TERMBRAY INDUSTRIES INTERNATIONAL (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 0093)

FINAL RESULTS FOR THE YEAR ENDED 31ST MARCH, 2017

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 31st March, 2017 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 31st March, 2017

	Notes	**2017** **HK$'000**	2016 HK$'000 (restated)
Revenue	*4*	**39,496**	12,449
Cost of goods sold and services rendered		**(27,296)**	(5,586)
Gross profit		**12,200**	6,863
Other income	*5*	**781**	834
Other gains and losses	*6*	**5,010**	2,742
Administrative expenses		**(12,615)**	(15,288)
Share of result of an associate		**(135,831)**	(118,120)
Impairment loss on interest in an associate		**–**	(272,449)
Loss before taxation		**(130,455)**	(395,418)
Taxation	*7*	**(1,932)**	(663)
LOSS FOR THE YEAR	*8*	**(132,387)**	(396,081)
OTHER COMPREHENSIVE INCOME (EXPENSE)			
Item that may not be reclassified to profit or loss:			
Gain on revaluation of leasehold land and buildings		**326,966**	–
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising from translation of foreign operations		**2,140**	1,763
Share of other comprehensive (expense) income of an associate			
– currency translation differences		**(10,537)**	(17,160)
– revaluation loss on an available-for-sale financial asset of an associate		**–**	(1,159)
– reclassification of revaluation reserve to profit or loss		**1,159**	–
OTHER COMPREHENSIVE INCOME (EXPENSE) FOR THE YEAR		**319,728**	(16,556)
TOTAL COMPREHENSIVE INCOME (EXPENSE) FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		**187,341**	(412,637)
		HK cents	*HK cents* (restated)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	*10*		
– Basic		**(6.76)**	(20.23)
– Diluted		**(6.76)**	(20.23)

Consolidated Statement of Financial Position

	Note	**31.3.2017** **HK$'000**	31.3.2016 *HK$'000* (restated)	1.4.2015 *HK$'000* (restated)
NON-CURRENT ASSETS				
Property, plant and equipment		**366,592**	40,654	41,691
Investment property		**162,300**	143,800	133,000
Interest in an associate	*11*	**115,047**	222,614	609,003
Pledged bank deposits		**2,000**	2,000	2,000
		645,939	409,068	785,694
CURRENT ASSETS				
Completed properties for sale		**79,215**	113,328	121,629
Deposits, prepayments and other receivables		**1,851**	1,854	2,283
Bank balances and cash		**281,659**	302,771	330,334
		362,725	417,953	454,246
CURRENT LIABILITIES				
Other payables and accrued charges		**4,736**	3,948	3,241
Dividend payable		**402**	12,505	12,505
Deposits received		**5,064**	798	721
Amount due to a related company		**3,885**	2,553	2,190
Taxation payable		**2,738**	2,720	4,151
		16,825	22,524	22,808
NET CURRENT ASSETS		**345,900**	395,429	431,438
TOTAL ASSETS LESS CURRENT LIABILITIES		**991,839**	804,497	1,217,132

	31.3.2017	31.3.2016	1.4.2015
	HK$'000	*HK$'000*	*HK$'000*
		(restated)	(restated)
NON-CURRENT LIABILITIES			
Deferred tax liabilities	**237**	236	234
NET ASSETS	**991,602**	804,261	1,216,898
CAPITAL AND RESERVES			
Share capital	**156,611**	156,611	156,611
Reserves	**834,574**	647,233	1,059,870
Equity attributable to owners of the Company	**991,185**	803,844	1,216,481
Non-controlling interests	**417**	417	417
TOTAL EQUITY	**991,602**	804,261	1,216,898

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 REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")**

Amendments to HKFRSs that are mandatorily effective for the current year

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

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

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

New and amendments to HKFRSs in issue but not yet effective

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

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

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

HKFRS 15 Revenue from Contracts with Customers

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

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

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

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

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

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

HKFRS 16 *Leases*

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

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

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

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

Furthermore, extensive disclosures are required by HKFRS 16.

