Termbray Industries International (Holdings) Limited

Stock Code: 0093

2011/2012 Annual Report

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Corporate Information

EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lo Yiu Hee
Mr. Tong Hin Wor
Mr. Siu Lok Chow, Gabriel
(appointed on 12th December, 2011)
Mr. Chan Siu Kang
(resigned on 12th December, 2011)

NON-EXECUTIVE DIRECTORS

Mr. Lee Ka Sze, Carmelo
Mr. Lee Wing Sing, Vincent
(resigned on 12th December, 2011)

COMPANY SECRETARY

Mr. Lo Tai On

AUDIT COMMITTEE

Mr. Lo Yiu Hee
Mr. Tong Hin Wor
Mr. Lee Ka Sze, Carmelo
Mr. Siu Lok Chow, Gabriel
(appointed on 12th December, 2011)
Mr. Chan Siu Kang
(resigned on 12th December, 2011)

REMUNERATION COMMITTEE

Mr. Lee Lap
Mr. Lo Yiu Hee
Mr. Siu Lok Chow, Gabriel
(appointed on 12th December, 2011)
Mr. Chan Siu Kang
(resigned on 12th December, 2011)

NOMINATION COMMITTEE

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

REGISTERED OFFICE

Clarendon House
Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

HONG KONG REGISTRAR AND TRANSFER OFFICE

Tricor Standard Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong
Telephone: (852) 2980 1768
Facsimile: (852) 2528 3158

LISTING INFORMATION

The Listing Code of the Company's shares on
The Stock Exchange of Hong Kong Limited
0093

PRINCIPAL BANKER

The Hongkong & Shanghai Banking
Corporation Limited
Hang Seng Bank Limited

LEGAL ADVISORS IN HONG KONG

Woo, Kwan, Lee & Lo

AUDITOR

Deloitte Touche Tohmatsu

Chairman's Statement

LEE LAP
Chairman

Chairman's Statement

RESULTS

I report to shareholders the results of Termbray Industries International (Holdings) Limited (the "Company") and its subsidiaries (together "the Group") for the financial year ended 31st March, 2012. The Group recorded a loss for the year of HK$7,077,000 and loss attributable to owners of the Company of HK$7,077,000 for the year ended 31st March, 2012, compared with profit for the year of HK$115,945,000 and profit attributable to owners of the Company of HK$109,516,000 in last year.

DIVIDENDS

The board of directors (the "Board") of the Company declared and paid an interim dividend of HK$0.06 per share, totally amounted to HK$117.5 million (2010: Nil), for the six months ended 30th September, 2011.

The Board recommends payment of a final dividend of HK$0.09 per share for the year ended 31st March, 2012 (2011: Nil) to shareholders on the register of members of the Company on Friday, 21st September, 2012. Subject to approval by the shareholders at the forthcoming annual general meeting to be held on Friday, 7th September, 2012, the final dividend will be dispatched to the shareholders of the Company on or about Monday, 8th October, 2012.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 3rd September, 2012 to Friday, 7th September, 2012 (both days inclusive), during which no transfer of shares will be effected. In order to qualify for attendance of annual general meeting, all completed transfer forms accompanied with the relevant share certificates must be lodged with the Company's share registrar, Tricor Standard Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 31st August, 2012.

The register of members of the Company will be closed from Monday, 17th September, 2012 to Friday, 21st September, 2012 (both days inclusive), during which no transfer of shares will be effected. To rank for the proposed final dividend, all completed transfer forms accompanied with the relevant share certificates must be lodged with the Company's share registrar, Tricor Standard Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 14th September, 2012. The final dividend will be paid on or about Monday, 8th October, 2012.

REVIEW OF OPERATIONS

Property investment and Development

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

Chairman's Statement

The Group's completed properties for sale – Ever Success Plaza, comprising of over 440 residential units standing on 3 levels of commercial arcades and car parks, is located at a convenient and prime location with a river view in Zhongshan, Guangdong Province. The competition of the property market in Zhongshan is keen. There are abundant supplies of properties with modern design. Due to the vacancy of the commercial arcades, the occupancy rate of the residential units continues to drop. The management has put much effort in marketing the properties and is still trying hard to improve the operation of the commercial arcades. The rental income earned by the Group from Ever Success Plaza during the year is decreased by 4.1%. The Group has sold 1 residential unit during the year under review. As at 31st March, 2012, 223 residential units remained to be sold, out of which 107 residential units were let out.

With regard to the investment in Cong Hua White Swan Bow Yuen Real Estate Development Limited ("Cong Hua Bow Yuen"), the chance for the extension of the joint venture period of Cong Hua Bow Yuen remains very remote. Full provision for impairment loss against the property held by Cong Hua Bow Yuen had been made in the financial statements of the Group in the prior years.

Oilfield engineering and consultancy services

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

The financial year end date for Termbray Petro-king Group is 31st December, 2011. For the purpose of applying the equity method of accounting, the consolidated financial statements of Termbray Petro-king Group for the year ended 31st December, 2011 have been used, as the Group considers that it is impractical for Termbray Petro-king Group to issue a separate set of consolidated financial statements as of 31st March, 2012.

During the year under review, the Group has applied the equity method of accounting for the results of Termbray Petro-king Group as an associate for the 12 months from 1st January, 2011 to 31st December, 2011. Any significant transaction of Termbray Petro-king Group for the period from 1st January, 2012 to 31st March, 2012 has been adjusted. For the comparative reporting period, the Group has accounted for the audited result of Termbray Petro-king Group from 1st April, 2010 to date of completion of the Subscription in October 2010 as subsidiaries under discontinued operations. From date of completion of the Subscription to 31st December, 2011, the Group has accounted for result of Termbray Petro-king Group as an associate applying the equity method of accounting.

Chairman's Statement

For the year from 1st January, 2011 to 31st December, 2011, Termbray Petro-king Group achieved a turnover of HK$559 million. It has a steady growth in the consultancy servicing business and has expanded in the business of manufacturing and sales of tools and equipments. During the year under review, Termbray Petro-king Group gained substantial recognition on its capability of provision of high and oilfield technical solutions in Mainland China and the overseas, especially the Middle East. To further enhance its competency in oilfield technology, Termbray Petro-king Group entered into research and development and manufacture of oilfield equipments through acquisitions of relevant subsidiary and associate in 2011. The directors considered that the overall performance of Termbray Petro-king Group for the year under review is satisfactory.

Included in the net fair value of the Group's share of Termbray Petro-king Group's identifiable assets and liabilities is intangible assets in relation to incomplete contracts of HK$66,338,000, determined based on the income-based method. Such intangible assets are amortised according to the management expectation of realisation of profits of the incomplete contracts over their estimated useful lives of one to two years. The Group's share of result of an associate for the current financial year ended 31st March, 2012 has accounted for an amortization of the intangible assets in relation to incomplete contracts of HK$42.2 million (2011: HK$23.7 million). The balance of the intangible assets of approximately HK$450,000 is expected to be amortised in the coming financial year.

Most of the contracts completed by Termbray Petro-king Group during the current financial year are incomplete contracts as of October 2010. Thus, most of the Group's share of operating result of Termbray Petro-king Group for the current financial year have been offset by the amortisation of the intangible assets in relation to incomplete contracts.

The major customers of Termbray Petro-king Group acquired several massive overseas oil reserves which created substantial demand for experienced oilfield engineering and consultancy services. Termbray Petro-king Group have the technical know how to provide the comprehensive oilfield development design and consultancy services and is well recognised in the sector as one of the best oilfield service company from China. During the year, Termbray Petro-king Group has gained substantial progress in developing new customers in other overseas markets, and is now working hard on them and this will secure business growth of Termbray Petro-king Group in future.

Termbray Petro-king Group has strengthened its technical communication with its domestic customers and introduced advanced technology from abroad to them. The management expected that this would help Termbray Petro-king Group enhance its marketing and sales efforts and domestic sales in near future.

TREASURY INVESTMENT ACTIVITY

The Group still holds a substantial amount of funds of approximately HK$473 million which have been placed as short term bank deposits with large financial institutions in Hong Kong.

Chairman's Statement

OUTLOOK

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

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

Termbray Petro-king Group has kicked-off several projects in overseas markets, such as Russia and Venezuela. The management expect to obtain more projects in these overseas markets in coming years. The management believe that China national oil companies will continue their investment in overseas oilfields. As Termbray Petro-king Group has extensive overseas oilfield experience and has maintained a very good relationship with those China national oil companies, the management believe that Termbray Petro-king Group is likely to be benefited from the capex investment of the China national oil companies in their overseas oilfields. In addition, Termbray Petro-king Group has strengthen both its sales and marketing team and production enhancement team in China targeting on gaining more oilfield production enhancement projects and unconventional gas projects. The management are cautiously optimistic about the future performance of Termbray Petro-king Group. In addition, the management of Termbray Petro-king Group is considering for an IPO listing if such listing is in the best interests of the shareholders, employees and business of the Termbray Petro-king Group.

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

Lee Lap
Chairman

Hong Kong, 22nd June, 2012

Management Discussion and Analysis

RESULTS

During the current year under review, the Group achieved a revenue for continuing operations of HK$5,642,000 and recorded a loss for the year of HK$7,077,000 and loss attributable to owners of the Company of HK$7,077,000 compared with the revenue for continuing operations of HK$9,160,000 and profit for the year of HK$115,945,000 and profit attributable to owners of the Company of HK$109,516,000 recorded in last year.

The significant decrease in profit for the year in current year is due to the profit from discontinued operations of HK$123 million on deemed disposal arising from subscription for new shares by an investor in Termbray Petro-king Group recorded in last year.

REVENUE AND SEGMENT INFORMATION

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

	2012	2011
	HK$'000	HK$'000
Continuing operations		
Sale of properties	**476**	4,111
Rental income	**5,166**	5,049
	5,642	9,160

Management Discussion and Analysis

Segment revenue and results:

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

Continuing operations

	2012 HK$'000	2011 HK$'000
Revenue from property investment and development segment	**5,642**	9,160
Segment profit from property investment and development segment	**5,636**	10,047
Unallocated other income	**1,503**	1,843
Unallocated other gain and expenses	**1,707**	2,379
Unallocated expenses	**(13,401)**	(17,851)
Share option expense	**–**	(675)
Effective interest expense on convertible note	**–**	(4,996)
Share of results of an associate	**(2,522)**	2,195
Loss for the year from continuing operations	**(7,077)**	(7,058)

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 profit represents the profit earned by property investment and development segment without allocation of unallocated other income, unallocated other gain and expenses, unallocated expenses, share option expense, effective interest expense on convertible note 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 People's Republic of China ("PRC").

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

	Revenue from external customers	
	2012	2011
	HK$'000	HK$'000
Hong Kong	**2,400**	2,289
The PRC	**3,242**	6,871
	5,642	9,160

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

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st March, 2012, the Group remains cash-rich and has no material capital expenditure commitments. The operations are financed by capital and reserves.

