



**Termbray Industries
International (Holdings) Limited**

Stock Code: 0093

ANNUAL REPORT

2015/2016

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ANNUAL REPORT
2015/2016

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lo Yiu Hee
Mr. Tong Hin Wor
Mr. Siu Lok Chow, Gabriel (passed away on 6th
May, 2016)

NON-EXECUTIVE DIRECTOR

Mr. Lee Ka Sze, Carmelo

COMPANY SECRETARY

Mr. Lo Tai On

AUDIT COMMITTEE

Mr. Lo Yiu Hee
Mr. Tong Hin Wor
Mr. Siu Lok Chow, Gabriel (passed away on 6th
May, 2016)
Mr. Lee Ka Sze, Carmelo

REMUNERATION COMMITTEE

Mr. Lo Yiu Hee
Mr. Lee Lap
Mr. Siu Lok Chow, Gabriel (passed away on 6th
May, 2016)

NOMINATION COMMITTEE

Mr. Lee Lap
Mr. Lo Yiu Hee
Mr. Siu Lok Chow, Gabriel (passed away on 6th
May, 2016)

REGISTERED OFFICE

Clarendon House
Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Flat B, 8/F, Waylee Industrial Centre
30-38 Tsuen King Circuit
Tsuen Wan, New Territories, Hong Kong
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HONG KONG REGISTRAR AND TRANSFER OFFICE

Tricor Standard Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong
Telephone: (852) 2980 1768
Facsimile: (852) 2528 3158

LISTING INFORMATION

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

PRINCIPAL BANKER

The Hongkong & Shanghai Banking
Corporation Limited
Hang Seng Bank Limited

LEGAL ADVISORS IN HONG KONG

Woo Kwan Lee & Lo

AUDITOR

Deloitte Touche Tohmatsu

CHAIRMAN'S STATEMENT



LEE LAP
Chairman

CHAIRMAN'S STATEMENT

RESULTS

I report to shareholders the results of TermbRAY Industries International (Holdings) Limited (the "Company") and its subsidiaries (together "the Group") for the financial year ended 31st March, 2016. The Group recorded a loss for the year of HK\$407,214,000 compared with loss for the year of HK\$149,548,000 recorded in last year.

DIVIDEND

No interim dividend was paid by the Company for the six months ended 30th September, 2015 (2014: Nil).

The board of directors (the "Board") does not recommend the payment of a final dividend for the year ended 31st March, 2016 (2015: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 5th September, 2016 to Friday, 9th September, 2016 (both days inclusive), during which no transfer of shares will be effected. In order to qualify for attendance of annual general meeting to be held on 9th September, 2016, 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, 2nd September, 2016.

REVIEW OF OPERATIONS

Property investment and Development

The operating environment for the Group's property investment and development business remains tough during the year under review. The activities of the Group's property projects, which are mainly located in Guangdong Province of Mainland China ("PRC"), continue at a low level 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 and the occupancy rate of the residential units is lower than that of last year. The management has put a lot of efforts in marketing the properties and is endeavouring to improve the operation of the commercial arcades. The rental income earned by the Group from Ever Success Plaza during the year slightly decreased by 2.8%. The Group has sold 12 residential units during the year under review. As at 31st March, 2016, 202 residential units remained to be sold, out of which 150 residential units were let out.

CHAIRMAN'S STATEMENT

Oilfield engineering and consultancy services

The Group held 30.47% interest as at 1st April, 2015 and 31st March, 2016 in Petro-king Oilfield Services Limited ("Petro-king" (Stock code 2178)) 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.

During the year, the Group has subscribed for 28,480,000 new shares of Petro-king of HK\$0.79 per share, in cash consideration of approximately HK\$22,499,000.

According to the 2015 annual report issued by Petro-king Group, Petro-king Group recorded a revenue of HK\$631 million, representing a decrease of approximately 10.5% from that of HK\$705 million for the year ended 31st December, 2014 ("2014"). The loss attributable to the owners of Petro-king Group was approximately HK\$384 million in the current year, compared with the loss attributable to the owners of Petro-king Group of approximately HK\$423 million in 2014. Included therein, Petro-king Group has made a net provision for impairment of trade receivables amounted to approximately HK\$182 million in 2015, as compared to that of approximately HK\$280 million in 2014. The significant amounts of provision for impairment of trade receivables were mainly due to the slow progress in collection of trade receivables from a major customer in South America.

2015 was the most challenging year for Petro-king Group in the past decade. The slow-down in growth of China's economy and the weak international oil price led to stringent capital expenditure and cost cutting plans for most of Petro-king Group's customers in China and thus resulted in a slow-down in overall exploration and production ("E&P") activities in the China market. Petro-king Group's business development in the overseas market continued to progress in 2015, its capability of provision of high-end oilfield services with self-developed tools and technology have gained further market recognition in the overseas market. During the year, Petro-king Group have gained new overseas customers and won service contracts in various regions including the Middle East, Central Asia, South East Asia, Australia, North America and South America. Although Petro-king Group has achieved significant business development and revenue growth from the overseas market in 2015, the weakened international crude oil price remained a major uncertainty for most international oil companies ("IOCs"). The management of Petro-king Group estimate that most of the IOCs will remain cautious in capital expenditure planning as well as operating expenses of their E&P activities in 2016.

In order to get through the extraordinary tough time during the industry downturn of the oilfield service sector, Petro-king Group had implemented certain risk mitigation measures in 2015 including streamlined the cost structure of all major service lines and reduced headcount in general. It has downsized the business operations of a subsidiary in South America to a minimal level and has adjusted the compensation structure of the management team by having a substantial cut in basic salary, compensated by performance-based bonus and share option incentive schemes.

CHAIRMAN'S STATEMENT

As a high-end integrated oilfield services provider, Petro-king Group values the importance of technology, and prides itself in introducing innovative products and services in a number of areas in oilfield services. In 2015, Petro-king Group continued to seek advancement in technology and introduced new products to the market.

After taking into account of the following factors:

- (i) the sluggish global oil and gas market that caused further decline in oilfield service orders of Petro-king Group 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 Petro-king Group's customers;
- (iii) the estimated limits on business growth of Petro-king Group in 2016 brought about by the continuing effects of a bearish market on crude oil price; and
- (iv) the continuing downward trend of Petro-king's share price,

the Group recognised an impairment loss of approximately HK\$272 million with respect to its investment in Petro-king in the current year's consolidated financial statements.

On 26th May, 2016, the Group has provided an irrevocable and unconditional undertaking to Petro-king for subscription for 121,426,231 rights shares of HK\$0.31 per share on the basis of three rights shares for every ten existing shares held in consideration of approximately HK\$37,642,000. Completion of the subscription is subject to certain conditions to be satisfied.

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 confidence 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.

CHAIRMAN'S STATEMENT

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

Following the slump in crude oil price in 2014, it appears that the market is still bearish about the crude oil price and widely believed that the international crude oil price will stay low in 2016. Most of the IOCs as well as the NOCs announced that they will continue to exercise a cautious approach in capital investment plans of their E&P activities. The management of Petro-king Group estimate that its oilfield service business activities with the NOCs are likely to remain low in 2016. They believe the business co-operations with those non-NOCs customers can expand Petro-king Group's customer base and is likely to benefit Petro-king Group's business development in the foreseeable future.

For the overseas market, Petro-king Group will continue its marketing and new business development in the Middle East. Further to the success in business development in Iraq, Petro-king Group is proactively promoting its oilfield services and products in various countries in the region. However, as most of the IOCs are having a budget cut or delaying their E&P activities in 2016, the management of Petro-king Group believe that this may temporarily limit Petro-king Group's business growth in 2016.

Looking ahead to 2016, the management of Petro-king Group believe that the operating environment will continue to be a challenging year for the oilfield service sector, especially for the young and growing independent oilfield service companies in China. As the current market environments in China and the overseas are still associated with uncertainties, Petro-king Group will continue to exercise a cautious approach while seeking business development in 2016.

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

Lee Lap
Chairman

Hong Kong, 17th June, 2016

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

During the current year under review, the Group achieved a revenue of HK\$12,449,000 and recorded a loss for the year of HK\$407,214,000, compared with the revenue of HK\$6,941,000 and loss for the year of HK\$149,548,000 recorded in last year.

The significantly larger loss recorded in current year is primarily due to the Group's share of loss from Petro-king Group for the year ended 31st December, 2015 and the recognition of impairment loss of approximately HK\$272 million with respect to the Group's investment in Petro-king. According to the 2015 annual report issued by Petro-king Group, the loss attributable to the owners of Petro-king Group was approximately HK\$384 million in the current year, compared with loss attributable to owners of Petro-king Group of approximately HK\$423 million in the last year.