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

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

3. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES

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

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

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

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

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

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

Impact on basic and diluted loss per share

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

4. REVENUE AND SEGMENT INFORMATION

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

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

Segment information reported to the chief operating decision maker, the executive directors of the Company, for the purposes of resource allocation and assessment of segment performance focuses on the one principal operating segment of the Group, namely property investment and development which involved properties leasing and sales of properties.

Segment revenue and results

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

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

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

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

5. OTHER INCOME

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

6. OTHER GAINS AND LOSSES

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

7. TAXATION

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

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

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

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

8. LOSS FOR THE YEAR

	2017	2016
	HK$'000	*HK$'000*
		(restated)
Loss for the year has been arrived at after charging:		
Depreciation of property, plant and equipment	**1,028**	1,037

9. DIVIDEND

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

10. LOSS PER SHARE

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

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

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

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

11. INTEREST IN AN ASSOCIATE

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

The financial year end date for the associate is 31st December. For the purpose of applying the equity method of accounting, the audited consolidated financial statements of the associate for the year ended 31st December, 2016 have been used as the Group considers that it is impracticable for the associate to prepare a separate set of audited financial statements as of 31st March, 2017.

Included in the cost of investment in an associate is goodwill of HK$167,088,000 (2016: HK$167,088,000) which is the difference between the initial cost of investment and the Group's share of the net value of the associate's identifiable assets and liabilities as at the date of acquisition of the associate.

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

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

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

Impairment assessment

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

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

RESULTS

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

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

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

DIVIDEND

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

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

CLOSURE OF REGISTER OF MEMBERS

The forthcoming annual general meeting of the Company ("2017 AGM") is scheduled to be held on Friday, 8th September, 2017. For determining the entitlement to attend and vote at the 2017 AGM, the register of members of the Company will be closed from Monday, 4th September, 2017 to Friday, 8th September, 2017 (both days inclusive), during which no transfer of shares will be effected. In order to qualify for attendance of 2017 AGM, all completed transfer forms accompanied with the relevant share certificates must be lodged with the Company's share registrar, Tricor Standard Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 1st September, 2017.

REVIEW OF OPERATIONS

Property investment and Development

The operating environment for the Group's property investment and development business improves during the year under review. The sales of the Group's property project in Zhongshan is active during the year.

The Group's completed properties for sale – Ever Success Plaza, comprising of over 440 residential units standing on 3 levels of commercial arcades and car parks, is located at a convenient and prime location with a river view in Zhongshan, Guangdong Province. The competition of the property market in Zhongshan is keen. There are abundant supplies of properties with modern design. The commercial arcades is still vacant. The management has put a lot of effort in marketing the properties and is endeavouring to improve the operation of the commercial arcades. Due to the planned construction of Shenzhen-Zhongshan sea-crossing bridge connecting the cities of Shenzhen and Zhongshan, the sales of properties in Zhongshan market is bloomed. The Group has sold 64 residential units during the year under review. Following the increase in sales of residential units, the number of residential units which are available for earning rental income is decreased during the year. The rental income earned by the Group from Ever Success Plaza during the year slightly decreased by 5.5% from that of last corresponding year. As at 31st March, 2017, 138 residential units remained to be sold, out of which 110 residential units were let out.

Oilfield engineering and consultancy services

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

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

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

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

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

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

OUTLOOK

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

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

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

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

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

LIQUIDITY AND FINANCIAL RESOURCES

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

Bank balances and cash amounted to approximately HK$282 million and accounted for 77.7% of total current assets.

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

STAFF

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

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

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

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

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

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

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

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

DIRECTORS' SECURITIES TRANSACTIONS

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

The Company have made specific enquiry of all directors that they have complied with the Model Code throughout the year ended 31st March, 2017.

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

AUDIT COMMITTEE

The audit committee, which is chaired by Mr. Lo Yiu Hee, has been established with defined terms of reference in alignment with the recommendations set out in "A Guide for Effective Audit Committees" issued by the Hong Kong Institute of Certified Public Accountants and the code provisions set out in the CG Code of the Listing Rules. Other 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 31st March, 2017.

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 31st March, 2017 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, 16th June, 2017