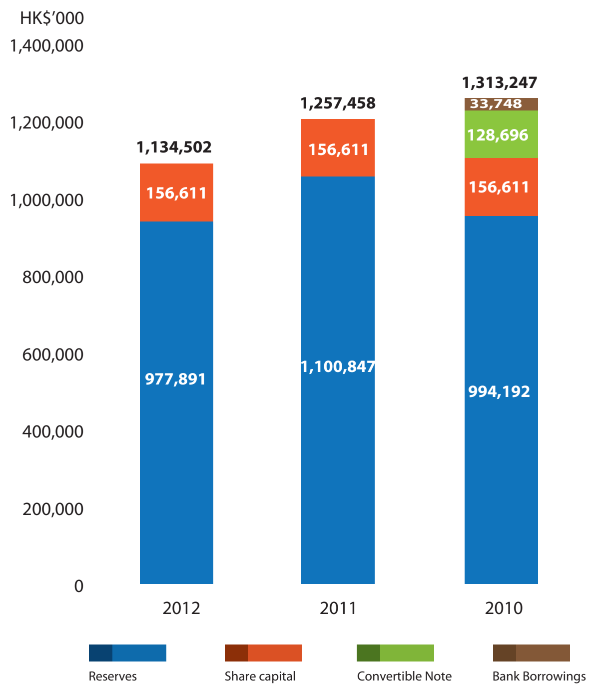
Bank balances and cash amounted to HK$473 million and accounted for 79.1% of total current assets.

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

Management Discussion and Analysis

CAPITAL STRUCTURE

As at 31st March, 2012, the Group's operations were financed by capital and reserves.



ORDER BOOK

Due to its business nature, the Group has no order book at 31st March, 2012. The Group has no new product and services to be introduced to the market.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales for the continuing operations attributable to the Group's largest customer and five largest customers accounted for approximately 42.5% and 59.7% respectively of the Group's revenue for the continuing operations for the year. The five largest suppliers of the Group for the continuing operations accounted for less than 30.0% of the Group's total purchases for the continuing operations for the year.

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

Management Discussion and Analysis

Save as the connected transaction disclosed in page 23 of this report, none of the Company's directors, their associates or any shareholders of the Company (who to the best of knowledge of the Company's directors owned more than 5% of the Company's issued shares) had a beneficial interest in any of the Group's five largest customers and the five largest suppliers.

STAFF AND EMOLUMENT POLICY

As at 31st March, 2012, the Group employed 43 staff at market remunerations with staff benefits such as insurance, provident fund scheme and discretionary bonus and share option scheme.

The emolument policy regarding the employees of the Group is based on their merit, qualifications and competence. The emoluments of the directors are reviewed by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics. No director, or any of his associates, and executive is involved in dealing his own remuneration. The Company has a share option scheme as an incentive to directors and eligible employees, details of the scheme is set out on page 25 of the Directors' Report.

Directors' Report

The directors of the Company present their annual report together with the audited consolidated financial statements of the Group for the year ended 31st March, 2012.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

The principal activities of the Company's subsidiaries during the year were property investment and development. The principal activities of the Group's associate were oilfield engineering and provision of consultancy services.

RESULTS

The results of the Group for the year ended 31st March, 2012 and the state of affairs of the Group as at that date are set out in the consolidated financial statements on pages 37 to 93.

DIVIDENDS

The Board of the Company had declared and paid an interim dividend of HK$0.06 per share, totally HK$117.5 million (2010: Nil), for the six months ended 30th September, 2011.

The Board recommends payment of a final dividend of HK$0.09 per share for the year ended 31st March, 2012 (2011: Nil) to shareholders on the register of members of the Company on Friday, 21st September, 2012. Subject to approval by the shareholders at the forthcoming annual general meeting to be held on Friday, 7th September, 2012, the final dividend will be dispatched to the shareholders of the Company on or about Monday, 8th October, 2012.

CLOSURE OF REGISTER OF MEMBERS

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The register of members of the Company will be closed from Monday, 17th September, 2012 to Friday, 21st September, 2012 (both days inclusive), during which no transfer of shares will be effected. To rank for the proposed final dividend, all completed transfer forms accompanied with the relevant share certificates must be lodged with the Company's share registrar, Tricor Standard Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 14th September, 2012. The final dividend will be paid on or about Monday, 8th October, 2012.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 23 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

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 94.

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 41.

DONATIONS

During the year, the Group had made charitable and other donations of HK$851,000 (2011: Nil).

FIVE YEAR FINANCIAL SUMMARY

A five year financial summary of the Group is set out on pages 95 and 96.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31st March, 2012 were as follows:

	HK$'000
Contributed surplus	**191,810**
Retained profits	**286,201**
	478,011

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

(i) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(ii) the realizable value of its assets would thereby be less than the aggregate of its liabilities and its issue share capital and share premium account.

Directors' Report

DIRECTORS

The directors of the Company during the financial year and up to the date of this report were:

Executive Directors

Mr. Lee Lap
Mr. Tommy Lee
Mdm. Leung Lai Ping
Mr. Wong Shiu Kee

Independent Non-Executive Directors

Mr. Lo Yiu Hee
Mr. Tong Hin Wor
Mr. Siu Lok Chow, Gabriel (appointed on 12th December, 2011)
Mr. Chan Siu Kang (resigned on 12th December, 2011)

Non-Executive Directors

Mr. Lee Ka Sze, Carmelo
Mr. Lee Wing Sing, Vincent (resigned on 12th December, 2011)

Mdm. Leung Lai Ping, Mr. Wong Shiu Kee and Mr. Lee Ka Sze, Carmelo shall retire by rotation in accordance with the Company's Bye-law 99(A) and Mr. Siu Lok Chow, Gabriel, as a new director appointed during the year, shall retire in accordance with the Company's Bye-law 102(B). All retiring directors, being eligible, offer themselves for re-election at the forthcoming annual general meeting. In addition, Mr. Lee Lap shall be subject to and offer himself for re-election at the forthcoming annual general meeting in accordance with the Company's Bye-law 99(A).

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. Lo Yiu Hee and Mr. Tong Hin Wor, the independent non-executive directors, and Mr. Lee Ka Sze, Carmelo, the non-executive director, have respectively entered into an appointment letter with the Company for service as an independent non-executive director or non-executive director for a term of 2 years from 1st January, 2011 to 31st December, 2012, which appointment shall terminate on the earlier of (i) 31st December, 2012; or (ii) the date on which the director concerned ceases to be an independent non-executive director or non-executive director pursuant to the Bye-laws or any other applicable laws.

Mr. Siu Lok Chow, Gabriel has on 12th December, 2011 entered into an appointment letter with the Company for service as an independent non-executive director for a term of 2 years from 12th December, 2011 to 11th December, 2013, which appointment shall terminate on the earlier of (i) 11th December, 2013; or (ii) the date on which the director concerned ceases to be an independent non-executive director pursuant to the Bye-laws or any other applicable laws.

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

Directors' Report

BIOGRAPHICAL DETAILS OF DIRECTORS

Executive Directors

Mr. Lee Lap, aged 69, 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 directors of the Company. He is the founder of the Group and has been actively involved in the printed circuit board and electronics industry in Hong Kong since 1968. Mr. Lee is responsible for overall policy and decision making and business development of the Group. Mr. Lee is an honorary citizen of Zhongshan, Shenzhen and Guangzhou in PRC.

Mr. Tommy Lee, aged 34, 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.

Madam Leung Lai Ping, aged 63, 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 48, is the Finance Director of the Company. He first joined the Company in 1991 and rejoined the Company in 2000. With over 20 years of experience in financial management, he is a fellow member of both the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants, and is also a qualified Chartered Secretary designated as ACIS and ACS.

Independent Non-executive Directors

Mr. Lo Yiu Hee, aged 54, was appointed as an independent non-executive director in 2004 and is the Chairman of the audit committee and the remuneration committee and a member of the nomination committee of the board of directors of the Company. He holds bachelor and master degrees in business administration from the Chinese University of Hong Kong. Mr. Lo is a fellow member of the Hong Kong Institute of Certified Public Accountants and CPA Australia. Mr. Lo has over 20 years of experience in finance and accounting in various listed companies. He was the Vice President of CPA Australia, Hong Kong China Division for 2000/01 and 2003/04, and councilor from 1997 to 2006. He is presently the Chief Financial Officer of an apparel manufacturing company and member of the Disciplinary Panel of CPA Australia.

Mr. Tong Hin Wor, aged 67, was appointed as an independent non-executive director in 2008 and is a member of the audit committee of the board of directors of the Company. He holds a diploma in management studies from Hong Kong Polytechnic University. Mr. Tong has over 30 years of working experience in financial management. Mr. Tong was the financial controller of Termbray Electronics Company Limited in 1991. He was the financial controller of Karrie Industrial Company Limited, a company principally engaged in electronics and sheet metal manufacturing in 1993, the Group controller of Elec & Eltek (International) Limited in 1995 and the Group vice president of Elec & Eltek Corporate Services Limited from 1995 to 2004.

Mr. Siu Lok Chow, Gabriel, aged 58, was appointed as an independent non-executive director in 2011 and is a member of the audit committee, remuneration committee and the nomination committee of the board of directors of the Company. Mr. Siu has over 35 years of working experience in industrial manufacturing management. Mr. Siu was the general manager of Termbray Electronics Company Limited in 1994. Mr. Siu had also taken the role of general manager in several multinational companies in various industries. Currently, he is the managing director of Allied Telesis (Hong Kong) Limited, which is engaged in development and manufacturing of networking products.

Non-Executive Director

Mr. Lee Ka Sze, Carmelo, aged 52, was appointed as an independent non-executive director of the Company from March, 1997 to September, 2004. On 30th September, 2004, he was re-designated as a non-executive director of the Company. He is a member of the audit committee of the board of directors of the Company. He holds a Bachelor of Laws degree from the University of Hong Kong. He is a practising solicitor and a partner of Woo, Kwan, Lee & Lo. Mr. Lee is a non-executive director of Hopewell Holdings Limited, China Pharmaceutical Group Limited, The Cross-Harbour (Holdings) Limited, Yugang International Limited, Y.T. Realty Group Limited, Safety Godown Company Limited, and an independent non-executive director of KWG Property Holding Limited and Ping An Insurance (Group) Company of China, Ltd., all of which are companies whose shares are listed on The Stock Exchange of Hong Kong Limited. He is the chairman of the Listing Committee of The Stock Exchange of Hong Kong Limited. Mr. Lee is also a chairman of the Transport Tribunal of the HKSAR Government, a member of SFC Dual Filing Advisory Group of Securities and Futures Commission, a member of the SFC (HKEC Listing) Committee and a member of the Disciplinary Panel of the Hong Kong Institute of Certified Public Accountants.

SENIOR MANAGEMENT

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

EMOLUMENTS OF DIRECTORS AND SENIOR EMPLOYEES

Details of the emoluments of directors and senior employees are set out in note 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 31st March, 2012 as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO") or otherwise notified pursuant to Divisions 7 to 9 of Part XV of the SFO, were as follows:

(A) Long Positions in Shares of the Company

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

Note:

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

(B) Long Positions in Shares of Associated Corporations

Name of director	Name of subsidiary	Number of non-voting deferred shares held (note)	% of total issued non-voting deferred shares
Mr. Lee Lap	Applied Industrial Company Limited	1,000	40%
	Lee Plastics Manufacturing Company Limited	250,000	50%
	Magnetic Electronics Limited	5,000	100%
	Termbray Electronics Company Limited	7,000	70%
Mdm. Leung Lai Ping	Applied Industrial Company Limited	1,500	60%
	Lee Plastics Manufacturing Company Limited	250,000	50%
	Termbray Electronics Company Limited	3,000	30%

Note: All the above non-voting deferred shares are held by the above directors personally as beneficial owner.