REVENUE AND SEGMENT INFORMATION

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

	2016	2015
	HK\$'000	HK\$'000
Sale of properties	6,916	1,347
Rental income	5,533	5,594
	12,449	6,941

MANAGEMENT DISCUSSION AND ANALYSIS

Segment revenue and results

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

	2016 HK\$'000	2015 HK\$'000
Revenue from property investment and development segment	12,449	6,941
Segment (loss) profit from property investment and development segment	(1,051)	2,555
Unallocated other income	687	847
Unallocated other gains and losses	(1,798)	(9)
Unallocated expenses	(14,483)	(12,005)
Share of result of an associate	(118,120)	(133,544)
Net loss on deemed disposal of interest in an associate	–	(7,392)
Impairment loss on interest in an associate	(272,449)	–
Loss for the year	(407,214)	(149,548)

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 (loss) profit represents the (loss from) 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, net loss on deemed disposal of interest in 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Geographical information

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

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

	Revenue from external customers	
	2016 HK\$'000	2015 HK\$'000
Hong Kong	1,884	1,884
The PRC	10,565	5,057
	12,449	6,941

A more detailed analysis of the Group's segment information is set out in note 7 to the consolidated financial statements.

RETURN ON CAPITAL EMPLOYED

The Group's aim is to increase shareholders' value. The extent to which this goal has been achieved is assessed by computing Return on Capital Employed ("ROCE") over the year and comparing this measure from one year to the next, as it is a measure of how well the money invested in the business is providing a return to investors.

ROCE measures the operating result as a percentage of the average total capital employed (invested) in the business over the year. The Group uses "Earnings before interest, tax, depreciation and amortisation" ("EBITDA") as a measure of operating result for this purpose. The Group considers its "capital" to comprise equity plus non-current debt financing. Figures from the consolidated financial statements of the Group are used to calculate the ROCE.

MANAGEMENT DISCUSSION AND ANALYSIS

	Year ended 31/3/2016 HK\$'000	Year ended 31/3/2015 HK\$'000
Operating result for calculation of ROCE		
Loss before tax	(406,551)	(149,463)
Add: interest expense, depreciation and amortisation charges	1,370	1,637
Add: impairment loss on interest in an associate*	272,449	–
	(132,732)	(147,826)
Capital employed		
Equities	688,884	1,112,654
Add: non-current debt financing	–	–
	688,884	1,112,654
Average capital employed (Opening capital employed + closing capital employed)/2	900,769	1,184,923
Consolidated ROCE%	-14.74%	-12.48%

* Non-recurring item

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st March, 2016, the Group remains cash-rich and no material capital expenditure commitments. The operations are financed by capital and reserves.

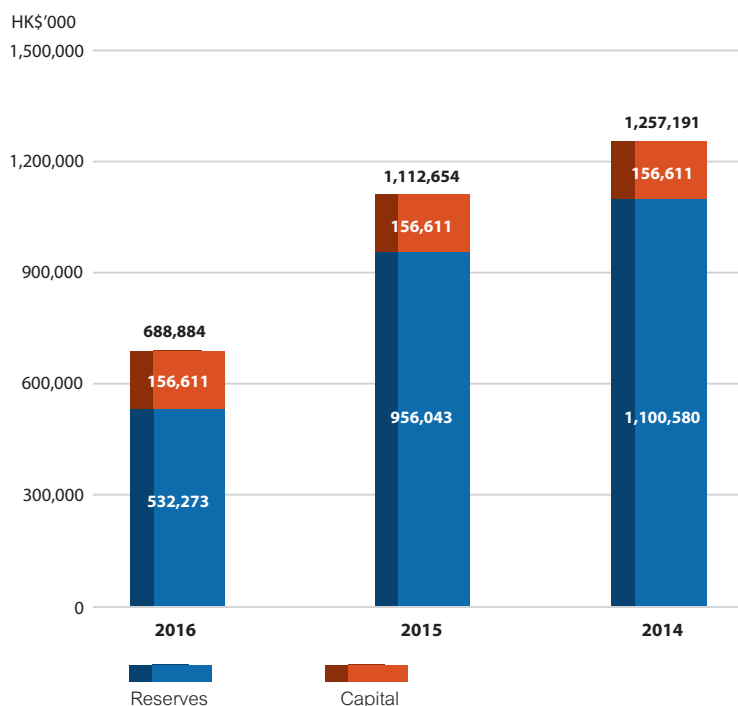
Bank balances and cash amounted to approximately HK\$303 million and accounted for 72% of total current assets.

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

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL STRUCTURE

As at 31st March, 2016, the Group's operations were financed by capital and reserves.



ORDER BOOK

Due to its business nature, the Group has no order book at 31st March, 2016. The Group has no new product and services to be introduced to the market.

ENVIRONMENTAL POLICIES AND PERFORMANCE

With regard to the environmental policies, the Group aims to minimize the Group's environmental impact. The Group have adopted various environmental protection measures for energy efficiency, carbon reduction and to improve efficiency of water usage. These measures are regularly reviewed and results are closely monitored.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

During the year, as far as the Directors are aware, there was no material non-compliance with applicable laws and regulations by the Group that has a significant impact on the Group's business and operations.

MANAGEMENT DISCUSSION AND ANALYSIS

RELATIONSHIP WITH MAJOR CUSTOMERS AND SUPPLIERS

The Group understands the importance of maintaining good relationship with its customers and suppliers to met its immediate and long term goals.

The aggregate sales attributable to the Group's largest customer and five largest customers accounted for approximately 15% and 53% respectively of the Group's revenue for the year. The five largest suppliers of the Group accounted for less than 30% of the Group's total purchases for the year.

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

Save as the connected transaction disclosed in pages 24 to 25 of this report, none of the Company's directors, their associates or any shareholders of the Company (who to the best of knowledge of the Company's directors owned more than 5% of the Company's issued shares) had a beneficial interest in any of the Group's five largest customers and the five largest suppliers.

The Group have good relationship with its customers and suppliers. During the year ended 31st March, 2016, there was no significant dispute between the Group and its suppliers and/or customers.

RELATIONSHIP WITH EMPLOYEES AND EMOLUMENT POLICY

One of most important resource of the Group is employees. It is the Group's policy to comply with all applicable laws and regulations, including those concerning employment, compensation, minimum wages, occupational safety and privacy. The Group strictly prohibit discrimination or harassment against any employee because of the individual's race, religion, gender, age, or any status protected by law. The Group also value good conduct of employees and has set out clear guidelines to prevent bribery and to regulate the acceptance of benefits by the employees.

As at 31st March, 2016, the Group employed 41 staff at market remunerations with staff benefits such as insurance, provident fund scheme and discretionary bonus and share option scheme.

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

DIRECTORS' REPORT

The directors of the Company present their annual report together with the audited consolidated financial statements of the Group for the year ended 31st March, 2016.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding.

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

Further discussion and analysis of these activities as required by Schedule 5 to the Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, can be found in the Chairman's Statement on pages 4 to 7 and the Management Discussion and Analysis on pages 8 to 13 of this Annual Report. This discussion forms part of this Directors' Report.

Besides, details of financial risk management objectives and policies of the Group are set out in note 6 to the consolidated financial statements on pages 66 to 71. There may be other risks and uncertainties in addition to those mentioned above which are not known to the Group or which may not be material now but could turn out to be material in future.

RESULTS

The results of the Group for the year ended 31st March, 2016 and the state of affairs of the Group as at that date are set out in the consolidated financial statements on pages 42 to 97.

DIVIDEND

No interim dividend was paid by the Company for the six months ended 30th September, 2015 (2014: Nil).

The Board does not recommend the payment of a final dividend for the year ended 31st March, 2016 (2015: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 5th September, 2016 to Friday, 9th September, 2016 (both days inclusive), during which no transfer of shares will be effected. In order to qualify for attendance of annual general meeting to be held on 9th September, 2016, 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, 2nd September, 2016.

DIRECTORS' REPORT

SHARE CAPITAL

Details of the share capital of the Company are set out in note 20 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of the movements in the property, plant and equipment and investment properties of the Group during the year are set out in note 14 and note 15 to the consolidated financial statements respectively.

MAJOR PROPERTIES

Particulars of the Group's major completed properties for sale are set out on page 98.

RESERVES

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 45.

DONATIONS

During the year, the Group had not made any charitable and other donations (2015: Nil).

FIVE YEAR FINANCIAL SUMMARY

A five year financial summary of the Group is set out on pages 99 and 100.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31st March, 2016 were as follows:

	HK\$'000
Contributed surplus	191,810
Retained profits	376,708
	568,518

DIRECTORS' REPORT

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

- (i) it is, or would after the payment be, unable to pay its liabilities as they become due; or
- (ii) the realizable value of its assets would thereby be less than the aggregate of its liabilities and its issue share capital and share premium account.

