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TERMBRAY INDUSTRIES INTERNATIONAL (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 00093)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

RESULTS

The board of directors (the “Board”) of Termbay Industries International (Holdings) Limited (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2021 together with the comparative figures for the nine-month period ended 31 December 2020 as follows:

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021

	Note	Year ended 31 December 2021 HK\$'000	Nine-month period ended 31 December 2020 HK\$'000
Revenue	4	112,435	24,963
Other income	5	1,749	1,691
Other (losses)/gains, net	6	(1,844)	18,873
Cost of revenue from properties sold		(1,598)	(1,794)
Advertising and promotion		(15,945)	(345)
Employee benefits expenses		(15,059)	(6,739)
Provision for impairment of loan and interest receivables		(17,249)	(367)
Other operating expenses	7	(23,557)	(12,923)
Bargain purchase from acquisition of subsidiaries		-	41,300
Acquisition-related costs		-	(16,734)
		<hr/>	<hr/>
Operating profit		38,932	47,925
Finance costs	8	(7,195)	(1,382)
		<hr/>	<hr/>
Profit before income tax		31,737	46,543
Income tax expense	9	(10,470)	(584)
		<hr/>	<hr/>
Profit for the year/period		21,267	45,959
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Other comprehensive (loss)/income:			
<i>Item that may not be reclassified to profit or loss:</i>			
(Loss)/gain on revaluation of leasehold land and buildings		(58,217)	9,968
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		(569)	(2,262)
		<hr/>	<hr/>
Other comprehensive (loss)/income for the year/period, net of tax		(58,786)	7,706
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Total comprehensive (loss)/income for the year/period		(37,519)	53,665
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		<i>HK cents</i>	<i>HK cents</i>
Earnings per share attributable to owners of the Company:			
Basic	11	0.80	2.17
Diluted	11	0.80	2.17
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Consolidated Statement of Financial Position
As at 31 December 2021

		As at 31 December 2021 <i>HK\$'000</i>	As at 31 December 2020 <i>HK\$'000</i>
	<i>Note</i>		
ASSETS			
Non-current assets			
Property, plant and equipment		270,950	399,241
Investment properties	12	241,520	183,300
Intangible assets		11,907	14,208
Deferred income tax assets		1,393	1,446
Loan receivables	13	479,483	348,836
Deposits		164	–
Pledged bank deposit		–	2,000
		<u>1,005,417</u>	<u>949,031</u>
Current assets			
Completed properties for sale		60,147	59,333
Loan receivables	13	78,754	96,921
Interest receivables	14	5,253	2,934
Deposits, prepayments and other receivables		3,935	4,089
Financial assets at fair value through profit or loss		152	147
Cash and cash equivalents		180,947	256,474
		<u>329,188</u>	<u>419,898</u>
TOTAL ASSETS		<u><u>1,334,605</u></u>	<u><u>1,368,929</u></u>

	As at 31 December 2021	As at 31 December 2020
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
EQUITY AND LIABILITIES		
Equity		
Share capital	213,411	213,411
Reserves	<u>909,491</u>	<u>947,010</u>
Total equity	<u>1,122,902</u>	<u>1,160,421</u>
Liabilities		
Non-current liabilities		
Deferred income tax liabilities	271	238
Lease liabilities	554	148
Other payables and accruals	<u>146,742</u>	<u>166,183</u>
	<u>147,567</u>	<u>166,569</u>
Current liabilities		
Other payables and accruals	44,478	18,235
Contract liabilities	–	284
Amount due to a related company	1,936	2,851
Lease liabilities	810	700
Income tax payable	<u>16,912</u>	<u>19,869</u>
	<u>64,136</u>	<u>41,939</u>
Total liabilities	<u>211,703</u>	<u>208,508</u>
TOTAL EQUITY AND LIABILITIES	<u>1,334,605</u>	<u>1,368,929</u>

Notes:

1. BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) and disclosure requirements of the Hong Kong Companies Ordinance Cap.622. They have been prepared under the historical cost convention, except for leasehold land and buildings, investment properties and financial assets at fair value through profit or loss, which are carried at fair value.