Saved as disclosed above, as at 31st March, 2012, none of the directors or chief executive of the Company had any interest or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO.

Apart from the share option scheme of the Company, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS

During the year, the Group had entered into transactions with the following companies, of which the directors have controlling interests.

Panda Investment Company Limited ("Panda Investment")

The transactions with Panda Investment are described in note 30 to the financial statements. Mr. Lee Lap and Mdm. Leung Lai Ping have beneficial interests in Panda Investment.

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

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

DIRECTORS' INTEREST IN COMPETING BUSINESS

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

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

MANAGEMENT CONTRACTS

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

SUBSTANTIAL SHAREHOLDERS

The person (other than the directors as disclosed in the "Directors' interest in Shares and Options") interested in 5% or more of the issued share capital of the Company as at 31st March, 2012 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%
First Trend Management (PTC) Limited (note 1)	Held by controlled corporation as trustee for Lee & Leung Family Unit Trust	1,252,752,780	63.99%
HSBC International Trustee Limited (note 1)	Held by controlled corporation as trustee for Lee & Leung Family Trust	1,252,752,780	63.99%
Cosmo Telecommunication Inc. (note 2)	Beneficial owner	151,202,960	7.72%
Ms. Jing Xiao Ju	Held by controlled corporation	151,202,960	7.72%
East Glory Trading Limited (note 3)	Beneficial owner	103,397,540	5.28%
Master Winner Limited (note 3)	Held by controlled corporation	103,397,540	5.28%
Mr. Yuan Qinghua	Held by controlled corporation	103,397,540	5.28%

Notes:

(1) The 1,252,752,780 shares are held by Lee & Leung (B.V.I.) Limited which is a wholly-owned by First Trend Management (PTC) Limited as trustee for Lee & Leung Family Unit Trust. All the units in Lee & Leung Family Unit Trust are held by HSBC International Trustee Limited as trustee for Lee & Leung Family Trust. Mr. Lee Lap is the settlor of Lee & Leung Family Trust. The discretionary beneficiaries of Lee & Leung Family Trust are Mdm. Leung Lai Ping, the children of Mr. Lee Lap and Mdm. Leung Lai Ping (including Mr. Tommy Lee) and the offspring of such children.

(2) Cosmo Telecommunication Inc. is a wholly owned by Ms. Jing Xiao Ju.

(3) East Glory Trading Limited is wholly owned by Master Winner Limited, which in turn is wholly owned by Mr. Yuan Qinghua.

Saved as disclosed above, the Company has not been notified of any other interests or short positions in the shares or the underlying shares of the Company representing 5% or more of the issued share capital of the Company as at 31st March, 2012.

CONNECTED TRANSACTION

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

On 16th March, 2008, Termbray (Fujian) Land Development Company Limited ("Termbray Fujian"), a wholly owned subsidiary of the Company, as lessor and Mr. Lee Wing Keung as lessee entered into a lease agreement, pursuant to which the lessee will lease a residential property in the Hong Kong Island with a saleable area of approximately 306 square metres from the lessor for a term of three years commencing on 16th March, 2008 at a monthly rent of HK$190,000 (inclusive of rates, management fees, utility charges).

On 14th March, 2011, Termbray Fujian renewed the lease agreement with Mr. Lee Wing Keung at a monthly rent of HK$200,000 (inclusive of rates, management fees, utility charges) for a term of 3 years from 16th March, 2011 to 15th March, 2014. The monthly rent is based on a valuation report as at 31st January, 2011 issued by Vigers Appraisal & Consulting Limited.

Directors' Report

The rental income earned by the Group during the current year is HK$2,400,000. (2011: HK$2,289,000). Mr. Lee Wing Keung is the son of Mr. Lee Lap, Chairman of the Company, and, as such, is treated as an associate of Mr. Lee Lap under Rule 14A.11(4)(b) of the Listing Rules and thereby is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the signing of the lease agreement constitutes a continuing connected transaction for the Company under the Listing Rules.

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

(i) in the ordinary and usual course of business of the Company; and

(ii) on normal commercial terms; and

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

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

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

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

(c) has not exceeded the relevant cap amount of HK$2,400,000 for the financial year ended 31st March, 2012.

PETRO-KING GROUP CONTINUING CONNECTED TRANSACTIONS

On 6th May 2008, the Company entered into a Framework Agreement with Petro-king Holding Limited ("Petro-king"), a non wholly-owned subsidiary of the Company for a term of three years commencing from 1st June 2008 to 31st May 2011. Pursuant to which, Petro-king and its wholly-owned subsidiaries will provide the Group with services in relation to (a) evaluation of potential oil assets identified for acquisition; and (b) oilfield operation and management services for the acquired oilfields.

Pursuant to the Framework Agreement, the Group undertakes that aggregate amount of the Petro-king Group continuing connected transaction for each of the years ended 31 March 2011 and 2012 will not exceed relevant cap amounts set out below:

		For the year ended 31 March	
Category of services		**2012**	2011
		US$'000	US$'000
(a)	Evaluation of potential oil assets identified for acquisition	–	1,500
(b)	Oilfield operation and management services for the acquired oilfields	–	43,520

There is no Petro-king Group continuing connected transactions for the financial year ended 31st March, 2012 (2011: Nil).

SHARE OPTION SCHEME

The existing share option scheme ("Scheme") of the Company was adopted on 18th August, 2006 as an incentive to attract, retain and motivate talented participants to strive for future developments and expansion of the Group and to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the participants. The scheme is for a period of 10 years from the date of adoption on 18th August, 2006. The directors may, at their discretion, make an offer to any participant to take up options. An option is deemed to have been granted and accepted by the grantee upon his or her signing the duplicate letter comprising acceptance of the option and paying HK$1 by way of consideration for the grant thereof.

The subscription price for shares of the Company under the Scheme will be highest of (i) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet on the offer date (which date must be a business day); (ii) a price being the average of the closing prices of the shares of the Company as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the offer date, and (iii) the nominal value of a share of the Company.

The total number of shares of the Company which may be issued upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company shall not in aggregate exceed 10 per cent. of the total number of shares of the Company in issue as at the date of approval of the Scheme. An option may be exercised during a period to be determined by the directors in its absolute discretion and in any event such period shall not be longer than 10 years from the date upon which the option is granted.

The total number of shares issued and to be issued upon exercise of the option granted to each participant under the Scheme in any 12-month period shall not exceed 1 per cent of the total number of shares in issue of the Company. Any further grant of options in excess of the 1 per cent limit shall be subject to shareholders' approval in a general meeting with such participant and his or her associates abstaining from voting.

No option was granted, exercised, lapsed or cancelled during the year. There was no outstanding options as at 31st March, 2012.

PROVIDENT FUND SCHEME

The Group has a mandatory provident fund scheme ("MPF Scheme") managed by a banking group. All staff employed in Hong Kong joined the MPF Scheme. The MPF Scheme is a defined contribution scheme and the assets of which are held separately from those of the Group in independently administered funds. Both of the employer and the employee are required to make mandatory contributions to the MPF Scheme calculated at 5% of the employee's monthly relevant income, subject to the rules and regulations of the Mandatory Provident Fund Schemes Ordinance. As at 31st March, 2012, the Group had no forfeited contributions (2011: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:

	2012	2011
	HK$	HK$
Gross employers' contributions	**213**	223
Less: Forfeited contributions	**–**	–
Net contributions	**213**	223

Directors' Report

PUBLIC FLOAT

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

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

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

PRE-EMPTIVE RIGHTS

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

AUDITOR

The financial statements for the three years ended 31st March, 2012 were audited by Messrs. Deloitte Touche Tohmatsu.

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

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

Hong Kong, 22nd June, 2012

Corporate Governance Report

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

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

The Company has complied during the year ended 31st March, 2012 with the Code save as disclosed below.

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

The Board has updated its corporate governance principles and practices by adopting the revised code provisions contained in the Corporate Governance Code in the Appendix 14 of the Listing Rules with effect from 1st April, 2012. It also approved the revised terms of reference of the audit committee and remuneration committee and the establishment of a nomination committee on the said date.

BOARD OF DIRECTORS

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

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

Corporate Governance Report

The Board of the Company currently consists of 4 executive directors, 3 independent non-executive directors and 1 non-executive director. Their brief biographical details are described on pages 17 and 18 of the Annual Report. Saved as disclosed therein, there are no other business, financial, family and other relevant interests among directors.

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

The independent non-executive directors, all of whom are independent of the management of the Company, are highly experienced professionals coming from a diversified industrial background. 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 1st January, 2010 to 31st December, 2012, which appointment shall terminate on the earlier of (i) 31st December, 2012; or (ii) the date on which the director concerned ceases to be an independent non-executive director pursuant to the bye-law of the Company or any other applicable laws.

Mr. Siu Lok Chow, Gabriel has on 12th December, 2011 entered into an appointment letter with the Company for service as an independent non-executive director for a term of 2 years from 12th December, 2011 to 11th December, 2013, which appointment shall terminate on the earlier of (i) 11th December, 2013; or (ii) the date on which the director concerned ceases to be a director pursuant to the Bye-laws or any other applicable laws.

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

The full Board meets regularly to review the financial and operating performance of the Group. Additional board meetings were held when necessary. Due notice and board papers were given to all directors prior to the meeting in accordance with the Listing Rules and the Code.

Corporate Governance Report

There were 5 board meetings held in the financial year ended 31st March, 2012. The attendance record of each director is shown below. All business transacted at the above meetings are well-documented and maintained in accordance with applicable laws and regulations.

Name of director	No. of Attendance/ No. of Meeting	Attendance Rate
Mr. Lee Lap (Chairman)	5/5	100%
Mr. Tommy Lee (Vice Chairman & Chief Executive Officer)	5/5	100%
Mdm. Leung Lai Ping	4/5	80%
Mr. Wong Shiu Kee	5/5	100%
Mr. Lo Yiu Hee	5/5	100%
Mr. Tong Hin Wor	5/5	100%
Mr. Siu Lok Chow, Gabriel (appointed on 12th December, 2011)	2/2	100%
Mr. Lee Ka Sze, Carmelo	4/5	80%
Mr. Lee Wing Sing, Vincent (resigned on 12th December, 2011)	1/3	33.3%
Mr. Chan Siu Kang (resigned on 12th December, 2011)	3/3	100%

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code"), as the code of conduct regarding directors' securities transactions.

The Company have made specific enquiry of all directors that they have complied with the Model Code throughout the year ended 31st March, 2012.

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

BOARD COMMITTEES

To strengthen the functions of the Board and to enhance its expertise, there are three Board committees namely, the Audit Committee, Remuneration Committee and Nomination Committee formed under the Board, with each performing different functions.

AUDIT COMMITTEE

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

The Audit Committee meets no less than twice a year with the senior management and the external auditors to review the accounting principles and practices adopted by the Group and other financial reporting matters, assures the completeness, accuracy and fairness of the financial statements of the Group, discuss the effectiveness of the systems of internal control throughout the Group and most importantly, reviews all significant business affairs managed by the executive directors in particular on connected transactions. The Audit Committee also provides advice and recommendations to the Board and oversees all matters relating to the external auditors, and it plays an important role in monitoring and safeguarding the independence of external auditors.