DIRECTORS

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

Executive Directors

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

Independent Non-Executive Directors

Mr. Lo Yiu Hee
Mr. Tong Hin Wor
Mr. Siu Lok Chow, Gabriel (passed away on 6th May, 2016)

Non-Executive Director

Mr. Lee Ka Sze, Carmelo

In accordance with the Company's Bye-law 99(A), Mdm. Leung Lai Ping, Mr. Wong Shiu Kee and Mr. Lo Yiu Hee shall retire from the Board by rotation. All retiring directors, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The Company has received annual confirmation from each of the independent non-executive directors as regards their independence to the Company pursuant to paragraph 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and considers that each of the independent non-executive directors is independent to the Company.

DIRECTORS' REPORT

DIRECTORS' SERVICE CONTRACTS

Mr. Lee Lap and Mdm. Leung Lai Ping have respectively a service contract with the Company for service as executive director which is terminable by either party giving to the other party not less than six months' prior notice in writing.

Mr. Tommy Lee and Mr. Wong Shiu Kee have respectively a service contract with the Company for service as executive director which is terminable by either party giving to the other party not less than three months' prior notice in writing.

Mr. Lo Yiu Hee, Mr. Tong Hin Wor and Mr. Siu Lok Chow Gabriel (passed away on 6th May, 2016), the independent non-executive directors, and Mr. Lee Ka Sze, Carmelo, the non-executive director, entered into an appointment letter respectively with the Company for service as an independent non-executive director or non-executive director for a term of 2 years from 1st January, 2015 to 31st December, 2016, which appointment shall terminate on the earlier of (i) 31st December, 2016; or (ii) the date on which the director concerned ceases to be an independent non-executive director or non-executive director pursuant to the Bye-laws or any other applicable laws.

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

BIOGRAPHICAL DETAILS OF DIRECTORS

Executive Directors

Mr. Lee Lap, aged 73, is the Chairman of the Company and he is also a member of the remuneration committee and the Chairman of the nomination committee of the Board of the Company. He is the founder of the Group and has been actively involved in the printed circuit board and electronics industry in Hong Kong since 1968. Mr. Lee is responsible for overall policy and decision making and business development of the Group. Mr. Lee is an honorary citizen of Zhongshan, Shenzhen and Guangzhou in PRC.

Mr. Tommy Lee, aged 38, is the Vice Chairman and Chief Executive Officer of the Company since 2008 and 2010 respectively. He is the son of Mr. Lee Lap and Mdm. Leung Lai Ping. He studied Economics in the Seneca College in Canada. Mr. Lee had been the Vice President of a private company which is principally engaged in the manufacture and sale of printed circuit board and he was responsible for the overall management and strategic planning of the private company. He is a non-executive director of Petro-king Oilfield Services Limited, which is listed on the Stock Exchange, and a director of Guangdong Ellington Electronics Technology Company Limited, which is listed on the Shanghai Stock Exchange.

Madam Leung Lai Ping, aged 67, is the wife of Mr. Lee Lap. She has been involved in overall policy and decision making and general administration of the Group since 1968.

DIRECTORS' REPORT

Mr. Wong Shiu Kee, aged 52, is the Finance Director of the Company. He first joined the Company in 1991 and rejoined the Company in 2000. With over 20 years of experience in financial management, he is a fellow member of both the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants, and is also a qualified Chartered Secretary designated as ACIS and ACS. He is a director of Guangdong Ellington Electronics Technology Company Limited, which is listed on the Shanghai Stock Exchange.

Independent Non-executive Directors

Mr. Lo Yiu Hee, aged 58, was appointed as independent non-executive director in 2004 and is the Chairman of the audit committee and the remuneration committee and a member of the nomination committee of the Board of the Company. He holds bachelor and master degrees in business administration from the Chinese University of Hong Kong. Mr. Lo is a fellow member of the Hong Kong Institute of Certified Public Accountants and CPA Australia. Mr. Lo has over 20 years of experience in finance and accounting in various listed companies. He was the Vice President of CPA Australia, Hong Kong China Division for 2000/01 and 2003/04, councilor from 1997 to 2006 and a member of the Disciplinary Panel of CPA Australia from 2009 to 2014. He is presently the chief financial officer of an apparel manufacturing company.

Mr. Tong Hin Wor, aged 71, was appointed as independent non-executive director in 2008 and is a member of the audit committee of the Board of the Company. He holds a diploma in management studies from Hong Kong Polytechnic University. Mr. Tong has over 30 years of working experience in financial management. Mr. Tong was the financial controller of Termbray Electronics Company Limited in 1991. He was the financial controller of Karrie Industrial Company Limited, a company principally engaged in electronics and sheet metal manufacturing in 1993, the Group controller of Elec & Eltek (International) Limited in 1995 and the Group vice president of Elec & Eltek Corporate Services Limited from 1995 to 2004. Mr. Tong is an independent non-executive director of Petro-king Oilfield Services Limited which is listed on the Stock Exchange.

Non-Executive Director

Mr. Lee Ka Sze, Carmelo, aged 56, has been an independent non-executive director of the Company from March, 1997 to September, 2004. On 30th September, 2004, he was re-designated as a non-executive director of the Company. He is a member of the audit committee of the Board of the Company. He holds a Bachelor of Laws degree from the University of Hong Kong. He is a practising solicitor and a partner of Woo Kwan Lee & Lo. Mr. Lee is a non-executive director of Hopewell Holdings Limited, CSPC Pharmaceutical Group Limited, Yugang International Limited, Safety Godown Company Limited, and an independent non-executive director of Espirit Holdings Limited, KWG Property Holding Limited and China Pacific Insurance (Group) Co., Ltd., all of which are companies whose shares are listed on the Stock Exchange. Mr. Lee is a member of SFC (HKEC Listing) Committee and a member of the Disciplinary Panel of the Hong Kong Institute of Certified Public Accountants. Mr. Lee resigned as an independent non-executive director of Ping An Insurance (Group) Company of China, Ltd. on 30th June, 2015 and resigned as a non-executive director of Y.T. Realty Group Limited on 29th February, 2016. Mr. Lee ceased to be the chairman of the Listing Committee of The Stock Exchange of Hong Kong Limited on 10th July, 2015. His tenure as a member of SFC Dual Filing Advisory Group ended on 31st March, 2016.

DIRECTORS' REPORT

SENIOR MANAGEMENT

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

EMOLUMENTS OF DIRECTORS AND SENIOR EMPLOYEES

Details of the emoluments of directors and senior employees are set out in note 12 to the consolidated financial statements.

DIRECTORS' INTERESTS IN SHARES AND OPTIONS

The interests of the Company's directors, chief executives and their associates in the shares, underlying shares and debentures of the Company and its associated corporations as at 31st March, 2016 as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO") or otherwise notified pursuant to Divisions 7 to 9 of Part XV of the SFO, were as follows:

(A) Long Positions in Shares of the Company

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

Note:

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

DIRECTORS' REPORT

(B) Long Positions in Shares of Petro-king Oilfield Services Limited, an Associated Corporation

Name of directors	Number of shares interested	% of total issued shares
Mr. Lee Lap	404,754,104	30.47%
Mr. Tommy Lee	404,754,104	30.47%

Note:

All the above shares are held by the Company's wholly owned subsidiary as beneficial owner. 1,252,752,780 shares of the Company are held by Lee & Leung (B.V.I.) Limited, representing approximately 63.99% of the total issued shares of the Company. Lee & Leung (B.V.I.) Limited is wholly-owned by Lee & Leung Family Investment Limited, which is wholly owned by HSBC International Trustee Limited as trustee for Lee & Leung Family Trust. Mr. Lee Lap is the settlor of Lee & Leung Family Trust. The discretionary beneficiaries of Lee & Leung Family Trust are Mdm. Leung Lai Ping, certain children of Mr. Lee Lap and Mdm. Leung Lai Ping (including Mr. Tommy Lee) and the offspring of such children.

(C) Long Positions in Underlying Shares in respect of Share Options of Petro-king Oilfield Services Limited, an Associated Corporation

Name of directors	Number of shares	% of total issued shares
Mr. Tommy Lee	102,173	0.0083%
Mr. Tong Hin Wor	102,173	0.0083%

DIRECTORS' REPORT

(D) Long Positions in Shares of Other Associated Corporations

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

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

Saved as disclosed above, as at 31st March, 2016, none of the directors or chief executive of the Company had any interest or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO.

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

During the year, the Group had entered into transactions with Panda Investment Company Limited ("Panda Investment"), which are described in note 24 to the financial statements. Mr. Lee Lap and Mdm. Leung Lai Ping have beneficial interests in Panda Investment.

