TERMBRAY INDUSTRIES INTERNATIONAL (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 0093)

FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2019

RESULTS

The board of directors (the "Board") of Termbray Industries International (Holdings) Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2019 together with the comparative figures for the last year as follows:

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
Revenue	3		
Sales of properties		**24,673**	29,413
Rental income		**4,199**	4,676
Interest income from money lending		**1,722**	–
Total revenue		**30,594**	34,089
Cost of goods sold and services rendered		**(9,857)**	(13,263)
Gross profit		**20,737**	20,826
Other income	5	**1,368**	792
Other gains and losses	6	**(14,796)**	40,828
Administrative expenses		**(18,817)**	(16,880)
Gain on assets distributed to shareholders	7	**–**	63,866
Share of result of an associate		**–**	(17,524)
(Loss) profit before taxation		**(11,508)**	91,908
Taxation	8	**(8,372)**	(8,715)
(Loss) profit for the year	9	**(19,880)**	83,193
Other comprehensive income (expense)			
Item that will not be reclassified to profit or loss:			
Gain on revaluation of leasehold land and buildings		**5,711**	48,106
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**1,088**	(2,819)
Share of other comprehensive income of an associate – currency translation differences		**–**	5,798
Reserves released on assets distributed to shareholders		**–**	2,038
Other comprehensive income for the year		**6,799**	53,123
Total comprehensive (expense) income for the year attributable to owners of the Company		**(13,081)**	136,316
Dividend	10	**–**	170,511
		HK cents	*HK cents*
(Loss) earnings per share attributable to owners of the Company	11		
Basic		**(1.02)**	4.25
Diluted		**N/A**	4.25

Consolidated Statement of Financial Position
At 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment		**409,278**	409,114
Investment property	*12*	**187,000**	187,000
Loan receivables	*13*	**22,892**	–
Pledged bank deposits		**2,000**	2,000
Deferred tax assets		**2,600**	2,716
		623,770	600,830
Current assets			
Completed properties for sale		**60,523**	73,442
Loan receivables	*13*	**21,612**	–
Deposits, prepayments and other receivables		**2,190**	1,882
Held-for-trading investments	*2.2.1*	**–**	720
Financial assets at fair value through profit or loss ("FVTPL")	*2.2.1*	**374**	–
Bank balances and cash		**262,015**	302,325
		346,714	378,369
Current liabilities			
Other payables and accrued charges		**4,357**	4,462
Contract liabilities	*2.1.2*	**1,650**	–
Deposits received	*2.1.2*	**488**	4,152
Amount due to a related company		**2,099**	1,700
Taxation payable		**17,326**	11,240
		25,920	21,554
Net current assets		**320,794**	356,815
Total assets less current liabilities		**944,564**	957,645
Non-current liabilities			
Deferred tax liabilities		**238**	238
Net assets		**944,326**	957,407
Capital and reserves			
Share capital		**156,611**	156,611
Reserves		**787,298**	800,379
Equity attributable to owners of the Company		**943,909**	956,990
Non-controlling interests		**417**	417
Total equity		**944,326**	957,407

Notes:

1. BASIS OF PREPARATION

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

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

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

The Group has applied the following new and amendments to HKFRSs issued by HKICPA for the first time in the current year:

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

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosure as described below.

2.1 Impacts and changes in accounting policies of application on HKFRS 15 *Revenue from Contracts with Customers*

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

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

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15

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

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

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

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

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

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

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

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

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

Sales of properties

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

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

2.1.2 Summary of effect arising from initial application of HKFRS 15

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

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

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

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

Impact on the consolidated statement of financial position

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

Deposits received of HK$1,650,000 in respect of sales of properties were previously included in deposits received. Upon the application of HKFRS 16, these deposits received were reclassified to contract liabilities.

2.2 Impacts and changes in accounting policies of application on HKFRS 9 *Financial Instruments*

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

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

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

2.2.1 *Summary of effect arising from initial application of HKFRS 9*

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

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

Note:

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

(b) Impairment under ECL model

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

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

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

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

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

New and amendments to HKFRSs in issue but not yet effective

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

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

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

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

HKFRS 16 *Leases*

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

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows respectively by the Group.

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

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 March 2019, the Group has non-cancellable operating lease commitments of HK$1,581,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

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

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

3. REVENUE

(i) Disaggregation of revenue from contracts with customers

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

Note:

Sales of properties

Revenue from sales of properties is recognised at a point in time. Details of which are set out in note 2.1.1.