The Audit Committee met 2 times during the financial year ended 31st March, 2012. Set out below is the summary of work done during the year under review:

– to review the financial statements of the Group for the year ended 31st March, 2011 and for the six months ended 30th September, 2011;

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

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

– to consider and approve the 2011 audit fees.

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

Name of audit committee member	No. of Attendance/ No. of Meeting	Attendance Rate
Mr. Lo Yiu Hee (Chairman)	2/2	100%
Mr. Tong Hin Wor	2/2	100%
Mr. Lee Ka Sze, Carmelo	2/2	100%
Mr. Siu Lok Chow, Gabriel (appointed on 12th December, 2011)	0/0	–
Mr. Chan Siu Kang (resigned on 12th December, 2011)	2/2	100%

REMUNERATION COMMITTEE

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

The Company aims to design remuneration policies that attract and retain executives needed to run the Group successfully and to motivate executives to pursue appropriate growth strategies whilst taking into account performance of the individual. The remuneration should reflect performance, complexity and responsibility of the individual; and the remuneration package will be structured to include salary, bonus and share options scheme to provide incentives to directors and senior management to improve their individual performances.

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

Set out below is the summary of work done of the Remuneration Committee during the year under review:

– to review the remuneration policy of the year ended 31st March, 2012;

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

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

– to review the annual share option policy.

The Remuneration Committee meets once during the financial year ended 31st March, 2012 with the presence of all members of the Remuneration Committee.

Name of remuneration committee member	No. of Attendance/ No. of Meeting	Attendance Rate
Mr. Lo Yiu Hee (Chairman)	1/1	100%
Mr. Lee Lap	1/1	100%
Mr. Siu Lok Chow, Gabriel (appointed on 12th December, 2011)	0/0	–
Mr. Chan Siu Kang (resigned on 12th December, 2011)	1/1	100%

NOMINATION COMMITTEE

The Board had not established a nomination committee during the year ended 31st March, 2012. According to the Bye-laws of the Company, the Board has the power from time to time and at any time to appoint any person as a director either to fill a casual vacancy or as an addition to the Board. In assessing nomination of new director, the Board will take into consideration of the nominee's qualification, ability and potential contributions to the Company. On 12th December, 2011, Mr. Lee Wing Sing, Vincent resigned as non-executive director, Mr. Chan Siu Kang resigned as independent non-executive director and Mr. Siu Lok Chow, Gabriel was appointed as independent non-executive director. Such resignation and appointment were considered and approved at a duly convened board meeting. There was no other change in directorship during the year.

The Board has established a nomination committee with effect from 1st April, 2012.

OTHER INFORMATION

The Company had established its own website to communicate with shareholders and investors.

AUDITOR'S REMUNERATION

The remuneration in respect of services provided by Deloitte Touche Tohmatsu for the Group for the year ended 31st March, 2012 are analysed as follows:

	31st March, 2012	31st March, 2011
	HK$	HK$
Audit service	**1,100,000**	1,204,840
Non audit service	**256,908**	1,195,160
	1,356,908	2,400,000

Note: The remuneration for non audit services mainly includes fee regarding the review of the interim financial report of the Group for the six months ended 30th September, 2011 amounted to HK$227,108 (2010: HK$235,160).

Corporate Governance Report

INTERNAL CONTROL

The Company places great importance on internal control and risk management. The Board has overall responsibility for the system of internal controls and for reviewing its effectiveness. During the year, the Board had conducted a review of the effectiveness of the system of internal control of the Group. The review covered all material controls, including financial, operational and compliance controls and risk management functions and also considered the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programme and budget. Based on the results of the review, the Group will continue to take steps to further enhance the effectiveness of the internal control system.

SHAREHOLDER COMMUNICATION

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

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

At the 2011 annual general meeting, a separate resolution was proposed by the Chairman is respect of each separate issue, including re-election of directors. The Chairman of the Board and members of audit committee and remuneration committee attended the 2011 annual general meeting to answer questions of shareholders.

DIRECTORS' RESPONSIBILITY FOR PREPARING THE FINANCIAL STATEMENTS

The directors acknowledge that it is their responsibility in preparing the financial statements. The statement of the auditor about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on page 35 and 36.

CONCLUSION

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

Independent Auditor's Report

Deloitte.
德勤

TO THE MEMBERS OF
TERMBRAY INDUSTRIES INTERNATIONAL (HOLDINGS) LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Termbray Industries International (Holdings) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 37 to 93, which comprise the consolidated statement of financial position as at 31st March, 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the 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.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31st March, 2012, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
22nd June, 2012

Consolidated Statement of Comprehensive Income

For the year ended 31st March, 2012

	Notes	2012 HK$'000	2011 HK$'000
Continuing operations			
Revenue	6	**5,642**	9,160
Cost of goods sold and services rendered		**(2,636)**	(4,201)
Gross profit		**3,006**	4,959
Other income	7	**1,799**	2,638
Other gains and losses	8	**6,389**	7,756
Administrative expenses		**(15,380)**	(19,268)
Finance costs	9	**–**	(4,996)
Share of result of an associate		**(2,522)**	2,195
Loss before taxation		**(6,708)**	(6,716)
Taxation	10	**(369)**	(342)
Loss for the year from continuing operations		**(7,077)**	(7,058)
Discontinued operations			
Profit for the year from discontinued operations	11	**–**	123,003
(Loss) profit for the year	12	**(7,077)**	115,945
Other comprehensive income (expense)			
Exchange differences arising from translation of financial statements of foreign operations		**(1,820)**	483
Release of exchange translation reserve upon deregistration of a subsidiary		**–**	(57)
Release of exchange translation reserve upon losing control of subsidiaries		**–**	(2,842)
Share of other comprehensive income of an associate		**3,399**	459
Other comprehensive income (expense) for the year		**1,579**	(1,957)
Total comprehensive (expense) income for the year		**(5,498)**	113,988

Consolidated Statement of Comprehensive Income

For the year ended 31st March, 2012

	Notes	2012 HK$'000	2011 HK$'000
(Loss) profit for the year attributable to:			
Owners of the Company			
from continuing operations		**(7,077)**	(7,058)
from discontinued operations	11	**–**	116,574
(Loss) profit for the year attributable to owners of the Company		**(7,077)**	109,516
Non-controlling interests			
from discontinued operations	11	**–**	6,429
		(7,077)	115,945
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(5,498)**	105,980
Non-controlling interests		**–**	8,008
		(5,498)	113,988
		HK cents	HK cents
Basic and diluted (loss) earnings per share			
From continuing and discontinued operations	15	**(0.36)**	5.59
From continuing operations	15	**(0.36)**	(0.36)

Consolidated Statement of Financial Position

At 31st March, 2012

	Notes	2012 HK$'000	2011 HK$'000
Non-current assets			
Property, plant and equipment	16	**46,109**	45,674
Investment property	17	**30,172**	30,505
Interest in an associate	18	**477,357**	476,480
Pledged bank deposits	19 & 28(a)	**2,000**	2,000
		555,638	554,659
Current assets			
Completed properties for sale		**122,771**	118,870
Other receivables		**42**	42
Deposits and prepayments		**1,995**	2,022
Taxation recoverable		**377**	250
Bank balances and cash	19	**473,155**	597,413
		598,340	718,597
Current liabilities			
Other payables and accrued charges		**3,480**	4,028
Dividend payable		**5,002**	–
Deposits received		**652**	803
Provisions	20 & 28(b)	**3,173**	3,173
Amount due to a related company	21 & 30(b)	**1,992**	2,953
Taxation payable		**3,830**	3,580
		18,129	14,537
Net current assets		**580,211**	704,060
Total assets less current liabilities		**1,135,849**	1,258,719

Consolidated Statement of Financial Position

At 31st March, 2012

	Notes	**2012 HK$'000**	2011 HK$'000
Non-current liabilities			
Deferred tax liabilities	22	**930**	844
Net assets		**1,134,919**	1,257,875
Capital and reserves			
Share capital	23	**156,611**	156,611
Reserves	25	**977,891**	1,100,847
Equity attributable to owners of the Company		**1,134,502**	1,257,458
Non-controlling interests		**417**	417
Total equity		**1,134,919**	1,257,875

The consolidated financial statements on pages 37 to 93 were approved and authorised for issue by the board of directors on 22nd June, 2012 and are signed on its behalf by:

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

Consolidated Statement of Changes in Equity

For the year ended 31st March, 2012

	Attributable to owners of the Company								
	Share capital HK$'000	Share premium HK$'000	Exchange translation reserve HK$'000	Convertible note equity reserve HK$'000	Share options reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1st April, 2010	156,611	404,370	16,582	18,892	22,233	532,115	1,150,803	110,849	1,261,652
Profit for the year	–	–	–	–	–	109,516	109,516	6,429	115,945
Exchange differences arising from translation of financial statements of foreign operations	–	–	(1,096)	–	–	–	(1,096)	1,579	483
Release upon deregistration of a subsidiary	–	–	(57)	–	–	–	(57)	–	(57)
Release upon losing control of subsidiaries	–	–	(2,842)	–	–	–	(2,842)	–	(2,842)
Share of other comprehensive income of an associate	–	–	459	–	–	–	459	–	459
Total comprehensive income for the year	–	–	(3,536)	–	–	109,516	105,980	8,008	113,988
Derecognition upon losing control of subsidiaries	–	–	–	–	–	–	–	(118,440)	(118,440)
Recognition of share-based payments	–	–	–	–	675	–	675	–	675
Redemption of convertible note	–	–	–	(18,892)	–	18,892	–	–	–
Effects of vested share options forfeited under share options scheme	–	–	–	–	(22,908)	22,908	–	–	–
At 31st March, 2011	156,611	404,370	13,046	–	–	683,431	1,257,458	417	1,257,875
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(7,077)**	**(7,077)**	**–**	**(7,077)**
Exchange differences arising from translation of financial statements of foreign operations	**–**	**–**	**(1,820)**	**–**	**–**	**–**	**(1,820)**	**–**	**(1,820)**
Share of other comprehensive income of an associate	**–**	**–**	**3,399**	**–**	**–**	**–**	**3,399**	**–**	**3,399**
Total comprehensive expense for the year	**–**	**–**	**1,579**	**–**	**–**	**(7,077)**	**(5,498)**	**–**	**(5,498)**
Dividend recognised as distribution (note 14)	**–**	**–**	**–**	**–**	**–**	**(117,458)**	**(117,458)**	**–**	**(117,458)**
At 31st March, 2012	**156,611**	**404,370**	**14,625**	**–**	**–**	**558,896**	**1,134,502**	**417**	**1,134,919**