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

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

DIRECTORS' REPORT

DIRECTORS' INTEREST IN COMPETING BUSINESS

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

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

MANAGEMENT CONTRACTS

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

SUBSTANTIAL SHAREHOLDERS

The person (other than the directors as disclosed in the "Directors' interest in Shares and Options") interested in 5% or more of the issued share capital of the Company as at 31st March, 2016 as recorded in the register kept by the Company pursuant to Section 336 of the SFO were as follows:

Ordinary Share of the Company

Name of shareholders	Capacity	Number of issued ordinary shares of HK\$0.08 each held	Percentage of the issued share capital of the Company
Lee & Leung (B.V.I.) Limited (note 1)	Beneficial owner	1,252,752,780	63.99%
Lee & Leung Family Investment Limited (note 1)	Held by controlled corporation	1,252,752,780	63.99%
HSBC International Trustee Limited (note 1)	Held by controlled corporation as trustee for Lee & Leung Family Trust	1,252,752,780	63.99%

DIRECTORS' REPORT

Name of shareholders	Capacity	Number of issued ordinary shares of HK\$0.08 each held	Percentage of the issued share capital of the Company
Cosmo Telecommunication Inc. (note 2)	Beneficial owner	151,202,960	7.72%
Ms. Jing Xiao Ju	Held by controlled corporation	151,202,960	7.72%
East Glory Trading Limited (note 3)	Beneficial owner	103,397,540	5.28%
Master Winner Limited (note 3)	Held by controlled corporation	103,397,540	5.28%
Mr. Yuan Qinghua	Held by controlled corporation	103,397,540	5.28%

Notes:

- (1) The 1,252,752,780 shares are held by Lee & Leung (B.V.I.) Limited. Lee & Leung (B.V.I.) Limited is wholly owned by Lee & Leung Family Investment Limited, which is wholly owned by HSBC International Trustee Limited as trustee for Lee & Leung Family Trust. Mr. Lee Lap is the settlor of Lee & Leung Family Trust. The discretionary beneficiaries of Lee & Leung Family Trust are Mdm. Leung Lai Ping, certain children of Mr. Lee Lap and Mdm. Leung Lai Ping (including Mr. Tommy Lee) and the offspring of such children.
- (2) Cosmo Telecommunication Inc. is wholly owned by Ms. Jing Xiao Ju.
- (3) East Glory Trading Limited is wholly owned by Master Winner Limited, which in turn is wholly owned by Mr. Yuan Qinghua.

Saved as disclosed above, the Company has not been notified of any other interests or short positions in the shares or the underlying shares of the Company representing 5% or more of the issued share capital of the Company as at 31st March, 2016.

DIRECTORS' REPORT

CONNECTED TRANSACTION

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

On 14th March 2014, Termbray (Fujian) Land Development Company Limited ("Termbray Fujian"), a wholly owned subsidiary of the Company, as lessor and Mr. Lee Wing Keung as lessee renewed a lease agreement, pursuant to which the lessee will lease a residential property in the Hong Kong Island with a saleable area of approximately 306 square metres from the lessor for a term of three years from 16th March, 2014 to 15th March, 2017 at a monthly rent of HK\$157,000 (exclusive of rates, management fees and utility charges). The monthly rent is based on a valuation report as at 31st January 2014 issued by Vigers Appraisal & Consulting Limited.

The rental income earned by the Group during the current year is HK\$1,884,000 (2015: HK\$1,884,000). Mr. Lee Wing Keung is the son of Mr. Lee Lap (an executive Director and the Chairman of the Company) and Mdm. Leung Lai Ping (an executive Director of the Company) and is also the brother of Mr. Tommy Lee (an executive Director, the Vice Chairman and Chief Executive Officer of the Company) and, as such, is an associate of Mr. Lee Lap, Mdm. Leung Lai Ping and Mr. Tommy Lee respectively and is therefore a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the entering into of the lease agreement constitutes continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

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

- (i) in the ordinary and usual course of business of the Company, and
- (ii) on normal commercial terms, and
- (iii) in accordance with the relevant agreement governing it on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transaction in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Review of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. Pursuant to the Rule 14A.56 of the Listing Rules, the auditor has issued a letter to the Board of the Company that nothing has come to their attention that causes them to believe that the continuing connected transactions disclosed by the Group:

DIRECTORS' REPORT

- (a) has not been approved by the Board;
- (b) has not, in all material respects, in accordance with the pricing policies of the Company;
- (c) has not entered into, in all material respects, in accordance with the relevant agreement governing such transaction; and
- (d) has exceeded the cap.

SHARE OPTION SCHEME

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

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

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

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

No option was granted, exercised, lapsed or cancelled during the year. There was no outstanding options as at 31st March, 2016.

DIRECTORS' REPORT

PROVIDENT FUND SCHEME

The Group has a mandatory provident fund scheme ("MPF Scheme") managed by a banking group. All staff employed in Hong Kong joined the MPF Scheme. The MPF Scheme is a defined contribution scheme and the assets of which are held separately from those of the Group in independently administered funds. Both of the employer and the employee are required to make mandatory contributions to the MPF Scheme calculated at 5% of the employee's monthly relevant income, subject to the rules and regulations of the Mandatory Provident Fund Schemes Ordinance. As at 31st March, 2016, the Group had no forfeited contributions (2015: Nil) available to offset future employers' contributions to the MPF Scheme.

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

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

	2016	2015
	HK\$	HK\$
Gross employers' contributions	264	226
<i>Less: Forfeited contributions</i>	<i>–</i>	<i>–</i>
Net contributions	264	226

PUBLIC FLOAT

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

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

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

DIRECTORS' REPORT

PRE-EMPTIVE RIGHTS

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

PERMITTED INDEMNITY

The Company's Bye-laws provided that the directors for the time being of the Company shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices or trusts, except such (if any) as they shall incur or sustain through their own willful neglect or default, fraud or dishonesty respectively.

The Company has taken out insurance against the liability and costs associated with defending any proceedings which may be brought against directors of the Company.

EQUITY-LINKED AGREEMENTS

Save for the share option scheme, no equity-linked agreements were entered into by the Company during the year ended 31st March, 2016.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this annual report, at no time during the year was the Company, its parent company, or any of its subsidiaries or fellow subsidiaries a party to any arrangements to enable the directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' REPORT

AUDITOR

The financial statements for the three years ended 31st March, 2016 were audited by Messrs. Deloitte Touche Tohmatsu.

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

By order of the Board

Termbay Industries International (Holdings) Limited

Lee Lap

Chairman

Hong Kong, 17th June, 2016

CORPORATE GOVERNANCE REPORT

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

The Company adopted all the code provisions in the Corporate Governance Code ("the Code") contained in Appendix 14 of the 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 31st March, 2016 save as disclosed below.

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

BOARD OF DIRECTORS

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

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

During the year, the Board of the Company consisted of 4 executive directors, 3 independent non-executive directors and 1 non-executive director. Mr. Siu Lok Chow, Gabriel, an independent non-executive director passed away on 6th May, 2016. Accordingly, the number of independent non-executive directors of the Company from the said date is two which is 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. Further details are set out in an announcement of the Company dated 11th May, 2016.

The biographical details of the existing directors are described on pages 17 and 18 of the Annual Report. Saved as disclosed therein, there are no other business, financial, family and other relevant interests among directors.

CORPORATE GOVERNANCE REPORT

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

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

Mr. Lo Yiu Hee, Mr. Tong Hin Wor and Mr. Siu Lok Chow, Gabriel, the independent non-executive directors, and Mr. Lee Ka Sze, Carmelo, the non-executive director, have respectively entered into an appointment letter with the Company for service as an independent non-executive director or non-executive director for a term of 2 years from 1st January, 2015 to 31st December, 2016, which appointment shall terminate on the earlier of (i) 31st December, 2016; or (ii) the date on which the director concerned ceases to be an independent non-executive director pursuant to the bye-law of the Company or any other applicable laws.

The Board has set up an independent professional consulting procedures and upon reasonable request, are able to seek independent professional advice in appropriate circumstances at the Company's expenses. The full Board meets regularly to review the financial and operating performance of the Group. Additional board meetings were held when necessary. Due notice and board papers were given to all directors prior to the meeting in accordance with the Listing Rules and the Code.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance duties, including the following matters attended by the Board during the year ended 31st March, 2016:

- to develop and review the Company's policies and practices on corporate governance, including adoption of the revised corporate governance code and revised terms of reference of the audit committee of the Company effective on 1st April, 2016;
- to review and monitor the training and continuous professional development of directors and senior management;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and
- to review the Company's compliance with the corporate governance code and disclosure in the Corporate Governance Report.

CORPORATE GOVERNANCE REPORT

DIRECTORS' TRAINING

Directors of the Company are continually updated with legal and regulatory developments and the business environment to facilitate discharge of their responsibilities. All directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills.

Directors are provided with monthly updates on the Company's performance, position and prospects to enable the Board as whole and each director to discharge their duties.

Continuing education and information are provided to the directors regularly to help ensuring that the directors are appraised of the latest changes in the commercial, legal and regulatory environment in which the Group conducts its business.

