk since initial recognition. In this regard, the directors of the Company consider that the Group's credit risk is not significant.

(c) *Pledged bank deposits and bank balances*

The credit risks on pledged bank deposits and bank balances are limited because the counterparties are financial institutions with high credit ratings assigned by international credit-rating agencies.

The Group has concentration of credit risk as 43% (2018: 62%) 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 (2018: 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 31 March 2019

31. 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
2019						
Other payables	287	–	401	–	688	688
Amount due to a related company	2,099	–	–	–	2,099	2,099
Deposits received	24	3	53	408	488	488
	2,410	3	454	408	3,275	3,275

	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
2018						
Other payables	636	–	428	–	1,064	1,064
Amount due to a related company	1,700	–	–	–	1,700	1,700
Deposits received	3,595	3	63	491	4,152	4,152
	5,931	3	491	491	6,916	6,916

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

31. 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 and quoted bid prices in an active market.

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.

The held-for-trading investments are recorded at quoted bid prices in an active market and are classified as Level 1 fair value measurement.

32. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	HK$'000
As at 1 April 2017	–
Transaction cost on assets distributed to shareholders	1,784
Financing cash flows	(1,784)
As at 31 March 2018 and 2019	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

33. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The following list contains only the particulars of the principal subsidiaries at 31 March 2019 and 2018 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 31 March 2019 and 2018 or at any time during the year.

Name of company	Place of incorporation/ establishment	Paid up issued share 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 31 March 2019

33. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of company	Place of incorporation establishment	Paid up issued share 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
X8 Finance Limited	Hong Kong	1 ordinary share of HK$1 each	100%	Money lending business
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 31 March 2019

34. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2019 HK$'000	2018 HK$'000
Non-current assets		
Investment in subsidiaries (note)	956,126	956,126
Current assets		
Bank balances and cash	2,815	1,789
Other current assets	580	912
	3,395	2,701
Current liabilities		
Dividend payable	–	402
Amount due to a subsidiary	9,734	6,294
Other current liabilities	1,440	1,119
	11,174	7,815
Net current liabilities	(7,779)	(5,114)
Net assets	948,347	951,012
Capital and reserves		
Share capital	156,611	156,611
Reserves	791,736	794,401
Total equity	948,347	951,012

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 1 April 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

34. 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 (note) HK$'000	Total HK$'000
At 1 April 2017	404,370	217,169	191,810	813,349
Profit and total comprehensive income for the year	–	151,563	–	151,563
Dividend paid (note 14)	–	(170,511)	–	(170,511)
At 31 March 2018	404,370	198,221	191,810	794,401
Loss and total comprehensive expense for the year	–	(2,665)	–	(2,665)
At 31 March 2019	**404,370**	**195,556**	**191,810**	**791,736**

Note: The contributed surplus represents the difference between the consolidated shareholders' funds of the subsidiaries acquired and the nominal amount of the Company's shares issued as consideration for the acquisition at the time of the group reorganisation implemented prior to the listing of the Company's shares in 1991.

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	**7,622**	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 31 March,				
	2019 **HK$'000**	2018 HK$'000	2017 HK$'000	2016 HK$'000 (restated)	2015 HK$'000 (restated)
Revenue	**30,594**	34,089	39,496	12,449	6,941
(Loss) profit before taxation	**(11,508)**	91,908	(130,455)	(395,418)	(139,130)
Taxation	**(8,372)**	(8,715)	(1,932)	(663)	(85)
(Loss) profit for the year attributable to owners of the Company	**(19,880)**	83,193	(132,387)	(396,081)	(139,215)

FIVE YEAR FINANCIAL SUMMARY

CONSOLIDATED ASSETS AND LIABILITIES

	As at 31 March				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000 (restated)	HK$'000 (restated)
Non-current assets					
Property, plant and equipment	**409,278**	409,114	366,592	40,654	41,691
Investment property	**187,000**	187,000	162,300	143,800	133,000
Loan receivables	**22,892**	–	–	–	–
Investment in an associate	**–**	–	115,047	222,614	609,003
Pledged bank deposits	**2,000**	2,000	2,000	2,000	2,000
Deferred tax assets	**2,600**	2,716	–	–	–
Current assets	**346,714**	378,369	362,725	417,953	454,246
TOTAL ASSETS	**970,484**	979,199	1,008,664	827,021	1,239,940
CURRENT LIABILITIES	**(25,920)**	(21,554)	(16,825)	(22,524)	(22,808)
NON-CURRENT LIABILITIES	**(238)**	(238)	(237)	(236)	(234)
NET ASSETS	**944,326**	957,407	991,602	804,261	1,216,898
Equity attributable to equity holders of the Company	**943,909**	956,990	991,185	803,844	1,216,481
Non-controlling interests	**417**	417	417	417	417
TOTAL EQUITY	**944,326**	957,407	991,602	804,261	1,216,898

FIVE YEAR FINANCIAL SUMMARY

PER SHARE DATA

	Year ended 31st March				
	2019	2018	2017	2016	2015
	HK cents	HK cents	HK cents	HK cents (restated)	HK cents (restated)
Basic (loss) earnings per share	**(1.02)**	4.25	(6.76)	(20.23)	(7.11)
Dividends per share					
Interim dividend (note 2)	**–**	8.71	–	–	–
Final dividend	**–**	–	–	–	–
Net asset value per share	**48.24**	48.91	50.65	41.08	62.16

Note 1: The financial information for the year ended 31 March 2016 and 2015 were restated due to the Group changed its accounting policy to account for investment property from cost model to fair value model.

Note 2: The Company distributed a special interim dividend of 524,648,320 shares of Petro-king with a fair value of approximately HK$170,511,000 to its shareholders for the year ended 31 March 2018.