The preparation of the consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

Pursuant to a board resolution passed on 17 December 2020, the Company changed its financial year end date from 31 March to 31 December. As a result of the change, the prior period consolidated financial statements were made up of a nine-month period from 1 April 2020 to 31 December 2020. Therefore, the comparative amounts for the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and related notes, which covered the period from 1 April 2020 to 31 December 2020, are not directly comparable.

2. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

- (a) Relevant amendments to existing standards and conceptual framework effective for the financial period beginning on 1 January 2021:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phases 2

The adoption of these amended standards and conceptual framework did not result in any substantial change to the Group’s accounting policies. The amended standards and conceptual framework listed above had no material impact on the consolidated financial statements.

- (b) The following new standards and amendments to existing standards have been issued, but are not effective for the financial year beginning on 1 January 2021 and have not been early adopted:

		Effective for annual periods beginning on or after
Annual improvements	Annual improvements to HKFRSs 2018 – 2020	1 January 2022
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 16	Property, plant and equipment – proceeds before intended use	1 January 2022
Amendments to HKAS 37	Onerous contracts – cost of fulfilling a contract	1 January 2022
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies (amendments)	1 January 2023
HKFRS 17	Insurance contracts and the related Amendments	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates (amendments)	1 January 2023
Amendments to HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction (amendments)	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group has not applied any new standards and amendments to existing standards that is not yet effective for the current accounting period. These new standards and amendments to existing standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

3. SEGMENT INFORMATION

Management has determined the operating segments based on the information reviewed by the chief operating decision maker (“CODM”) that are used to make strategic decisions. The CODM is identified as the Executive Directors of the Company.

During the year ended 31 December 2021, the CODM assessed the performance of the Group by reviewing the results of two reportable segments:

- Property development and investment – Property development for sale of properties in the People’s Republic of China (“PRC”) and property investment for letting of properties in Hong Kong and the PRC.
- Money lending – Provide mortgage and personal loan financing to customers.

The CODM reviews the performance of the Group on a regular basis and reviews the Group’s internal reporting in order to assess performance and allocate resources.

Information provided to the CODM is measured in a manner consistent with that in the consolidated financial statements.

The segment results and other segment items are as follows:

	Property development and investment <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the year ended 31 December 2021			
Revenue	<u>5,456</u>	<u>106,979</u>	<u>112,435</u>
Segment results	<u>564</u>	<u>41,934</u>	42,498
Unallocated other income			19
Unallocated other gains, net			1,054
Unallocated expenses			<u>(11,834)</u>
Profit before income tax			<u>31,737</u>
For the nine-month period ended 31 December 2020			
Revenue	<u>5,110</u>	<u>19,853</u>	<u>24,963</u>
Segment results	<u>18,231</u>	<u>10,319</u>	28,550
Unallocated other income			280
Unallocated other gains, net			45,097
Unallocated expenses			<u>(27,384)</u>
Profit before income tax			<u>46,543</u>

For the year ended 31 December 2021, unallocated expenses and unallocated other gains and losses represent corporate expenses and unrealised net exchange gains/(losses) (nine-month period ended 31 December 2020: bargain purchase from acquisition of subsidiaries, acquisition-related costs, corporate expenses and unrealised net exchange gains/(losses)), respectively. Segment results represent the profit/(loss) before income tax earned by each segment without allocation of certain other income, other gains and losses and expenses. This is the measure reported to the CODM for the purpose of resource allocation and performance assessment.

The segment assets and liabilities are as follows:

	Property development and investment <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 31 December 2021			
Assets			
Segment assets	<u>425,584</u>	<u>603,391</u>	1,028,975
Unallocated assets			<u>305,630</u>
Consolidated total assets			<u><u>1,334,605</u></u>
Liabilities			
Segment liabilities	<u>11,898</u>	<u>196,452</u>	208,350
Unallocated liabilities			<u>3,353</u>
Consolidated total liabilities			<u><u>211,703</u></u>
As at 31 December 2020			
Assets			
Segment assets	<u>369,006</u>	<u>559,733</u>	928,739
Unallocated assets			<u>440,190</u>
Consolidated total assets			<u><u>1,368,929</u></u>
Liabilities			
Segment liabilities	<u>16,968</u>	<u>186,777</u>	203,745
Unallocated liabilities			<u>4,763</u>
Consolidated total liabilities			<u><u>208,508</u></u>

All assets are allocated to operating and reportable segments other than certain property, plant and equipment, financial assets at fair value through profit or loss ("FVPL"), certain cash and cash equivalents and certain deposits, prepayments and other receivables.