Based on the training records provided to the Company by the directors, the directors have participated in the following training during the year ended 31st March, 2016:

Name of directors	Reading regulatory updates/attending in house briefing	Attending expert briefing/ seminars/ conference relevant to the business/ directors' duties
Mr. Lee Lap (Chairman)	✓	
Mr. Tommy Lee (Vice Chairman & Chief Executive Officer)	✓	
Mdm. Leung Lai Ping	✓	
Mr. Wong Shiu Kee	✓	✓
Mr. Lee Ka Sze, Carmelo	✓	✓
Mr. Lo Yiu Hee	✓	✓
Mr. Tong Hin Wor	✓	
Mr. Siu Lok Chow, Gabriel	✓	

There were 5 board meetings held in the financial year ended 31st March, 2016. The attendance record of each director is shown below. All business transacted at the above meetings are well-documented and maintained in accordance with applicable laws and regulations.

CORPORATE GOVERNANCE REPORT

Name of directors	No. of board meeting attended	Attendance rate
Mr. Lee Lap (Chairman)	4/5	80%
Mr. Tommy Lee (Vice Chairman & Chief Executive Officer)	5/5	100%
Mdm. Leung Lai Ping	4/5	80%
Mr. Wong Shiu Kee	5/5	100%
Mr. Lee Ka Sze, Carmelo	5/5	100%
Mr. Lo Yiu Hee	5/5	100%
Mr. Tong Hin Wor	5/5	100%
Mr. Siu Lok Chow, Gabriel	5/5	100%

DIRECTORS' SECURITIES TRANSACTIONS

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

The Company have made specific enquiry of all directors that they have complied with the Model Code throughout the year ended 31st March, 2016.

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

BOARD COMMITTEES

To strengthen the functions of the Board and to enhance its expertise, there are three Board committees namely, the audit committee, remuneration committee and nomination committee formed under the Board, with each performing different functions.

AUDIT COMMITTEE

The audit committee, which is chaired by Mr. Lo Yiu Hee, has been established with defined terms of reference in alignment with the recommendations set out in "A Guide for Effective Audit Committees" issued by the Hong Kong Institute of Certified Public Accountants and the code provisions set out in the Corporate Governance Code of the Listing Rules. Other members are Mr. Lee Ka Sze, Carmelo, Mr. Tong Hin Wor and Mr. Siu Lok Chow, Gabriel (passed away on 6th May, 2016).

CORPORATE GOVERNANCE REPORT

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

The audit Committee met 2 times during the financial year ended 31st March, 2016. Set out below is the summary of work done during the year under review:

- to review the financial statements of the Group for the year ended 31st March, 2015 and for the six months ended 30th September, 2015;
- to discuss on the effectiveness of the internal control system;
- to discuss the outsourcing of internal audit function;
- to review the auditors' statutory audit plan and the letters of representation; and
- to consider and approve the 2015 audit fees.

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

Name of audit committee members	No. of meeting attended	Attendance rate
Mr. Lo Yiu Hee (Chairman)	2/2	100%
Mr. Tong Hin Wor	2/2	100%
Mr. Lee Ka Sze, Carmelo	2/2	100%
Mr. Siu Lok Chow, Gabriel	2/2	100%

REMUNERATION COMMITTEE

The remuneration committee, chaired by Mr. Lo Yiu Hee has been established with defined terms of reference. Other members are Mr. Lee Lap and Mr. Siu Lok Chow, Gabriel (passed away on 6th May, 2016).

CORPORATE GOVERNANCE REPORT

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

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

Set out below is the summary of work done of the remuneration committee during the year under review:

- to review the remuneration policy of the year ended 31st March, 2016; and
- to review the remuneration of the executive directors and review the directors' fee of the independent non-executive directors and non-executive director.

The remuneration committee meets once during the financial year ended 31st March, 2016 with the presence of all members of the remuneration committee. The attendance record of each member is shown below:

Name of remuneration committee members	No. of meeting attended	Attendance rate
Mr. Lo Yiu Hee (Chairman)	1/1	100%
Mr. Tong Hin Wor	1/1	100%
Mr. Siu Lok Chow, Gabriel	1/1	100%

The Board considers that only the four executive directors are regarded as members of the senior management. Particulars regarding director's remuneration and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in note 12 to the consolidated financial statements.

CORPORATE GOVERNANCE REPORT

NOMINATION COMMITTEE

The nomination committee, chaired by Mr. Lee Lap has been established with defined terms of reference. Other members are Mr. Lo Yiu Hee and Mr. Siu Lok Chow, Gabriel (passed away on 6th May, 2016).

The nomination committee is responsible for:

- review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;
- assess the independence of independent non-executive directors;
- make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular the Chairman and the chief executive; and
- consider other topics as defined by the Board.

The nomination committee met once during the financial year ended 31st March, 2016 with the presence of all members of the nomination committee to review the structure, size and composition of the Board, to assess the independence of independent non-executive directors and to make recommendations on re-election of retiring directors. There was no change in directorship during the year. The attendance record of each member is shown below:

Name of nomination committee members	No. of meeting attended	Attendance rate
Mr. Lee Lap (Chairman)	1/1	100%
Mr. Lo Yiu Hee	1/1	100%
Mr. Siu Lok Chow, Gabriel	1/1	100%

BOARD DIVERSITY POLICY

The company has formulated and adopted a board diversity policy in June 2013 setting out the approach on diversity of the board.

CORPORATE GOVERNANCE REPORT

The Board recognizes the importance of having a diverse board in enhancing the Board effectiveness and corporate governance. A diverse Board will include and make good use of difference in the skills, industry knowledge and experience, education, background and other qualities of directors of the Company and does not discriminate on the ground of race, age, gender or religious belief. These differences will be taken into account in determining the optimum composition of the board and when possible should be balanced appropriately.

The nomination committee of the Company has responsibility for identifying and nominating for approval by the Board, candidates for appointment to the Board. It takes responsibility in assessing the appropriate mix of experience, expertise, skills and diversity required on the Board and assessing the extent to which the required skills are represented on the Board and overseeing the Board succession. Board appointments will be based on merit and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

At present, the nomination committee has not set any measureable objectives to implement the Board diversity policy. However, it will consider and review from time to time the Board diversity policy and setting of any measureable objects, if appropriate.

AUDITOR'S REMUNERATION

The remuneration in respect of services provided by Deloitte Touche Tohmatsu for the Group for the year ended 31st March, 2016 are analysed as follows:

	31st March, 2016 HK\$	31st March, 2015 HK\$
Audit service	760,244	656,870
Non audit service	206,831	206,241
	967,075	863,111

Note: The remuneration for non audit services mainly includes fee regarding the review of the interim financial report of the Group for the six months ended 30th September, 2015 amounted to HK\$206,831 (2015: HK\$206,241).

DIRECTORS' RESPONSIBILITY FOR PREPARING THE FINANCIAL STATEMENTS

The directors acknowledge that it is their responsibility in preparing the financial statements. The statement of the auditor about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on page 40 and page 41.

CORPORATE GOVERNANCE REPORT

INTERNAL CONTROL

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

COMPANY SECRETARY

The Company has engaged and appointed Mr. Lo Tai On, a representative from an external secretarial services provider, as the company secretary of the Company. The primary contact person with the company secretary of the Company is Mr. Wong Shiu Kee, an executive director of the Company. Mr. Lo has confirmed that he has taken no less than 15 hours of relevant training.

CONSTITUTION DOCUMENTS

During the year, there is no change in the Company's constitutional documents.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

Shareholders are provided with detailed information about the Company set out in the interim/annual report and/or the circular so that they can exercise their rights in an informed manner.

The Company uses a range of communication tools, such as the annual general meeting, the annual report, interim report, various notices, announcements and circulars, to ensure the shareholders are kept well informed of key business imperatives. Procedures for conducting a poll are explained by the Chairman of the meeting at the general meetings of the Company.

General meetings of the Company provide a direct forum of communication between shareholders and the Board. Shareholders are welcome to put forward enquiries to the Board or the management thereat and the Chairman of the Board, or in his absence, an executive director of the Company, as well as chairman of the nomination committee, remuneration committee and audit committee, or in their absence, other members of the respective committees, and where applicable, the independent board committee, will be commonly be present and available to answer questions and shareholders may also contact the company secretary to direct their written enquiries.

CORPORATE GOVERNANCE REPORT

At the annual general meeting held on 2nd September, 2015, a resolution was proposed by the Chairman in respect of each separate issue itemized on the agenda, including re-election of retiring directors. The Chairman of the Board and members of all committees answered questions from shareholders.

The Chairman explained detail procedures for conducting a poll. All the resolutions proposed at the meeting were passed separately by way of poll. The results of the poll were published on the websites of the Stock Exchange and the Company on 2nd September, 2015. No other general meeting of the Company was held during the year. The attendance record of each director at the general meeting is shown below:

Name of directors	General meeting attended	Attendance rate
Mr. Lee Lap (Chairman)	1/1	100%
Mr. Tommy Lee (Vice Chairman & Chief Executive Officer)	1/1	100%
Mdm. Leung Lai Ping	0/1	0%
Mr. Wong Shiu Kee	1/1	100%
Mr. Lee Ka Sze, Carmelo	0/1	0%
Mr. Lo Yiu Hee	0/1	0%
Mr. Tong Hin Wor	1/1	100%
Mr. Siu Lok Chow, Gabriel	1/1	100%

The forthcoming 2016 annual general meeting of the Company will be held on 9th September, 2016. A notice convening the 2016 annual general meeting will be published on the website of the Stock Exchange and the Company and will be dispatched together with the 2015/2016 annual report to the shareholders of the Company.