Consolidated Statement of Cash Flows

For the year ended 31st March, 2012

	Note	2012 HK$'000	2011 HK$'000
Operating activities			
(Loss) profit before taxation		**(6,708)**	120,160
Adjustments for:			
Depreciation of property, plant and equipment		**1,352**	3,368
Depreciation of investment property		**333**	334
Share of result of an associate		**2,522**	(2,195)
Interest income		**(1,572)**	(1,886)
Net exchange gain		**(6,390)**	(7,836)
Amortisation of intangible assets		**–**	1,742
Finance costs		**–**	6,228
Share-based payment expenses		**–**	675
Reversal of impairment loss recognised on trade and other receivables		**–**	(251)
Loss on disposal of property, plant and equipment		**–**	15
Gain on losing control of subsidiaries	26	**–**	(109,883)
Operating cash flows before movements in working capital		**(10,463)**	10,471
Decrease in completed properties for sale		**227**	1,950
Increase in inventories		**–**	(99,288)
Increase in other receivables		**–**	(38,966)
Decrease in deposits and prepayments		**27**	5,831
(Decrease) increase in other payables and accrued charges		**(550)**	15,707
Decrease in deposits received		**(149)**	(8,713)
(Decrease) increase in amount due to a related company		**(961)**	961
Cash used in operations		**(11,869)**	(112,047)
Income taxes paid		**(160)**	(2,368)
Interest paid		**–**	(1,232)
Net cash used in operating activities		**(12,029)**	(115,647)

Consolidated Statement of Cash Flows

For the year ended 31st March, 2012

	Note	**2012** **HK$'000**	2011 HK$'000
Investing activities			
Interest received		**1,572**	1,886
Placement of pledged bank deposits		**–**	(31,533)
Purchase of property, plant and equipment		**(1,787)**	(2,166)
Net cash outflow from losing control of subsidiaries	26	**–**	(18,527)
Proceeds on disposal of property, plant and equipment		**–**	14
Net cash used in investing activities		**(215)**	(50,326)
Financing activities			
Dividend paid		**(112,456)**	–
New bank borrowings raised		**–**	158,559
Repayments of bank borrowings		**–**	(89,449)
Redemption of convertible note		**–**	(133,692)
Net cash used in financing activities		**(112,456)**	(64,582)
Net decrease in cash and cash equivalents		**(124,700)**	(230,555)
Cash and cash equivalents at beginning of the year		**597,413**	825,367
Effect of foreign exchange rate changes		**442**	2,601
Cash and cash equivalents at end of the year		**473,155**	597,413
Analysis of cash and cash equivalents			
Bank balances and cash		**473,155**	597,413

1. GENERAL

The Company is a public company incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its parent is Lee & Leung (B.V.I.) Limited incorporated in the British Virgin Islands and the directors of the Company consider that its ultimate parent to be First Trend Management (PTC) Limited, a company incorporated in the British Virgin Islands which is held by HSBC International Trustee Limited for Lee & Leung Family Trust, the settlor of which is Mr. Lee Lap.

The addresses of the registered office and principal place of business of the Company are disclosed in the section headed "Corporate information" of the Company's Annual Report.

The Group is principally engaged in property investment and development.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

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

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

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
HKAS 24 (Revised 2009)	Related Party Disclosures
Amendments to HK (IFRIC) – Int 14	Prepayments of a Minimum Funding Requirement
HK (IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

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

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

New and revised HKFRSs issued but not yet effective

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle[2]
Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets[1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
HKFRS 9	Financial Instruments[3]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[5]
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets[4]
HKAS 19 (Revised 2011)	Employee Benefits[2]
HKAS 27 (Revised 2011)	Separate Financial Statements[2]
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[6]
HK (IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]

1 Effective for annual periods beginning on or after 1st July, 2011
2 Effective for annual periods beginning on or after 1st January, 2013
3 Effective for annual periods beginning on or after 1st January, 2015
4 Effective for annual periods beginning on or after 1st January, 2012
5 Effective for annual periods beginning on or after 1st July, 2012
6 Effective for annual periods beginning on or after 1st January, 2014

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (Revised 2011) and HKAS 28 (Revised 2011).

Key requirements of these five standards are described below.

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

New and revised Standards on consolidation, joint arrangements, associates and disclosures (continued)

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and HK (SIC) – Int 12 *Consolidation – Special Purpose Entities*. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

These standards are effective for annual periods beginning on or after 1st April, 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The directors anticipate that these standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1st April, 2013. The application of these standards may have significant impact on disclosures but is not expected to have impact on amounts reported made in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to HKAS 1 are effective for the Group's annual period beginning 1st April, 2013. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary 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 (effective from 1st April, 2010 onwards).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognise as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Investment in an associate

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in an associate (continued)

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

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

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in an associate (continued)

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

Revenue recognition

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

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

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

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

Property, plant and equipment

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

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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 stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment property over its estimated useful life and after taking into account of its estimated residual value, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

Properties for sale

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

Impairment losses on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment losses on tangible assets (continued)

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised 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 as income immediately.

Financial guarantee contracts

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

A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of obligation under the contract, as determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the revenue recognition policy.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets

The Group's financial assets are classified into loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

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

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 carried at amortised cost using the effective interest method, less any identified impairment loss (see accounting policy on impairment of financial assets below).

Impairment of loans and receivables

Loans and receivables are assessed for indicators of impairment at the end of the 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 financial asset loans and receivables, the estimated future cash flows of the loans and receivables have been affected.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of loans and receivables (continued)

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments

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

Equity instruments

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities (including other payables and amount due to a related company) are subsequently measured at amortised cost, using the effective interest method.

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, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirely, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the directors' best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the exchange translation reserve).

On the disposal of a foreign operation, (i.e. a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Borrowing costs

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

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

Leasing

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

The Group as lessor

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing (continued)

The Group as lessee

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

Leasehold land and building

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

When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and an associate, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interest are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

Retirement benefit costs

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Equity-settled share-based payment transactions

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

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

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

4. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of equity attributable to owners of the Company, comprising issued share capital, retained profits and other reserves.

The management reviews the capital structure on a regular basis. As a part of this review, the management considers the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends as well as the issue of new debt or the redemption of existing debt.

5. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2012 HK$'000	2011 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**475,197**	599,455
Financial liabilities		
Liabilities at amortised cost	**2,497**	3,437

(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.

5. FINANCIAL INSTRUMENTS (continued)

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

(i) Market risk (continued)

Foreign currency risk management

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

	Assets		Liabilities	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Group				
HK$	**10,604**	10,598	**–**	–
United States dollar ("USD")	**452**	453	**–**	–
Inter-company balances				
HK$	**125,425**	123,304	**316,982**	314,991

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 where 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 inter-company balances denominated in foreign currencies and adjusts their translation at the year end for a 5% change in foreign currency rates. The sensitivity analysis of the Group also includes currency risk exposure on inter-company balances.

In the opinion of the directors of the Company, the foreign currency exposure in relation to the HK$ and USD exchange rate fluctuation is not significant as HK$ is pegged to USD. For this reason, the sensitivity analysis below does not reflect this.

5. FINANCIAL INSTRUMENTS (continued)

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

(i) Market risk (continued)

Foreign currency risk management (continued)

Sensitivity analysis (continued)

The sensitivity analysis below shows the impact relates to monetary assets or liabilities that are denominated in HK$ or USD against the functional currency of relevant group entities, Renminbi ("RMB") and monetary assets or liabilities that are denominated in RMB against the functional currencies of relevant group entities, USD or HK$.

Where the functional currency of the relevant group entity strengthens 5% against the currency in which the assets are denominated, there would be an increase in the post-tax loss of HK$9,048,000 (2011: decrease in the post-tax profit of HK$9,054,000) for the year.

A 5% weakening of the functional currency would have an equal but opposite impact on the post-tax loss for the year (2011: post-tax profit).

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.

5. FINANCIAL INSTRUMENTS (continued)

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

(i) Market risk (continued)

Interest rate risk management (continued)

Sensitivity analysis

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

(ii) Credit risk management

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantee provided by the Group is arising from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position; and
- the amount of contingent liabilities in relation to financial guarantees issued by the Group as disclosed in notes 28(a) and (c).

In order to minimise the credit risk, the management performs individual credit evaluations on debtors, including tenants and property purchasers. These evaluations focus on the debtors' past history of making payments when due and current ability to pay and take into account information specific to the debtors as well as pertaining to the economic environment in which the debtors operate. In addition, follow-up action is taken up to recover overdue debts and ongoing credit evaluation is performed on the financial condition of trade receivables.

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

The Group has concentration of credit risk as 93% (2011: 95%) 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.

5. FINANCIAL INSTRUMENTS (continued)

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

(ii) Credit risk management (continued)

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

The Group has provided guarantees to banks in respect of facilities granted to an associate. The guarantee would be released when the facilities are fully settled by the associate. The directors considered that the credit risk involved was not significant.

(iii) Liquidity risk management

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

The following table details the Group's remaining contractual maturity for its 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.

5. FINANCIAL INSTRUMENTS (continued)

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

(iii) Liquidity risk management (continued)

	On demand or less than 1 month HK$'000	1 – 2 months HK$'000	2 months to 1 year HK$'000	1 – 3 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
2012						
Other payables	**174**	**–**	**331**	**–**	**505**	**505**
Dividend payable	**5,002**	**–**	**–**	**–**	**5,002**	**5,002**
Amount due to a related party	**1,992**	**–**	**–**	**–**	**1,992**	**1,992**
Rental deposits received	**200**	**–**	**52**	**400**	**652**	**652**
Financial guarantee contracts	**37,044**	**–**	**–**	**–**	**37,044**	**–**
	44,412	**–**	**383**	**400**	**45,195**	**8,151**
2011						
Other payables	153	–	331	–	484	484
Amount due to a related party	2,953	–	–	–	2,953	2,953
Rental deposits received	127	9	94	417	647	647
Financial guarantee contracts	37,108	–	–	–	37,108	–
	40,341	9	425	417	41,192	4,084

5. FINANCIAL INSTRUMENTS (continued)

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

(iii) Liquidity risk management (continued)

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

(c) Fair value

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

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

6. REVENUE AND SEGMENT INFORMATION

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

	2012 **HK$'000**	2011 HK$'000
Continuing operations		
Sales of properties	**476**	4,111
Rental income	**5,166**	5,049
	5,642	9,160

6. REVENUE AND SEGMENT INFORMATION (continued)

Segment information reported to the chief operating decision maker, the executive directors of the Company, for the purposes of resource allocation and assessment of segment performance focuses on the one principal operating segment of the Group, namely property investment and development which involved property leasing and sales of properties. In prior year, the Group's operations in oilfield engineering and consultancy services were discontinued upon the Subscription (as defined in note 11). The segment information reported below does not include any amounts for this discontinued operations, which are described in more detail in note 11.

Segment revenues and results

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

Continuing operations

	2012	2011
	HK$'000	HK$'000
Revenue from property investment and development segment	**5,642**	9,160
Segment profit from property investment and development segment	**5,636**	10,047
Unallocated other income	**1,503**	1,843
Unallocated other gain and expenses	**1,707**	2,379
Unallocated expenses	**(13,401)**	(17,851)
Share option expense	**–**	(675)
Effective interest expense on convertible note	**–**	(4,996)
Share of result of an associate	**(2,522)**	2,195
Loss for the year from continuing operations	**(7,077)**	(7,058)

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

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit earned by property investment and development segment without allocation of unallocated other income, unallocated other gain and expenses, unallocated expenses, share option expense, effective interest expense on convertible note, and share of result of an associate. This is the measure reported to the chief operating decision maker of the Group for the purposes of resource allocation and performance assessment.