All liabilities are allocated to operating and reportable segments other than amount due to a related company, deferred income tax liabilities, certain other payables and accruals and certain income tax payable.

Amounts included in the measure of segment results are as follows:

	Property development and investment <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 December 2021				
Depreciation	–	(1,384)	(5,259)	(6,643)
Amortisation	–	(2,301)	–	(2,301)
Interest income	1,659	10	12	1,681
Interest expense	–	(7,195)	–	(7,195)
Income tax expense	(2,471)	(7,999)	–	(10,470)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
For the nine-month period ended 31 December 2020				
Depreciation	–	(514)	(4,468)	(4,982)
Amortisation	–	(514)	–	(514)
Interest income	1,190	7	53	1,250
Interest expense	–	(1,382)	–	(1,382)
Income tax expense	1,369	(1,953)	–	(584)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Revenue from external customers, based on the location where the goods are delivered and services are rendered, and non-current assets, other than pledged bank deposits and deferred income tax assets, by geographical location are as follows:

	Revenue from external customers		Non-current assets	
	Year ended 31 December 2021 <i>HK\$'000</i>	Nine-month period ended 31 December 2020 <i>HK\$'000</i>	As at 31 December 2021 <i>HK\$'000</i>	As at 31 December 2020 <i>HK\$'000</i>
Hong Kong	108,839	21,248	1,003,985	945,585
The PRC	3,596	3,715	39	–
	<u>112,435</u>	<u>24,963</u>	<u>1,004,024</u>	<u>945,585</u>

For the year ended 31 December 2021 and the nine-month period ended 31 December 2020, no single customer contributed to 10% or more of the Group's total revenue.

A reconciliation of reportable segment assets to total assets and reportable segment liabilities to total liabilities is provided as follows:

	As at 31 December 2021 <i>HK\$000</i>	As at 31 December 2020 <i>HK\$000</i>
Reportable segment assets	1,028,975	928,739
Financial assets at fair value through profit or loss	152	147
Cash and cash equivalents	34,321	40,917
Property, plant and equipment	269,030	397,500
Deposits, prepayments and other receivables	2,127	1,626
	<hr/>	<hr/>
Total assets	1,334,605	1,368,929
	<hr/> <hr/>	<hr/> <hr/>
Reportable segment liabilities	208,350	203,745
Amount due to a related company	1,936	2,851
Deferred income tax liabilities	271	238
Other payables and accruals	1,146	1,674
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Total liabilities	211,703	208,508
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4. REVENUE

	Year ended 31 December 2021 <i>HK\$000</i>	Nine-month period ended 31 December 2020 <i>HK\$000</i>
Sales of properties in the PRC (<i>Note</i>)	1,765	2,422
Rental income from investment property and completed properties for sale	3,691	2,688
Interest income from money lending business	106,979	19,853
	<hr/>	<hr/>
	112,435	24,963
	<hr/> <hr/>	<hr/> <hr/>

Note: Revenue from sales of properties is recognised at a point in time. All sales of properties are entered in a contract that has an original expected completion of one year or less.