The Company is committed to enhancing communications and relationships with its investors. Designated management maintains an open dialogue with the press and analysts to keep them abreast of the Company's developments.

The Company also maintain a website at www.termbray.com.hk, where updates on the Company's business developments and operations, financial information and news can always be found.

Shareholders and investors may at any time send their enquiries and concerns to the Board in writing as follows:

Address: Flat B, 8/F, Waylee Industrial Centre, 30-38 Tsuen King Circuit, Tsuen Wan, New Territories, Hong Kong

Fax: (852) 2480 4214

Email: group@termbray.com.hk

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS

Shareholders are entitled to requisitioning a special general meeting and put forward proposals at general meeting. The procedures are as follows:–

(a) Procedures for requisitioning a special general meeting

Shareholder(s) holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right to vote at general meetings of the Company may, by written requisition to the board or the Company Secretary signed and deposited in accordance with the bye-laws of the Company, Bermuda Companies Act 1981, require the directors to call a special general meeting for the transaction of business specified in the requisition.

(b) Procedures for putting forward proposals to general meeting

Shareholder(s) holding not less than one-twentieth of the paid-up capital of the Company carrying the right to vote at general meetings of the Company or not less than 100 shareholders may, at their expense, provide a written request to the attention of the Company Secretary signed and deposited in accordance with the Bermuda Companies Act 1981.

The procedures for the shareholders to propose a person for election of a director at an annual general meeting is available for viewing at the Company's website at www.termbray.com.hk.

The above procedures are subject to the bye-laws of the Company and applicable legislation and regulation from time to time.

Besides, the updated memorandum of association and bye-laws of the Company has been posted on the website of the Company at www.termbray.com.hk and the designed website of the Stock Exchange at www.hkexnews.hk.

CONCLUSION

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF TERMBRAY INDUSTRIES INTERNATIONAL (HOLDINGS) LIMITED

(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Termbray Industries International (Holdings) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 42 to 97 which comprise the consolidated statement of financial position as at 31st March, 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

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

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

INDEPENDENT AUDITOR'S REPORT

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31st March, 2016, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong 17th June, 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st March, 2016

	Notes	2016 HK\$'000	2015 HK\$'000
Revenue	7	12,449	6,941
Cost of goods sold and services rendered		(5,586)	(2,951)
Gross profit		6,863	3,990
Other income	8	834	987
Other gains and losses	9	(8,058)	(7,499)
Administrative expenses		(15,621)	(13,397)
Share of result of an associate		(118,120)	(133,544)
Impairment loss on interest in an associate	16	(272,449)	–
Loss before taxation		(406,551)	(149,463)
Taxation	10	(663)	(85)
Loss for the year	11	(407,214)	(149,548)
Other comprehensive (expense) income			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising from translation of foreign operations		1,763	(39)
Share of other comprehensive (expense) income of an associate			
– currency translation differences		(17,160)	6,009
– revaluation loss on an available-for-sale financial asset of an associate		(1,159)	–
Reclassification adjustment for translation reserve transferred to profit or loss upon deemed disposal of interest in an associate		–	(959)
Other comprehensive (expense) income for the year		(16,556)	5,011
Total comprehensive expense for the year attributable to owners of the Company		(423,770)	(144,537)
		HK cents	HK cents
Loss per share attributable to owners of the Company	13		
– Basic		(20.80)	(7.64)
– Diluted		(20.80)	(7.64)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st March, 2016

	Note	2016 HK\$'000	2015 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	40,654	41,691
Investment property	15	28,840	29,173
Interest in an associate	16	222,614	609,003
Pledged bank deposits	17 & 22	2,000	2,000
		294,108	681,867
CURRENT ASSETS			
Completed properties for sale		113,328	121,629
Other receivables		41	43
Deposits and prepayments		1,813	2,240
Bank balances and cash	17	302,771	330,334
		417,953	454,246
CURRENT LIABILITIES			
Other payables and accrued charges		3,948	3,241
Dividend payable		12,505	12,505
Deposit received		798	721
Amount due to a related company	18 & 24(b)	2,553	2,190
Taxation payable		2,720	4,151
		22,524	22,808
NET CURRENT ASSETS		395,429	431,438
TOTAL ASSETS LESS CURRENT LIABILITIES		689,537	1,113,305
NON-CURRENT LIABILITIES			
Deferred tax liabilities	19	236	234
NET ASSETS		689,301	1,113,071

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st March, 2016

	Note	2016 HK\$'000	2015 HK\$'000
CAPITAL AND RESERVES			
Share capital	20	156,611	156,611
Reserves		532,273	956,043
Equity attributable to owners of the Company		688,884	1,112,654
Non-controlling interests		417	417
TOTAL EQUITY		689,301	1,113,071

The consolidated financial statements on pages 42 to 97 were approved and authorised for issue by the board of directors on 17th June, 2016 and are signed on its behalf by:

Lee Lap
Director

Wong Shiu Kee
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March, 2016

	Attributable to owners of the Company						Non-controlling interests	Total
	Share capital	Share premium	Translation reserve	Other reserve	Retained profits	Total		
	HK\$'000	HK\$'000	HK\$'000	(Note) HK\$'000	HK\$'000	HK\$'000		
At 1st April, 2014	156,611	404,370	24,958	-	671,252	1,257,191	417	1,257,608
Loss for the year	-	-	-	-	(149,548)	(149,548)	-	(149,548)
Exchange differences arising from translation of foreign operations	-	-	(39)	-	-	(39)	-	(39)
Share of other comprehensive income of an associate								
- currency translation differences	-	-	6,009	-	-	6,009	-	6,009
Reclassification adjustment to profit or loss upon deemed disposal of interest of an associate	-	-	(959)	-	-	(959)	-	(959)
Total comprehensive income (expense) for the year	-	-	5,011	-	(149,548)	(144,537)	-	(144,537)
At 31st March, 2015	156,611	404,370	29,969	-	521,704	1,112,654	417	1,113,071
Loss for the year	-	-	-	-	(407,214)	(407,214)	-	(407,214)
Exchange differences arising from translation of foreign operations	-	-	1,763	-	-	1,763	-	1,763
Share of other comprehensive expense of an associate								
- currency translation differences	-	-	(17,160)	-	-	(17,160)	-	(17,160)
- revaluation loss on an available-for-sale financial asset of an associate	-	-	-	(1,159)	-	(1,159)	-	(1,159)
Total comprehensive expense for the year	-	-	(15,397)	(1,159)	(407,214)	(423,770)	-	(423,770)
At 31st March, 2016	156,611	404,370	14,572	(1,159)	114,490	688,884	417	689,301

Note: The other reserve of the Group represents the change in fair value of the available-for-sale financial asset of an associate recognised in other comprehensive income.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st March, 2016

	2016 HK\$'000	2015 HK\$'000
OPERATING ACTIVITIES		
Loss before taxation	(406,551)	(149,463)
Adjustments for:		
Depreciation of property, plant and equipment	1,037	1,304
Depreciation of investment property	333	333
Share of result of an associate	118,120	133,544
Impairment loss on interest in an associate	272,449	–
Net loss on deemed disposal of interest in an associate	–	7,392
Interest income	(735)	(838)
Net exchange losses	8,058	107
Operating cash flows before movements in working capital	(7,289)	(7,621)
Decrease in completed properties for sale	2,744	480
Decrease in other receivables	2	–
Decrease (increase) in deposits and prepayments	427	(136)
Increase (decrease) in other payables and accrued charges	707	(299)
Increase (decrease) in deposits received	77	(4)
Increase (decrease) in amount due to a related company	363	(182)
Cash used in operations	(2,969)	(7,762)
Income taxes paid	(2,247)	(355)
Income tax refunded	155	–
NET CASH USED IN OPERATING ACTIVITIES	(5,061)	(8,117)
INVESTING ACTIVITIES		
Interest received	735	838
Subscription of shares of an associate	(22,499)	(34,140)
Dividend received from an associate	–	17,036
NET CASH USED IN INVESTING ACTIVITIES	(21,764)	(16,266)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(26,825)	(24,383)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st March, 2016

	2016 HK\$'000	2015 HK\$'000
CASH AND EQUIVALENTS AT BEGINNING OF THE YEAR	330,334	354,739
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(738)	(22)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	302,771	330,334
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	302,771	330,334

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2016

1. GENERAL

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

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

The Group is principally engaged in property investment and development.