6. REVENUE AND SEGMENT INFORMATION (continued)

Other segment information

For the year ended 31st March, 2012

Continuing operations

	Property investment and development HK$'000	**Unallocated HK$'000**	**Total HK$'000**
Amounts included in the measure of segment profit:			
Depreciation	**359**	**1,326**	**1,685**
Interest income	**69**	**1,503**	**1,572**
Taxation charge	**369**	**–**	**369**

For the year ended 31st March, 2011

Continuing operations

	Property investment and development HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment profit:			
Depreciation	364	1,647	2,011
Interest income	43	1,843	1,886
Taxation charge	342	–	342

6. REVENUE AND SEGMENT INFORMATION (continued)

Geographical information

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

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

	Revenue from external customers		Non-current assets	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**2,400**	2,289	**76,184**	76,057
The PRC	**3,242**	6,871	**97**	122
Unallocated[1]	**–**	–	**477,357**	476,480
	5,642	9,160	**553,638**	552,659

Note: Non-current assets excluded pledged bank deposits.

1 Unallocated represent interest in an associate which is an investment holding company and its subsidiaries have operations in both Hong Kong and the PRC. Details are set out in note 18.

Information about major customers

Included in external revenue arising from continuing operations, revenue of HK$2,400,000 and HK$2,289,000 are arose from property leasing to the Group's largest customers for the year ended 31st March, 2012 and 31st March, 2011 respectively. No other customer contributed over 10% of revenue in both years.

Segment assets and liabilities

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

7. OTHER INCOME

Continuing operations

	2012 HK$'000	2011 HK$'000
Interest income from bank balances	**1,572**	1,886
Sundry income	**227**	752
	1,799	2,638

8. OTHER GAINS AND LOSSES

Continuing operations

	2012 HK$'000	2011 HK$'000
Net exchange gain	**6,389**	7,756

9. FINANCE COSTS

Continuing operations

The finance costs incurred for continuing operations represent effective interest expense on convertible note.

10. TAXATION

	2012 HK$'000	2011 HK$'000
Continuing operations		
Current tax:		
Hong Kong Profits Tax	**250**	229
PRC Enterprise Income Tax	**33**	28
	283	257
Deferred tax (note 22):	**86**	85
	369	342

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

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

The tax charge for the year can be reconciled to the loss before taxation from continuing operations per the consolidated statement of comprehensive income as follows:

	2012 HK$'000	2011 HK$'000
Loss before taxation	**(6,708)**	(6,716)
Tax at the applicable income tax rate of 16.5% (2011: 25%)	**(1,107)**	(1,679)
Tax effect of expenses not deductible for tax purpose	**2,249**	5,931
Tax effect of income not taxable for tax purpose	**(2,160)**	(4,435)
Tax effect of share of result of an associate	**416**	(549)
Tax effect of tax losses not recognised	**544**	784
Effect of different tax rates of subsidiaries operating in other jurisdictions	**–**	(162)
Others	**427**	452
Tax charge for the year (related to continuing operations)	**369**	342

The applicable income tax rate was changed from 25% to 16.5% during the year upon losing control of the major subsidiary operating in the PRC during the year ended 31st March, 2011.

Details of the deferred tax are set out in note 22.

11. DISCONTINUED OPERATIONS

On 3rd September, 2010, Termbray Petro-king Oilfield Services (BVI) Limited ("Termbray Petro-king") entered into a Subscription Agreement with Termbray Natural Resources Company Limited ("Termbray NRC"), a wholly owned subsidiary of the Company; King Shine Group Limited ("King Shine"), the non-controlling interest of the Group which held 49% equity interest in Termbray Petro-king and an investor ("Investor"), an independent third party to the Group, pursuant to which Termbray Petro-king shall allot and issue and Investor shall subscribe for new shares of Termbray Petro-king (the "Subscription Shares"), representing 10% of the issued share capital of Termbray Petro-king as enlarged by the subscription ("Subscription") for an amount of RMB88.8 million (equivalent to HK$101.3 million) payable in United Stated dollars. The Subscription was completed on 20th October, 2010.

Termbray Petro-king and its subsidiaries carried out all of the Group's oilfield engineering and consultancy services. Upon completion of the Subscription, Termbray Petro-king shall be owned as to 45.9%, 44.1% and 10% by Termbray NRC, King Shine and Investor, respectively. An analysis of the results and cash flows of the discontinued operations included in the consolidated statement of comprehensive income and the consolidated statement of cash flows are set out below.

11. DISCONTINUED OPERATIONS (continued)

Profit for the period from discontinued operations

	1.4.2010 to 20.10.2010 HK$'000
Revenue	106,127
Cost of goods sold and services rendered	(58,254)
Gross profit	47,873
Other income and gains	8,930
Other gain and losses	(691)
Administrative expenses	(16,622)
Selling and distribution expenses	(21,605)
Share of result of an associate	340
Finance cost	(1,232)
Profit before taxation	16,993
Taxation	(3,873)
	13,120
Gain on losing control of subsidiaries	109,883
Profit for the period from discontinued operations	123,003
Profit for the period from discontinued operations attributable to:	
Owners of the Company	116,574
Non-controlling interests	6,429
	123,003
Cash flows from discontinued operations	
Net cash used in operating activities	(202,515)
Net cash used in investing activities	(33,601)
Net cash from financing activities	168,187
Net decrease in cash flows	(67,929)

The carrying amounts of the assets and liabilities of Termbray Petro-king at the date of disposal are disclosed in note 26.

12. (LOSS) PROFIT FOR THE YEAR

	Continuing operations		Discontinued operations	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
(Loss) profit for the year has been arrived at after charging (crediting):				
Auditor's remuneration				
– current year	**1,100**	1,440	**–**	–
– underprovision in prior year	**74**	57	**–**	285
Amortisation of intangible assets, included in "administrative expenses"	**–**	–	**–**	1,742
Impairment losses recognised on trade and other receivables, included in "other gains and losses"	**–**	–	**–**	428
Cost of inventories recognised as expense	**227**	1,950	**–**	58,254
Depreciation of				
– property, plant and equipment	**1,352**	1,677	**–**	1,691
– investment property	**333**	334	**–**	–
Staff costs including directors' emoluments (note)	**8,569**	11,143	**–**	37,085
Operating lease rentals in respect of land and buildings	**314**	296	**–**	1,414
Reversal of impairment loss recognised on trade and other receivables	**–**	(251)	**–**	–
Gross rental income from investment property	**(2,400)**	(2,289)	**–**	–
Less: direct operating expense from investment property that generated rental income during the year	**544**	555	**–**	–
	(1,856)	(1,734)	**–**	–

Note: The staff costs of continuing operations include share option expenses of HK$Nil (2011: HK$675,000). The rental value of the Group's land and buildings provided as accommodation to certain directors of the Company as set out in note 13.

13. EMOLUMENTS OF DIRECTORS AND SENIOR EMPLOYEES

(a) Directors' emoluments

The emoluments paid or payable for each of the directors are as follows:

	Year ended 31st March, 2012				
	Fees HK$'000	Basic salaries, allowances and benefits-in-kind HK$'000	Contributions to retirement benefit schemes HK$'000	Share-based payment HK$'000	Total HK$'000
Executive directors					
Mr. Lee Lap	–	3,800	–	–	3,800
Mdm. Leung Lai Ping	–	3,300	12	–	3,312
Mr. Wong Shiu Kee	–	1,500	75	–	1,575
Mr. Tommy Lee	–	240	12	–	252
Independent non-executive directors					
Mr. Chan Siu Kang (resigned on 12th December, 2011)	–	–	–	–	–
Mr. Lo Yiu Hee	100	–	–	–	100
Mr. Tong Hin Wor	100	–	–	–	100
Mr. Siu Lok Chow (appointed on 12th December, 2011)	50	–	–	–	50
Non-executive directors					
Mr. Lee Ka Sze, Carmelo	100	–	–	–	100
Mr. Lee Wing Sing, Vincent (resigned on 12th December, 2011)	–	–	–	–	–
	350	8,840	99	–	9,289

13. EMOLUMENTS OF DIRECTORS AND SENIOR EMPLOYEES (continued)

(a) Directors' emoluments (continued)

	Year ended 31st March, 2011				
	Fees HK$'000	Basic salaries, allowances and benefits-in-kind HK$'000	Contributions to retirement benefit schemes HK$'000	Share-based payment HK$'000	Total HK$'000
Executive directors					
Mr. Lee Lap	–	3,800	–	–	3,800
Mdm. Leung Lai Ping	–	3,300	12	–	3,312
Mr. Wong Shiu Kee	–	1,500	75	–	1,575
Mr. Tommy Lee	–	1,040	52	–	1,092
Mr. Wang Jinlong (resigned on 1st November, 2010)	–	700	–	675	1,375
Independent non-executive directors					
Mr. Chan Siu Kang	100	–	–	–	100
Mr. Lo Yiu Hee	100	–	–	–	100
Mr. Tong Hin Wor	100	–	–	–	100
Non-executive directors					
Mr. Lee Ka Sze, Carmelo	100	–	–	–	100
Mr. Lee Wing Sing, Vincent	100	–	–	–	100
	500	10,340	139	675	11,654

During the year, the land and buildings of the Group with a rental value of HK$3,600,000 (2011: HK$3,600,000) were provided as accommodation to certain directors of the Company which has been included in basic salaries, allowances and benefits-in-kind disclosed above.

In addition to the above, no non-contractual compensation for loss of office was paid. No directors waived any emoluments in both years.

13. EMOLUMENTS OF DIRECTORS AND SENIOR EMPLOYEES (continued)

(b) Senior employees' emoluments

Of the five individuals with the highest emoluments in the Group, three (2011: all) are directors of the Company, whose emoluments have been included above.

The emoluments of the remaining two (2011: nil) individuals, whose emoluments are individually below HK$1,000,000, were as follows:

	2012 HK$'000
Salaries and other benefits	1,100
Contributions to retirement benefits schemes	33
	1,133

14. DIVIDEND

	2012 HK$'000	2011 HK$'000
Dividend recognised as distribution during the year:		
2011 Interim dividend – HK6 cents per share (2011: nil)	117,458	–

The final dividend of HK9 cents in respect of the year ended 31st March, 2012 (2011: nil) per share has been proposed by the directors and is subject to approval by the shareholders in general meeting.

15. BASIC AND DILUTED (LOSS) EARNINGS PER SHARE

From continuing and discontinued operations

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

	2012 HK$'000	2011 HK$'000
(Loss) earnings for the year attributable to owners of the Company for the purposes of basic and diluted earnings per share	(7,077)	109,516

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

15. BASIC AND DILUTED (LOSS) EARNINGS PER SHARE (continued)

From continuing operations

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

	2012 HK$'000	2011 HK$'000
(Loss) earnings for the period attributable to owners of the Company for the purposes of basic and diluted (loss) earnings per share	**(7,077)**	109,516
Less: Profit for the year from discontinued operations attributable to owners of the Company	–	(116,574)
Loss for the year attributable to owners of the Company for the purposes of basic and diluted loss per share	**(7,077)**	(7,058)

The denominators used are the same as those detailed above for both basic and diluted loss per share.

In 2011, the computation of diluted loss per share from the continuing operations does not assume the conversion of the Company's outstanding convertible note and the exercise of the Company's outstanding share options since the assumed conversion of convertible note would result in a decrease in loss per share and the exercise prices of the Company's share options were higher than the average market price for shares.

From discontinued operations

Basic and diluted earnings per share for the discontinued operation for the year ended 31st March, 2011 is HK5.95 cents per share, based on the profit attributable to owners of the Company from the discontinued operations for the year of HK$116,574,000 and the denominators detailed above for both basic and diluted earnings per share.