5. OTHER INCOME

	Year ended 31 December 2021 <i>HK\$000</i>	Nine-month period ended 31 December 2020 <i>HK\$000</i>
Interest income on bank deposits	1,681	1,250
Sundry income	68	117
Wage subsidies under the Employment Support Scheme	–	324
	<hr/>	<hr/>
	1,749	1,691
	<hr/> <hr/>	<hr/> <hr/>

6. OTHER (LOSSES)/GAINS, NET

	Year ended 31 December 2021 <i>HK\$000</i>	Nine-month period ended 31 December 2020 <i>HK\$000</i>
Exchange gains, net	4,936	15,587
Gain on termination of leases	3	–
Fair value gain/(losses) on financial assets at fair value through profit or loss	5	(14)
Property, plant and equipment written off	(8)	–
Fair value (loss)/gain on investment properties (<i>Note 12</i>)	(6,780)	3,300
	<u>(1,844)</u>	<u>18,873</u>

7. OTHER OPERATING EXPENSES

	Year ended 31 December 2021 <i>HK\$'000</i>	Nine-month period ended 31 December 2020 <i>HK\$'000</i>
Auditor's remuneration		
– Audit services	2,607	2,070
– Non-audit services	350	215
Amortisation of intangible assets	2,301	514
Building management fees	337	290
Commission expenses	2,555	453
Computer accessories	978	311
Depreciation of property, plant and equipment	6,643	4,982
Expenses relating to short-term leases	708	574
Insurance	205	255
Legal and professional fees	1,739	962
License and registration	374	307
Motor vehicle expense	55	133
Printing expense	419	231
Secretarial fee	399	422
Utilities	264	134
Valuation and search fee	1,943	260
Others	1,680	810
	<u>23,557</u>	<u>12,923</u>

8. FINANCE COSTS

	Year ended 31 December 2021 <i>HK\$'000</i>	Nine-month period ended 31 December 2020 <i>HK\$'000</i>
Unwinding of interests on deferred consideration payable	7,170	1,369
Interest expense on lease liabilities	25	13
	<u>7,195</u>	<u>1,382</u>

9. INCOME TAX EXPENSE

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years. The Group has estimated the tax provision for PRC land appreciation tax according to the requirements set forth in the relevant PRC tax laws and regulations.

Hong Kong profits tax for the year ended 31 December 2021 have been provided for the rate of 8.25% for the first HK\$2,000,000 estimated assessable profits and 16.5% for estimated assessable profits above HK\$2,000,000 for an entity of the Group qualified for the two-tiered profits tax rates regime. For group entities not qualifying for the two-tiered profits tax rates regime, Hong Kong profits tax has been provided for at a flat rate of 16.5% (Nine-month period ended 31 December 2020: same).

The amount of income tax expense charged to the consolidated statement of profit or loss represents:

	Year ended 31 December 2021 HK\$000	Nine-month period ended 31 December 2020 HK\$000
Current income tax		
– PRC enterprise income tax	240	1,284
– PRC land appreciation tax	320	(4,310)
– Hong Kong profits tax	9,538	2,081
– Under/(over)-provision in prior years	286	(117)
	<u>10,384</u>	<u>(1,062)</u>
Deferred income tax	<u>86</u>	<u>1,646</u>
Income tax expense	<u>10,470</u>	<u>584</u>

10. DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2021 (nine-month period ended 31 December 2020: Nil).

11. EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share are calculated by dividing the profit of the Group attributable to owners of the Company by the weighted average number of ordinary shares in issue.

	Year ended 31 December 2021	Nine-month period ended 31 December 2020
Profit attributable to owners of the Company (HK\$' 000)	21,267	45,959
Weighted average number of ordinary shares in issue (' 000)	<u>2,667,643</u>	<u>2,120,298</u>
Basic earnings per share (HK cents)	<u>0.80</u>	<u>2.17</u>

(b) Diluted earnings per share

There were no potential dilutive ordinary shares outstanding during the year ended 31 December 2021 and the nine-month period ended 31 December 2020 and hence the diluted earnings per share is the same as the basic earnings per share.

12. INVESTMENT PROPERTIES

	HK\$'000
At 1 April 2020	180,000
Fair value gain on revaluation (<i>Note 6</i>)	<u>3,300</u>
At 31 December 2020	183,300
Transfer from property, plant and equipment	65,000
Fair value loss on revaluation (<i>Note 6</i>)	<u>(6,780)</u>
At 31 December 2021	<u>241,520</u>

At 31 December 2021, there were two investment properties (31 December 2020: one). One of the investment properties of the Group was let out to Mr. Lee Wing Keung, a son of Mr. Lee Lap and brother of Mr. Tommy Lee, directors of the Company. The Group is still searching for potential tenant for another investment property.