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

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

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

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2016

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

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 ¹
HKFRS 16	Leases ³
Amendments to HKAS 1	Disclosure Initiative ²
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ²
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants ²
Amendments to HKAS 27	Equity Methods in Separate Financial Statements ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception ²
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle ²

¹ Effective for annual periods beginning on or after 1st January, 2018

² Effective for annual periods beginning on or after 1st January, 2016

³ Effective for annual periods beginning on or after 1st January, 2019

⁴ Effective for annual periods beginning on or after a date to be determined

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2016

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

HKFRS 15 Revenue from Contracts with Customers (continued)

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.

The directors of the Company anticipate that application of HKFRS 15 in the future may affect the amounts reported and related disclosures made in the Group’s consolidated financial statements. 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, which upon the effective date will supersede HKAS 17 *Leases*, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The directors of the Company will assess the impact of the application of HKFRS 16. For the moment, it is not practicable to provide a reasonable estimate of the effect of the application of HKFRS 16 until the Company performs a detailed review.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2016

3. SIGNIFICANT ACCOUNTING POLICIES

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

The provisions of the new Hong Kong Companies Ordinance (Cap 622) (“CO”) regarding preparation of accounts and director’s reports and audit became effective for the Company for the financial year ended 31st March, 2016. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new CO and to streamline with HKFRSs. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31st March, 2016 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31st March, 2015 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or Listing Rules but not under the new CO or amended Listing Rules are not disclosed in these consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost basis at the end of reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2016

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2016

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

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

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

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

Investment in an associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2016

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in an associate (continued)

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

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

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

For disposal or deemed disposal of interest in an associate that does not result in the Group losing significant influence over the associate, the difference between the then carrying amount of the associate attributable to the interests disposed and the share of net assets attributable to the interests disposed after taking into account the relevant event is included in the determination of the gain or loss on the disposal of interests. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if the associate had directly disposed of the related assets or liabilities. Therefore, the proportion of the gain or loss that had previously been recognised in other comprehensive income (i.e. translation reserve) relating to that reduction in ownership interest is reclassified to profit or loss as if the associate has disposed the related assets or liabilities proportionately.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2016

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, relates and other similar allowances.

Revenue from sale of properties in the ordinary course of business is recognised when the respective properties have been completed and delivered to the buyers. Deposits and instalments received from purchasers prior to meeting the above criteria for revenue recognition are included in the consolidated statement of financial position under current liabilities.

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing below.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2016

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing

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

The Group as lessor

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

The Group as lessee

Operating leases payments are recognised as an expense on a straight-line basis over the lease term.

Leasehold land and building

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

Property, plant and equipment

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2016

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment property

Investment property is property held to earn rentals and/or for capital appreciation.

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

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

Properties for sale

Properties for sale are stated at the lower of cost and net realisable value. Cost comprises the cost of land, development expenditure, other attributable costs and borrowing costs capitalised in accordance with the Group's accounting policies. Net realisable value is determined by reference to estimated selling price less selling expenses.

Impairment on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2016

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment on tangible assets (continued)

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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

Financial instruments

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2016

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets

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

Effective interest method

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

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including other receivables, pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment of loans and receivables below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2016

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of loans and receivables

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

Objective evidence of impairment could include:

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2016

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments

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

Equity instruments

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

Financial liabilities

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2016

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the assets expire.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

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

For all partial disposals (i.e. partial disposals of associates that do not result in the Group losing significant influence), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2016

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2016

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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

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

Retirement benefit costs

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2016

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of interest in an associate

The management of the Group carries out review on impairment on the interest in an associate whenever events or changes in circumstances indicate that its carrying amount may not be recoverable by comparing its recoverable amount (higher of the value in use and fair value less cost of disposal) with its carrying amount.

In determining whether the interest in an associate is impaired, it requires an estimation of its recoverable amount, which represents higher of the value in use and fair value less cost of disposal (market value). For the value in use, it requires the Group to estimate the future cash flows expected to arise from the operations of the investment and from the ultimate disposal, and a discount rate (that reflects the current market assessments of the time value of money and the risks specific to the associate) in order to calculate the present value. The market value of interest in an associate is determined based on the closing price as at the end of the reporting period. Where the recoverable amount of the Group's interest in an associate is less than the carrying amount, an impairment loss may arise.

During the year ended 31st March, 2016, the management concluded that there was impairment loss on interest in an associate of approximately HK\$272,449,000 (note 16) as the recoverable amount of the interest in an associate which represented the fair value less cost of disposal was lower than the carrying amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2016

5. CAPITAL RISK MANAGEMENT

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

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

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

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2016 HK\$'000	2015 HK\$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	304,812	332,377
Financial liabilities		
Liabilities at amortised cost	2,963	2,617

(b) Financial risk management objectives and policies

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

(i) Market risk

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2016

6. FINANCIAL INSTRUMENTS (continued)

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

(i) Market risk (continued)

Foreign currency risk management

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

	Assets		Liabilities	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Group				
HK\$	10,581	10,580	–	–
United States dollar ("USD")	322	322	–	–
Inter-group balances				
HK\$	126,375	125,183	321,373	320,348

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase and decrease in the functional currencies of the relevant group entities against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes outstanding foreign currency denominated monetary items and also intra-group balances denominated in foreign currencies and adjusts their translation at the year end for a 5% change in foreign currency rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2016

6. FINANCIAL INSTRUMENTS (continued)

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

(i) Market risk (continued)

Foreign currency risk management (continued)

Sensitivity analysis (continued)

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

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

Where the functional currency of the relevant group entity strengthens 5% against relevant foreign currencies, there would be a decrease in the loss of HK\$9,221,000 (2015: HK\$9,229,000) for the year.

A 5% weakening of the functional currency would have an equal but opposite impact on the loss for the year.

Interest rate risk management

The Group is exposed to cash flow interest rate risk in relation to its interest bearing financial instruments which are mainly pledged bank deposits and bank balances. The Group currently does not have an interest rate hedging policy. The management of the Group monitors interest rate risk exposure and will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2016

6. FINANCIAL INSTRUMENTS (continued)

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

(ii) Credit risk management

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantee provided by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

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

The Group has concentration of credit risk as 80% (2015: 80%) of aggregated amounts of pledged bank deposits and bank balance represented deposits placed in a bank. However, the directors of the Company consider that the credit risk of pledged bank deposits and bank balance is limited because the counterparty is a bank with good reputation and high creditworthiness.

The Group has pledged of deposits of HK\$2,000,000 to banks in respect of mortgage loans granted to property purchasers. The pledge would be released upon delivering the building ownership certificate of the respective property by the customers to the banks as a pledge for security to the mortgage loan granted. The directors considered that the credit risk involved was not significant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2016

6. FINANCIAL INSTRUMENTS (continued)

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

(iii) Liquidity risk management

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

The following table details the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities and the earliest date on which the Group can be required to pay.

	On demand or less than 1 month HK\$'000	1-2 months HK\$'000	2 months to 1 year HK\$'000	1-3 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
2016						
Other payables	-	-	410	-	410	410
Dividend payable	12,505	-	-	-	12,505	12,505
Amount due to a related company	2,553	-	-	-	2,553	2,553
Rental deposits received	205	33	239	321	798	798
	15,263	33	649	321	16,266	16,266

	On demand or less than 1 month HK\$'000	1-2 months HK\$'000	2 months to 1 year HK\$'000	1-3 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
2015						
Other payables	-	-	427	-	427	427
Dividend payable	12,505	-	-	-	12,505	12,505
Amount due to a related company	2,190	-	-	-	2,190	2,190
Rental deposits received	117	54	233	317	721	721
	14,812	54	660	317	15,843	15,843

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2016

6. FINANCIAL INSTRUMENTS (continued)

(c) Fair Value of financial instruments

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

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

7. REVENUE AND SEGMENT INFORMATION

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

	2016	2015
	HK\$'000	HK\$'000
Sale of properties	6,916	1,347
Rental income	5,533	5,594
	12,449	6,941

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2016

7. REVENUE AND SEGMENT INFORMATION (continued)

Segment revenue and results

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

	2016 HK\$'000	2015 HK\$'000
Revenue from property investment and development segment	12,449	6,941
Segment (loss) profit from property investment and development segment	(1,051)	2,555
Unallocated other income	687	847
Unallocated other gains and losses	(1,798)	(9)
Unallocated expenses	(14,483)	(12,005)
Share of result of an associate	(118,120)	(133,544)
Net loss on deemed disposal of interest in an associate	–	(7,392)
Impairment loss on interest in an associate	(272,449)	–
Loss for the year	(407,214)	(149,548)

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

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment (loss) profit represents the (loss from) 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, net loss on deemed disposal of interest in 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2016

7. REVENUE AND SEGMENT INFORMATION (continued)

Other segment information

For the year ended 31st March, 2016

	Property investment and development HK\$'000	Unallocated HK\$'000	Total HK\$'000
Amounts included in the measure of segment loss:			
Depreciation	407	963	1,370
Interest income	73	662	735
Taxation charge	663	–	663

For the year ended 31st March, 2015

	Property investment and development HK\$'000	Unallocated HK\$'000	Total HK\$'000
Amounts included in the measure of segment profit:			
Depreciation	419	1,218	1,637
Interest income	72	766	838
Taxation charge	85	–	85

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2016

7. REVENUE AND SEGMENT INFORMATION (continued)

Geographical information

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

The Group's revenue from external customers is presented based on the location where the goods are delivered and services are rendered. Information about the Group's non-current assets is presented based on geographical location of the assets.