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land HK$'000	Buildings HK$'000	Machinery, moulds and equipment HK$'000	Furniture, fixtures, equipment and leasehold improvements HK$'000	Motor vehicles HK$'000	Total HK$'000
COST						
At 1st April, 2010	45,149	6,250	9,373	13,157	10,163	84,092
Additions	–	–	2,048	118	–	2,166
Disposals	–	–	(137)	–	(475)	(612)
Losing control of subsidiaries	–	–	(11,434)	(3,347)	(2,675)	(17,456)
Exchange adjustment	–	–	150	107	57	314
At 31st March, 2011	45,149	6,250	–	10,035	7,070	68,504
Additions	–	–	–	–	1,787	1,787
At 31st March, 2012	**45,149**	**6,250**	**–**	**10,035**	**8,857**	**70,291**
DEPRECIATION						
At 1st April, 2010	6,650	2,116	1,955	9,655	6,338	26,714
Provided for the year	372	141	1,206	872	777	3,368
Eliminated on disposals	–	–	(108)	–	(475)	(583)
Eliminated upon losing control of subsidiaries	–	–	(3,105)	(2,574)	(1,084)	(6,763)
Exchange adjustment	–	–	52	15	27	94
At 31st March, 2011	7,022	2,257	–	7,968	5,583	22,830
Provided for the year	373	141	–	309	529	1,352
At 31st March, 2012	**7,395**	**2,398**	**–**	**8,277**	**6,112**	**24,182**
CARRYING VALUES						
At 31st March, 2012	**37,754**	**3,852**	**–**	**1,758**	**2,745**	**46,109**
At 31st March, 2011	38,127	3,993	–	2,067	1,487	45,674

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
Machinery, moulds and equipment	18% to 30%
Furniture, fixtures and equipment and leasehold improvements	10% to 20%
Motor vehicles	15% to 18%

The directors conducted review of the Group's leasehold land and buildings by referencing the market value of comparable properties and considered that no impairment loss should be recognised.

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

	2012 **HK$'000**	2011 HK$'000
Leasehold land and buildings situated on leasehold interest in land in Hong Kong on:		
Long lease	**37,908**	38,306
Medium-term lease	**3,698**	3,814
	41,606	42,120

17. INVESTMENT PROPERTY

	HK$'000
COST	
At 1st April, 2010, and 31st March, 2011 and 2012	**35,286**
DEPRECIATION	
At 1st April, 2010	4,447
Provided for the year	334
At 31st March, 2011	4,781
Provided for the year	333
At 31st March, 2012	**5,114**
CARRYING VALUES	
At 31st March, 2012	**30,172**
At 31st March, 2011	30,505

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

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

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

The fair value of the Group's investment property at 31st March, 2012 is HK$118,600,000 (2011: HK$92,700,000). The fair value has been arrived at on the basis of a valuation carried out on that date by Vigers Appraisal & Consulting Limited ("Vigers"), an independent qualified professional valuer not connected with the Group. Vigers is a member of the Institute of Valuers. The valuation was arrived at by reference to market evidence of recent transaction prices for similar properties in the same locations and conditions.

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

18. INTEREST IN AN ASSOCIATE

On 20th October, 2010, Termbray Petro-King ceased as a subsidiary and became an associate of the Company upon the completion of Subscription. Details are disclosed in note 11. On the same date, the fair value of the interests in Termbray Petro-King held by the Company is HK$473,826,000.

Details of the Group's interest in an associate at 31st March, 2012 are as follows:

	2012	2011
	HK$'000	HK$'000
Cost of unlisted investment in an associate	**473,826**	473,826
Share of post-acquisition profit and other comprehensive income	**3,531**	2,654
	477,357	476,480

Included in the cost of investment in an associate is goodwill of HK$251,701,000 arising on the deemed disposal of a subsidiary as set out in note 11, being the difference between the cost of the investment of HK$473,826,000 and the Group's share of the net fair value of the associate's identifiable assets and liabilities of HK$222,125,000. Included in the net fair value of the associate's identifiable assets and liabilities is intangible assets in relation to incomplete contracts of HK$66,338,000, determined based on the income-based method, amortised according to the management expectation of realisation of profits of the incomplete contracts over their estimated useful lives of one to two years.

As at 31st March, 2012, the directors conducted a review of the Group's interest in an associate and the recoverable amount of interest in an associate had been determined by estimating the share of present value of the estimated future cash flows expected to be generated by the associate, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment and considered no impairment loss should be recognised.

As at 31st March, 2012, the Group had interest in the following associate:

Name of entity	Form of equity	Place/ Country of incorporation	Class of shares held	Proportion of nominal value of issued capital held by the Group	Proportion of voting power held	Principal activity
Termbray Petro-king Oilfield Services (BVI) Limited	Incorporated	British Virgin Islands	Ordinary	45.9%	45.9%	Investment holding

18. INTEREST IN AN ASSOCIATE (continued)

The summarised financial information in respect of the Group's associate attributable to the Group's interest are set out below:

	31.12.2011 HK$'000	31.12.2010 HK$'000
Total assets	**754,613**	846,021
Total liabilities	**222,064**	335,251
Net assets	**532,549**	510,770
Group's share of net assets of an associate (excluding goodwill)	**244,440**	234,443
Revenue	**559,491**	345,675*
(Loss) profit for the period	**(5,495)**	4,782*
Other comprehensive income	**7,406**	1,000*
Group's share of (loss) profit of an associate	**(2,522)**	2,195
Group's share of other comprehensive income of an associate	**3,399**	459

* Included revenue, profit or other comprehensive income of Termbray Petro-King from the date it became an associate of the Group up to 31st December, 2010.

19. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

Pledged bank deposits and bank balances and cash, which comprise short-term bank deposits, carry interest at effective interest rates ranging from 0.01% to 0.29% (2011: 0.01% to 0.40%) per annum.

Details of the pledged bank deposits are set out in note 28 (a).

20. PROVISIONS

The provision represents management's best estimate of the costs and expenses required to discharge the Group's obligations and liabilities under the warranties and undertakings given in connection with the disposal of subsidiaries in prior years as set out in note 28(b). The timing of payment of such costs and expenses is dependent upon finalisation of certain matters requiring the approval of the local authorities of the PRC, therefore it is not practicable to estimate with certainty the timing of payment at this stage.

21. AMOUNT DUE TO A RELATED COMPANY

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

The related company is a wholly owned subsidiary of First Trend Management (PTC) Limited, the ultimate parent of the Company.

22. DEFERRED TAX LIABILITIES

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

	2012 **HK$'000**	2011 HK$'000
Deferred tax liabilities	**930**	844

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

	Impairment of assets **HK$'000**	**Accelerated tax depreciation** **HK$'000**	**Undistributed profits of a subsidiary established in the PRC** **HK$'000**	**Intangible assets** **HK$'000**	**Total** **HK$'000**
At 1st April, 2010	(485)	759	4,417	1,106	5,797
Charge (credit) to profit or loss	–	85	411	(370)	126
Derecognised upon losing control of subsidiaries	485	–	(4,828)	(736)	(5,079)
At 31st March, 2011	–	844	–	–	844
Charge to profit or loss	–	86	–	–	86
At 31st March, 2012	**–**	**930**	**–**	**–**	**930**

22. DEFERRED TAX LIABILITIES (continued)

At the end of the reporting period, the Group has unused tax losses of HK$95,428,000 (2011: HK$93,005,000) available for offset against future profit as analysed as follows:

	2012	2011
	HK$'000	HK$'000
Carried forward to 31st		
December, 2011	**–**	1,292
December, 2012	**2,650**	2,553
December, 2013	**2,459**	2,369
December, 2014	**3,009**	2,899
December, 2015	**3,255**	3,136
December, 2016	**3,299**	–
Carried forward indefinitely	**80,756**	80,756
	95,428	93,005

No deferred tax asset had been recognised in respect of the unused tax losses as at 31st March, 2012 as it was uncertain whether sufficient taxable profits would be available to allow utilisation of the carrying forward tax losses.

23. SHARE CAPITAL

	2012 & 2011	
	Number of shares '000	**Nominal value HK$'000**
Ordinary shares of HK$0.08 each		
Authorised	**2,800,000**	**224,000**
Issued and fully paid	**1,957,643**	**156,611**

There is no movement in share capital during the two years ended 31st March, 2012.

24. SHARE OPTIONS

Pursuant to an ordinary resolution passed at an annual general meeting of the Company held on 18th August, 2006, the Company adopted a new share option scheme ("2006 ESOP") to replace the scheme adopted in 2001 which was terminated on that date.

On 25th February, 2008, the Company granted 20,000,000 options to Mr. Wang Jinlong, a former director and the chief executive officer of the Company, at an exercise price of HK$1.20 per share and in which 10,000,000 share options are vested on 28th February, 2008 exercisable during the period from 25th February, 2008 to 24th February, 2011 and the remaining 10,000,000 share options are vested quarterly from 25th February, 2008 to 25th February, 2009 and exercisable during the period from 25th February, 2009 to 24th February, 2011, with estimated fair values per share amounting to HK$0.59 and HK$0.65 respectively. During the year ended 31st March, 2011, the director resigned and those vested 20,000,000 share options were forfeited accordingly.

On 28th March, 2008, the Company granted 17,000,000 options under the 2006 ESOP to Mr. Wang Jinlong, at an exercise price of HK$1.25 per share and in which 5,666,666 share options are vested quarterly from 28th March, 2008 to 28th March, 2009 and exercisable during the period from 28th March, 2009 to 27th March, 2018, 5,666,667 share options are vested quarterly from 28th March, 2008 to 28th March, 2010 and exercisable during the period from 28th March, 2010 to 27th March, 2018 and 5,061,467 of share options were vested quarterly from 28th March, 2008 to 1st October, 2010 and are exercisable during the period from 28th March, 2011 to 27th March, 2018, with estimated fair values per share of HK$0.60, HK$0.66 and HK$0.71 respectively. During the year ended 31st March, 2011, 17,000,000 share options were forfeited due to resignation of a director, of which 605,200 share options were not vested.

The following table discloses movements of the Company's share options during the preceding year:

Date granted	Outstanding at 1st April, 2010	Forfeited during the year	Outstanding at 31st March, 2011
Mr. Wang Jinlong			
25th February, 2008	20,000,000	(20,000,000)	–
28th March, 2008	17,000,000	(17,000,000)	–
	37,000,000	(37,000,000)	–
Exercisable at the end of the year			–
Weighted average exercise price	HK$1.22	–	–

No movement noted during 2012 and nil outstanding share option noted as at 31st March, 2012.

25. RESERVES

Details of the reserves of the Group are disclosed in the consolidated statement of changes in equity on page 41.

An interim dividend of HK6 cents per share (2011: Nil) (note 14) in respect of the year was paid to the shareholder. The final dividend of HK9 cents of the year ended 31st March, 2012 (2011: nil) per share has been proposed by the directors and is subject to approval of the shareholders in general meeting.

26. LOSING CONTROL OF SUBSIDIARIES

As referred to in note 11, on 20th October, 2010, Termbray Petro-king ceased as a subsidiary of the Group upon the Subscription.