The Group leases out its land and buildings under non-cancellable operating lease arrangements. The lease term is 3 years (31 December 2020: 3 years). The Group has classified these leases as operating leases. Rental income from this investment property for the year amounted to HK\$1,860,000 (nine-month period ended 31 December 2020: HK\$1,395,000).

(a) Valuation process of the Group

The Group's investment properties were valued at 31 December 2021 and 31 December 2020 by independent professionally qualified valuer, Vigers Appraisal & Consulting Ltd, who holds a recognised relevant professional qualification and have recent experience in the locations and segments of the investment property valued. For the investment properties, their current use equates to the highest and best use. The fair value gain/(loss) are included in "Other gains/(losses), net" in the consolidated statement of profit or loss.

The recurring fair value measurement for investment properties are included in level 3 of the fair value hierarchy. The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There was no transfer between 1, 2 and 3 during the year (nine-month period ended 31 December 2020: Nil).

(b) Valuation techniques

The valuation of investment properties were determined either using the income approach or direct comparison method (Level 3 approach) by making reference to comparable market transactions for similar properties. In estimating the fair value of the properties, the highest and best use of the properties is their current use. For the property based on income approach, the market rental of the property under current lease is assessed and discounted at the market yield expected by investors and provision for the reversionary potential for this type of property, of amount to HK\$56,700 (31 December 2020: HK\$57,300) per square foot on saleable area basis. For the property based on direct comparison method, the most significant input into this valuation approach is unit sale price, taking into account the differences in transaction time, location, frontage and size etc. between the comparables and the properties, of amount to HK\$26,400 (31 December 2020: HK\$27,000) per square foot on saleable area basis. An increase in the unit sale price adopted would result in an increase in the fair value measurement of the investment properties by the same magnitude, and vice versa.

13. LOAN RECEIVABLES

	As at 31 December 2021 <i>HK\$'000</i>	As at 31 December 2020 <i>HK\$'000</i>
Gross loan receivables – property mortgage loans	363,139	359,985
Gross loan receivables – personal loans	191,870	75,901
Gross loan receivables – corporate loans	29,000	29,000
	<hr/>	<hr/>
Total gross loan receivables	584,009	464,886
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Less: Provision for impairment – Stage 1	(17,807)	(13,193)
Provision for impairment – Stage 2	(1,844)	(815)
Provision for impairment – Stage 3	(6,121)	(5,121)
	<hr/>	<hr/>
Total provision for impairment	(25,772)	(19,129)
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Loan receivables, net of provision	558,237	445,757
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Less: Non-current portion	(479,483)	(348,836)
	<hr/>	<hr/>
Current portion	78,754	96,921
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The Group's loan receivables, which arise from the money lending business of providing property mortgage loans and personal loans in Hong Kong, are denominated in Hong Kong dollars and the carrying amounts approximate their fair values.

Except for personal loan receivables of HK\$191,870,000 as at 31 December 2021 (31 December 2020: HK\$75,901,000) which are unsecured, loan receivables are secured by collaterals, interest-bearing and repayable with fixed terms agreed with the customers.

A maturity profile of the loan receivables as at the end of the reporting period, based on the maturity date, net of provision, is as follows:

	As at 31 December 2021 <i>HK\$'000</i>	As at 31 December 2020 <i>HK\$'000</i>
Within one year	155,540	96,921
One to two years	38,886	59,175
Two to five years	148,070	56,548
Over five years	215,741	233,113
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	558,237	445,757
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14. INTEREST RECEIVABLES

	As at 31 December 2021 <i>HK\$'000</i>	As at 31 December 2020 <i>HK\$'000</i>
Gross interest receivables – property mortgage loans	1,799	1,496
Gross interest receivables – personal loans	<u>3,454</u>	<u>1,438</u>
	<u><u>5,253</u></u>	<u><u>2,934</u></u>

The Group's interest receivables, which arise from the money lending business of providing property mortgage loans and personal loans in Hong Kong, are denominated in Hong Kong dollars and the carrying amounts approximate their fair values.