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

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

4. OPERATING SEGMENTS

Services from which operating and reportable segments derive their revenues

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

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

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

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

For the year ended 31 March 2019

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

For the year ended 31 March 2018

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

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

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

5. OTHER INCOME

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

6. OTHER GAINS AND LOSSES

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

7. GAIN ON ASSETS DISTRIBUTED TO SHAREHOLDERS

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

8. TAXATION

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

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

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

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

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

9. (LOSS) PROFIT FOR THE YEAR

	2019	2018
	HK$'000	*HK$'000*
(Loss) profit for the year has been arrived at after charging:		
Depreciation of property, plant and equipment	**5,801**	5,584

10. DIVIDEND

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

For the year ended 31 March 2018, as detailed in note 7, the Company distributed a special interim dividend of 524,648,320 shares of Petro-king with a carrying amount of HK$170,511,000 to its shareholders on 14 July 2017.

11. (LOSS) EARNINGS PER SHARE

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

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

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

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

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

12. INVESTMENT PROPERTY

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

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

On 31 March 2019 and 2018, independent valuations were undertaken by Vigers Appraisal & Consulting Ltd. ("Vigers"), an independent qualified professional valuer not connected to the Group which has appropriate professional qualifications and recent experience in the valuations of similar properties in the relevant locations.

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

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

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

Investment property held by the Group in the consolidated statement of financial position	**Fair value hierarchy**	**Valuation technique(s) and key input(s)**	**Significant unobservable input(s)**	**Relationship of unobservable inputs to fair value**
Residential	Level 3	Direct comparison method		
		The key input is		
		(1) Unit sale rate	Unit sale rate, taking into account the time, location, and individual factors, such as frontage and size, between the comparable and the property, of HK$58,400 (2018: HK$58,400) per square feet on saleable floor area basis for the property.	An increase in the unit sale rate used would result in an increase in the fair value measurement of the investment property by the same percentage increase, and vice versa.

The fair value of the investment property at 31 March 2019 and 2018 was measured using valuation techniques with significant unobservable inputs and hence were classified as Level 3 of the fair value hierarchy. There were no transfer into or out of Level 3 during both years.

13. LOAN RECEIVABLES

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

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

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

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

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

RESULTS

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

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

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

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

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

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

DIVIDEND

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

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

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

CLOSURE OF REGISTER OF MEMBERS

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

REVIEW OF OPERATIONS

Property investment and Development

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

The Group's completed properties for sale – Ever Success Plaza, comprising of over 440 residential units standing on 3 levels of commercial arcades and car parks, is located at a convenient and prime location with a river view in Zhongshan, Guangdong Province. The competition of the property market in Zhongshan is keen. There are abundant supplies of properties with modern design. The commercial arcades is still vacant. The management has put a lot of effort in marketing the properties and is endeavouring to improve the operation of the commercial arcades.

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

Oilfield engineering and consultancy services

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

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

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

Money lending

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

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

OUTLOOK

China and United States ("US") are experiencing various challenges after the global economic crisis. All of the factors including debit crisis in Europe, the fluctuation in oil price and Renminbi currency, and the progress of increase in US interest rate and the trade conflicts between China and US have an unpredictable impact on the recovery of global economy. In China, Central government has implemented various tightening monetary policies to cool down the overheated property market. We believe China will continue to play a key role in the future global economic. The Group is confident in capitalising on these opportunities and will grasp every business opportunities available to build up its own distinctive strength and to explore new businesses in China.

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

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

LIQUIDITY AND FINANCIAL RESOURCES

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

Bank balances and cash amounted to approximately HK$262 million and accounted for approximately 76% of total current assets.

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

STAFF

As at 31 March 2019, the Group employed 39 staff at market remunerations with staff benefits such as insurance, provident fund scheme and discretionary bonus.

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

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

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

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

DIRECTORS' SECURITIES TRANSACTIONS

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

The Company have made specific enquiry of all directors that they have complied with the Model Code throughout the year ended 31 March 2019.

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

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. Lee Ka Sze, Carmelo, 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 March 2019.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

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 March 2019 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu 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 Messrs. Deloitte Touche Tohmatsu 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)*
Mdm. Leung Lai Ping
Mr. Wong Shiu Kee

Independent Non-Executive Directors:
Mr. Lo Yiu Hee
Mr. Tong Hin Wor
Mr. Ching Yu Lung

Non-Executive Director:
Mr. Lee Ka Sze, Carmelo

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

Hong Kong, 14 June 2019