Immediately after the Subscription, the Group's remaining voting power on Termbray Petro-king is 45.9%. As a result, the Group is no longer in a position to exercise control but significant influence over Termbray Petro-king. The fair value of the Group's interest in Termbray Petro-king of approximately HK$473,826,000 as at 20th October, 2010 has been regarded as cost of interest in associate from the date on which the Group ceased to have control, and incorporated in the consolidated financial statements using the equity method of accounting. The fair value has been arrived at on the basis of a valuation carried out on that date by Vigers, an independent qualified professional valuer not connected with the Group. The valuation was arrived on the basis of capitalisation of net income.

The net assets of Termbray Petro-king which control was lost at the date of losing control were as follows:

Analysis of assets and liabilities over which control was lost:

	20.10.2010 HK$'000
Property, plant and equipment	10,693
Goodwill	247,121
Intangible assets	3,484
Interest in an associate	351
Inventories	144,031
Trade and other receivables	165,227
Deposits and prepayments	10,665
Taxation recoverable	4
Pledged bank deposits	44,378
Bank balance and cash	18,527
Trade and other payables and accrued charges	(38,140)
Taxation payable	(13,179)
Bank borrowings	(102,858)
Deferred tax liabilities	(5,079)
Net assets before Subscription	485,225
Consideration receivable	101,302
Net assets after Subscription	586,527

26. LOSING CONTROL OF SUBSIDIARIES (continued)

Gain on losing control of subsidiaries

	20.10.2010 HK$'000
Net assets disposed of	(485,225)
Non-controlling interests	118,440
	(366,785)
Fair value of interest retained in Termbray Petro-king	473,826
Cumulative exchange differences in respect of the net assets of Termbray Petro-king reclassified from equity to profit or loss	2,842
Gain on losing control of a subsidiary	109,883
Net cash outflow arising on losing control:	
Bank balances and cash disposed of	18,527

Included in net assets disposed of HK$485,225,000 is goodwill of HK$243,511,000 which resulted from Group's acquisition of 51% interest in Petro-King Holding Limited, a wholly owned subsidiary of Termbray Petro-king and not attributable to the non-controlling interest.

Of the gain of HK$109,883,000, HK$97,222,000 is attributable to recognising the residual interest in Termbray Petro-king at fair value at the date control is lost, which is the difference between the fair value of residual interest in Termbray Petro-king of HK$473,826,000 and the carrying amount of interest retained in Termbray Petro-king of HK$376,604,000 including consideration shared by the Group of HK$46,498,000 resulting from the Subscription.

The impact of losing control of Termbray Petro-king on the Group's results and cash flows in the prior period is disclosed in note 11.

27. OPERATING LEASE COMMITMENTS

The Group as lessor

At the end of the reporting period, the Group's investment property (comprising leasehold interest in land and building) and certain properties held for sale with carrying amounts of HK$30,172,000 (2011: HK$30,505,000) and HK$24,018,000 (2011: HK$20,750,000) respectively were let out under operating leases. All of the properties leased out have committed tenants for the next one to two years (2011: one to three years).

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

	2012 **HK$'000**	2011 HK$'000
Within one year	**2,668**	2,808
In the second to fifth years inclusive	**2,297**	4,764
	4,965	7,572

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:

	2012 **HK$'000**	2011 HK$'000
Within one year	**198**	198

Operating lease payments represent rentals payable by the Group for office premises and warehouses. These are negotiated and rentals are fixed for a period of 1 year (2011: 1 year).

28. PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

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

(a) Guarantees were issued to banks by the Group in respect of mortgage loans granted to property purchaser by bank amounted to approximately HK$69,000 (2011: HK$69,000) and, in this connection, the Group's bank deposits of HK$2,000,0000 (2011: HK$2,000,000) were pledged to the banks as security. As at 31st March, 2011 and 2012, the mortgage loan was fully paid by the property purchaser. The guarantees provided would be released upon delivering the building ownership certificate of the respective property by the customer to the bank as a pledge for security to the mortgage loan granted. The directors considered that the fair value of such guarantee on initial recognition was insignificant.

(b) In connection with the disposal of the subsidiaries engaged in the business of manufacture and sale of printed circuit boards in 1999, the Group has given warranties and undertakings to the purchaser as specified in the agreement for the disposal of these subsidiaries. During the year ended 31st March, 2001, the Group received notification from the purchaser raising claims against the Group arising from the warranties and undertakings. It is the intention of the management to contest the claims vigorously. No legal proceedings have yet been instituted against the Group for these claims. Based upon legal advice obtained, management is of the opinion that such claims, if materialised, would not result in any material liabilities to the Group in excess of the amounts already provided for in the consolidated financial statements.

(c) The Group issued financial guarantees to banks in respect of banking facilities granted to an associate. The aggregate amounts that could be required to be paid if the guarantees were called upon in entirety amounted to HK$37,044,000 (2011: HK$37,108,000), of which HK$27,804,000 (2011: HK$14,127,000) has been utilised by the associate. The directors considered that the fair value of such guarantee on initial recognition was insignificant.

29. RETIREMENT BENEFIT PLANS

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the scheme, which contribution is matched by employees.

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

The total cost charged to profit or loss of HK$159,000 (2011: HK$223,000) represents contributions payable to these schemes by the Group in respect of the year.

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 and warehouses from Panda Investment during the year at the agreed rental of HK$264,000 (2011: HK$246,000) per annum. Panda Investment is a wholly owned subsidiary of First Trend Management (PTC) Limited, the ultimate parent of the Company.

(b) At 31st March, 2012, the Group had an amount of approximately HK$1,992,000 (2011: HK$2,953,000) due to Panda Investment, as set out in note 21, which is unsecured, interest-free and repayable on demand.

(c) Pursuant to a tenancy agreement entered into between Mr. Lee Wing Keung, a son of Mr. Lee Lap and Mdm. Leung Lai Ping, directors of the Company, and the Group, the Group leased its land and building to Mr. Lee Wing Keung for a period of 3 years commencing from 16th March, 2011, at monthly rental of HK$200,000. The rental income recognised during the year is HK$2,400,000 (2011: HK$2,289,000).

(d) The Group issued financial guarantees to banks in respect of banking facilities granted to an associate. The aggregate amounts that could be required to be paid if the guarantees were called upon in entirety amounted to HK$37,044,000 (2011: HK$37,108,000), of which HK$27,804,000 (2011: HK$14,127,000) has been utilised by the associate. The directors considered that the fair value of such guarantee on initial recognition was insignificant.

(e) The compensation of key management personnel paid or payable by the Group in respect of the year, substantially all of which comprised short term benefits and share-based payments attributable to the directors of the Company, amounted to HK$9,289,000 (2011: HK$11,654,000), 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.

31. PARTICULARS OF MAJOR SUBSIDIARIES

The following list contains only the particulars of the major subsidiaries and associates at 31st March, 2012 and 2011 which principally affect the results, assets or liabilities of the Group as the directors are of the opinion that a full list of all the subsidiaries would be of excessive length. All the principal subsidiaries are wholly owned subsidiaries and, unless otherwise specified, are operating in their place of incorporation/establishment. None of the subsidiaries had any loan capital outstanding at 31st March, 2012 and 2011 or at any time during the year.

Name of company	Place of incorporation/ establishment	Paid up issued share capital/ registered capital	Proportion of nominal value of issued share capital held by the Company 2012	2011	Principal activities
Direct subsidiary:					
Termbray Electronics (B.V.I.) Limited (i)	British Virgin Islands	100 ordinary shares of US$1 each	**100%**	100%	Investment holding
Indirect subsidiaries:					
Ever Success Properties Limited (ii)	Hong Kong	100 ordinary shares of HK$1 each	**100%**	100%	Investment holding
Termbray (China) Land Development Company Limited	Hong Kong	10,000 ordinary shares of HK$1 each	**100%**	100%	Investment holding
Termbray (Fujian) Land Development Company Limited	Hong Kong	10,000 ordinary shares of HK$1 each	**100%**	100%	Property investment
Termbray (Guangzhou) Land Development Company Limited	Hong Kong	10,000 ordinary shares of HK$1 each	**100%**	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%**	100%	Investment holding and treasury activities
Zhongshan Ever Success Properties Limited (iii)	PRC	Registered capital of RMB1,500,000	**100%**	100%	Property development

(i) Operating in Hong Kong
(ii) Operating in the PRC
(iii) A limited liability company established in the PRC

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, Guangdong Province	Commercial and car park	15,152	100
	Residential	25,091	100

Five Year Financial Summary

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

CONSOLIDATED RESULTS

	Year ended 31st March,				
	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
				(note)	(note)
Revenue	**5,642**	9,160	5,700	218,809	43,290
(Loss) profit before taxation					
– continuing operations	**(6,708)**	(6,716)	(25,016)	32,899	(30,376)
– discontinued operations	**–**	126,876	123,381	–	–
	(6,708)	120,160	98,365	32,899	(30,376)
Taxation					
– continuing operations	**(369)**	(342)	(322)	(11,041)	2,530
– discontinued operations	**–**	(3,873)	(29,117)	–	–
	(369)	(4,215)	(29,439)	(11,041)	2,530
(Loss) profit for the year	**(7,077)**	115,945	68,926	21,858	(27,846)
Attributable to owners of the Company	**(7,077)**	109,516	22,977	(6,629)	(20,848)
Attributable to non-controlling interests	**–**	6,429	45,949	28,487	(6,998)

Note:

Included result of Termbray Petro-king Group which operation was discontinued in Oct 2010 as set out in note 11. The Directors considered that it is impractical for the Group to restate the result of Termbray Petro-king Group of 2009 and 2008 separately.

Five Year Financial Summary

CONSOLIDATED ASSETS AND LIABILITIES

	As at 31st March,				
	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets					
Property, plant and equipment	**46,109**	45,674	57,378	56,010	56,644
Investment property	**30,172**	30,505	30,839	31,173	31,507
Investment in an associate	**477,357**	476,480	–	–	–
Pledged bank deposits	**2,000**	2,000	2,034	2,034	2,034
Goodwill	**–**	–	247,121	243,318	243,318
Intangible assets	**–**	–	5,226	8,213	16,500
Current assets	**598,340**	718,597	1,143,762	1,064,065	1,001,656
TOTAL ASSETS	**1,153,978**	1,273,256	1,486,360	1,404,813	1,351,659
CURRENT LIABILITIES	**(18,129)**	(14,537)	(218,911)	(88,927)	(85,165)
NON-CURRENT LIABILITIES	**(930)**	(844)	(5,797)	(127,090)	(119,395)
NET ASSETS	**1,134,919**	1,257,875	1,261,652	1,188,796	1,147,099
Equity attributable to owners of the Company	**1,134,502**	1,257,458	1,150,803	1,124,096	1,112,250
Non-controlling interests	**417**	417	110,849	64,700	34,849
TOTAL EQUITY	**1,134,919**	1,257,875	1,261,652	1,188,796	1,147,099

PER SHARE DATA

	Year ended 31st March,				
	2012	2011	2010	2009	2008
	HK cents	HK cents	HK cents	HK cents	HK cents
Basic (loss) earnings per share	**(0.36)**	5.59	1.17	(0.34)	(1.17)
Dividends per share					
Interim dividend	**6**	–	–	–	–
Final dividend	**9**	–	–	–	–
Net asset value per share	**57.97**	64.25	64.45	60.73	58.60