Except for interest receivables of personal loans of HK\$3,454,000 as at 31 December 2021 (31 December 2020: HK\$1,438,000) which are unsecured, interest receivables are secured by collaterals and repayable with fixed terms agreed with the customers.

Interest receivables as at the end of the reporting period, net of provision, have maturities within one year.

RESULTS

During the year ended 31 December 2021, the Group achieved a revenue of HK\$112,435,000 and recorded a profit for the year ended 31 December 2021 of HK\$21,267,000, compared with a revenue of HK\$24,963,000 and profit of HK\$45,959,000 for the nine-month period ended 31 December 2020.

The decrease in profit for the year in current year is due to the one-off effect from the bargain purchase and related expenses arising from the acquisition of aEasy Credit Investment Limited together with its subsidiaries (“Zero Finance Group”) in 2020.

DIVIDEND

No interim dividend was paid by the Company for the six months ended 30 June 2021 (30 September 2020: Nil).

The Board does not recommend the payment of a final dividend for the year ended 31 December 2021 (nine-month period ended 31 December 2020: Nil).

PROFIT FOR THE YEAR

The profit for the current year under review is primarily due to the aggregate effect upon recognition of the following items:

- (i) foreign exchange gain arising from the revaluation of the Renminbi currency by approximately 2% during the year ended 31 December 2021; and
- (ii) fair value losses of HK\$6.78 million on investment properties.

CLOSURE OF REGISTER OF MEMBERS

The forthcoming annual general meeting of the Company (“AGM”) is scheduled to be held on Friday, 10 June 2022. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 6 June 2022 to Friday, 10 June 2022 (both days inclusive), during which no transfer of shares will be effected. In order to qualify for attendance of AGM, all completed transfer forms accompanied with the relevant share certificates must be lodged with the Company’s share registrar, Tricor Standard Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong not later than 4:30 p.m. on Thursday, 2 June 2022.

REVIEW OF OPERATIONS

Property development and investment

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 in the property market in Zhongshan is keen as there are abundant supplies of properties with modern design. Although the commercial arcades are still vacant, the management has put a lot of effort in marketing the properties and is endeavouring to improve the operation of the commercial arcades.

There is not much improvement in the operating environment in year 2021. The sales activities of the Group’s property project in Zhongshan for the remaining residential units were not satisfactory during the year.

In Zhongshan, all sale and purchase agreements entered into during the period under review have to be approved by the relevant government authorities before they can be registered in the government’s property sales system. During the year, 2 sale transactions were approved and registered in the government’s property sale system. The Group has recognised the sale of 2 residential units during the year (nine-month period ended 31 December 2020: 3 units). The rental income earned by the Group from Ever Success Plaza during the year ended 31 December 2021 increased by approximately 17% compared with the nine-month period ended 30 December 2020 due to a nine-month operation for the prior period. As at 31 December 2021, 56 residential units remained to be sold, out of which 8 residential units were let out.

Money lending

Although the Coronavirus Disease 2019 (“COVID-19”) pandemic has posed extraordinary challenges for Hong Kong economy since early 2020, our money lending business still achieved satisfactory and healthy growth for the year 2021. The acquisition of Zero Finance Group, which was completed on 30 October 2020, has strengthened our money lending services by having the unique financial technology support and automated mobile application “X Wallet”. The number of registered users of “X Wallet” increased from 43,489 in 2020 to 62,765 as at 31 December 2021. The number of current customers of “X Wallet” increased from 4,384 as at 31 December 2020 to 8,269 as at 31 December 2021. The increase in number of current customers improved the results of unsecured loan and generated approximately HK\$54 million during the year ended 31 December 2021.

X8 Finance Limited (“X8 Finance”) will focus on providing mortgage loans for residential properties in Hong Kong. Though there was a general recovery of the economy, the overall economic activity remained below the pre-pandemic level and the loan demand remained relatively subdued. The management will cautiously carry out the money lending business in Hong Kong. With the economic uncertainty and potential challenges, the management will carefully assess the credit worthiness of the borrowers as well as the quality and leveraging of the mortgaged properties.

OUTLOOK

With new rules taken by the China’s government to cool down property speculation and credit expansion, property market in China has experienced a wider slowdown period. Regulators in China capped the share of mortgages and property-related loans that banks may hold. New home prices continued falling during the last three months in 2021. As the property market environment is under restructuring, the Group will play more modestly to explore investment opportunities.

Under the COVID-19 pandemic, the macro-economic growth of Hong Kong is facing the largest crisis since the bankruptcy of Lehman Brothers in 2008. Along with the relative strained relationship between US and China, and the continuing development of new variants of COVID-19, in the second half of 2021, Hong Kong stock market did not perform as well as that in the first half of 2021.

With the launch of COVID-19 vaccines, and relevant central departments and Guangdong Province sending expert teams to Hong Kong to assist in work, sending nucleic acid testing personnel to Hong Kong, assisting in the construction of community isolation and treatment facilities, providing rapid antigen test kits and other medical materials, and ensuring the supply of daily necessities to Hong Kong, the Group anticipates a recovery to the economic environment in Hong Kong, which will stimulate consumption in private sector.

Despite the challenges faced, the Group strives to continuously adapt to the new norm under the COVID-19 pandemic. In order to balance the well-being of the shareholders, the Group also has to ensure the offices are fully functional, as well as to protect the health and safety of our colleagues, customers, business partners and the communities. As it is particularly challenging to the market, under the social distancing measures, the Group is seeing a brighter future in offering 24x7 uninterrupted personal loan services to its customers in any circumstances via automated mobile APP “X Wallet”.

The Group will further expand the loan portfolio of “X Wallet” and diversify its offerings to optimise the lending experience for customers, in order to enhance its unsecured loan market segment competitiveness. Meanwhile, the Group will strengthen its secured loan business development by offering more unique and quality mortgage loan products and services to its clients.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2021, the Group remains cash-sufficient and no material capital expenditure commitments other than the purchase consideration payable under the acquisition of the Zero Finance Group. The operations are financed by capital and reserves.

Bank balances and cash amounted to approximately HK\$181 million and accounted for approximately 55% of total current assets.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total liabilities (including current and non-current liabilities as shown in the consolidated statement of financial position) less cash and cash equivalents. Total equity is calculated as 'equity' as shown in the consolidated statement of financial position.

The Group was in a net debt position as at 31 December 2021 (31 December 2020: net cash position).

The Group mainly operates in the PRC and Hong Kong, and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Renminbi. No financial instrument is arranged for hedging purposes in respect of interest rate and currency.

STAFF

As at 31 December 2021, the Group employed 47 staff at market remunerations with staff benefits such as insurance, provident fund scheme and discretionary bonus.

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.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance and firmly believes that the maintenance of 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 has adopted all the code provisions in the Corporate Governance Code ("the Code") contained in Appendix 14 of the Listing Rules as its own code on corporate governance practices.

The Company has complied with the Code during the year ended 31 December 2021 save as disclosed below.

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

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.

In response to specific enquiry made, all directors (except Mr. Lo Yiu Hee who is unable to confirm due to illness) confirmed that they have complied with the Model Code throughout the year ended 31 December 2021.

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.

AUDIT COMMITTEE

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

The audit committee of the Company has reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including review of the annual results for the year ended 31 December 2021.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2021. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

OTHER INFORMATION

The Directors of the Company as at the date of this announcement are as follows:

Executive Directors:

Mr. Lee Lap (*Chairman*)

Mr. Tommy Lee (*Vice Chairman & Chief Executive Officer*)

Mr. Chau Hau Shing

Independent Non-Executive Directors:

Mr. Lo Yiu Hee

Mr. Tong Hin Wor

Mr. Ching Yu Lung

By order of the Board

Termbray Industries International (Holdings) Limited

Lee Lap

Chairman

Hong Kong, 25 March 2022