	Revenue from external customers		Non-current assets	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Hong Kong	1,884	1,884	69,488	70,844
The PRC	10,565	5,057	6	20
Unallocated ¹	–	–	222,614	609,003
	12,449	6,941	292,108	679,867

Note: Non-current assets excluded pledged bank deposits.

¹ Unallocated non-current assets represent interest in an associate which is an investment holding company and its subsidiaries have operations in both Hong Kong and the PRC. Details are set out in note 16.

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2016 HK\$'000	2015 HK\$'000
Customer A ¹	1,884	1,884
Customer B ²	1,720	727
Customer C ²	1,677	–

¹ Revenue from property leasing

² Revenue from sales of properties

Segment assets and liabilities

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2016

8. OTHER INCOME

	2016 HK\$'000	2015 HK\$'000
Interest income from bank balances	735	838
Sundry income	99	149
	834	987

9. OTHER GAINS AND LOSSES

	2016 HK\$'000	2015 HK\$'000
Net exchange losses	(8,058)	(107)
Net loss on deemed disposal of interest in an associate (Note 16)	–	(7,392)
	(8,058)	(7,499)

10. TAXATION

	2016 HK\$'000	2015 HK\$'000
Current tax:		
Hong Kong Profits Tax	228	279
PRC Enterprise Income Tax	433	355
	661	634
Under provision in prior years:		
Hong Kong Profits Tax	–	243
PRC Enterprise Income Tax	–	118
	–	361
Deferred tax (note 19)	2	(910)
	663	85

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2016

10. TAXATION (continued)

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

	2016 HK\$'000	2015 HK\$'000
Loss before taxation	(406,551)	(149,463)
Tax at the applicable income tax rate of 16.5% (2015: 16.5%)	(67,081)	(24,661)
Tax effect of expenses not deductible for tax purpose	48,365	2,862
Tax effect of income not taxable for tax purpose	(114)	(140)
Tax effect of share of result of an associate	19,490	22,035
Tax effect of tax losses not recognised	340	407
Underprovision in respect of prior years	–	361
Others	(337)	(779)
Tax charge for the year	663	85

Details of the deferred tax are set out in note 19.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2016

11. LOSS FOR THE YEAR

	2016 HK\$'000	2015 HK\$'000
Loss for the year has been arrived at after charging (crediting):		
Auditor's remuneration		
– current year	893	1,006
– under(over) provision in prior years	74	(143)
Cost of inventories recognised as expense	2,744	480
Depreciation of		
– property, plant and equipment	1,037	1,304
– investment property	333	333
Staff costs including directors' emoluments other than benefit-in-kind (Note)	7,993	7,860
Operating lease rentals in respect of land and buildings	561	576
Gross rental income from investment property	(1,884)	(1,884)
Less: direct operating expense incurred for investment property that generated rental income during the year	483	489
	(1,401)	(1,395)

Note: The rateable value of the Group's land and buildings provided as accommodation to certain directors of the Company as set out in note 12.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2016

12. EMOLUMENTS OF DIRECTORS, CHIEF EXECUTIVE AND SENIOR EMPLOYEES

(a) Directors' and chief executive's emoluments

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and Companies Ordinance, is as follows:

	Year ended 31st March, 2016			
	Fees HK\$'000	Basic salaries, allowances and benefits -in-kind HK\$'000	Contributions to retirement benefit schemes HK\$'000	Total HK\$'000
Executive directors				
Mr. Lee Lap	–	3,800	–	3,800
Mdm. Leung Lai Ping	–	3,300	–	3,300
Mr. Wong Shiu Kee	–	1,500	75	1,575
Mr. Tommy Lee	–	240	12	252
Independent non-executive directors				
Mr. Lo Yiu Hee	100	–	–	100
Mr. Tong Hin Wor	100	–	–	100
Mr. Siu Lok Chow, Gabriel (Note)	100	–	–	100
Non-executive director				
Mr. Lee Ka Sze, Camelo	100	–	–	100
	400	8,840	87	9,327

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2016

12. EMOLUMENTS OF DIRECTORS, CHIEF EXECUTIVE AND SENIOR EMPLOYEES (continued)**(a) Directors' and chief executive's emoluments (continued)**

	Year ended 31st March, 2015			
	Fees HK\$'000	Basic salaries, allowances and benefits -in-kind HK\$'000	Contributions to retirement benefit schemes HK\$'000	Total HK\$'000
Executive directors				
Mr. Lee Lap	–	3,800	–	3,800
Mdm. Leung Lai Ping	–	3,300	–	3,300
Mr. Wong Shiu Kee	–	1,500	75	1,575
Mr. Tommy Lee	–	240	12	252
Independent non-executive directors				
Mr. Lo Yiu Hee	100	–	–	100
Mr. Tong Hin Wor	100	–	–	100
Mr. Siu Lok Chow (Note)	100	–	–	100
Non-executive director				
Mr. Lee Ka Sze, Camelo	100	–	–	100
	400	8,840	87	9,327

Note: Passed away on 6th May 2016.

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group. The independent non-executive directors' emoluments and non-executive director's emoluments shown above were mainly for their services as directors of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2016

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

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

Mr. Tommy Lee is also the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as chief executive.

During the year, the land and buildings of the Group with a rateable value of HK\$3,600,000 (2015: HK\$3,600,000) were provided as accommodation to certain directors of the Company and has been included in basic salaries, allowances and benefits-in-kind disclosed above.

In addition to the above, no emoluments were paid as an inducement to join or upon joining the Group or as compensation for loss of office. Neither the chief executive nor any of the directors waived any emoluments in both years.

(b) Senior employees' emoluments

Of the five individuals with the highest emoluments in the Group, four (2015: four) are directors of the Company, whose emoluments have been included in (a) above.

The emoluments of the remaining one (2015: one) individual, whose emoluments are individually below HK\$1,000,000, were as follows:

	2016	2015
	HK\$'000	HK\$'000
Salaries and other benefits	351	351
Contributions to retirement benefit schemes	18	18
	369	369

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2016

13. LOSS PER SHARE

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

	2016	2015
	HK\$'000	HK\$'000
Loss for the year attributable to owners of the Company for the purposes of basic and diluted loss per share	(407,214)	(149,548)

	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 years 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2016

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land HK\$'000	Buildings HK\$'000	Furniture, fixtures, equipment and leasehold improvements HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
COST					
At 1st April, 2014, 31st March, 2015 and 31st March, 2016	45,149	6,250	9,984	5,900	67,283
DEPRECIATION					
At 1st April, 2014	8,139	2,682	8,842	4,625	24,288
Provided for the year	372	142	309	481	1,304
At 31st March, 2015	8,511	2,824	9,151	5,106	25,592
Provided for the year	373	142	296	226	1,037
At 31st March, 2016	8,884	2,966	9,447	5,332	26,629
CARRYING VALUES					
AT 31st March, 2016	36,265	3,284	537	568	40,654
At 31st March, 2015	36,638	3,426	833	794	41,691

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2016

14. PROPERTY, PLANT AND EQUIPMENT (continued)

The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account of their estimated residual value, as follows:

Leasehold land	Over the term of the lease
Buildings	40 years or over the remaining lease term of the land on which the building is situated, if shorter
Furniture, fixtures and equipment and leasehold improvements	10% to 20%
Motor vehicles	15% to 18%

The leasehold land and buildings are used as accommodation to certain directors.

15. INVESTMENT PROPERTY

	HK\$'000
COST	
At 1st April, 2014, and 31st March, 2015 and 2016	35,286
DEPRECIATION	
At 1st April, 2014	5,780
Provided for the year	333
At 31st March, 2015	6,113
Provided for the year	333
At 31st March, 2016	6,446
CARRYING VALUES	
At 31st March, 2016	28,840
At 31st March, 2015	29,173

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2016

15. INVESTMENT PROPERTY (continued)

The fair value of the Group's investment property at 31st March, 2016 is HK\$143,800,000 (2015: HK\$133,000,000). The fair value has been arrived at on the basis of a valuation carried out by Vigers Appraisal & Consulting Limited ("Vigers"), an independent qualified professional valuer not connected with the Group.

The fair value was determined based on the market comparable approach that reflects recent transactions prices for similar properties, adjusted for differences in nature, location and conditions of the properties under review. There has no change from the valuation technique used in the prior year.

Details of the Group's investment property and information about the fair value hierarchy as at 31st March, 2016 and 2015 are as follows:

	Fair value hierarchy	Carrying value at		Fair value as at	
		31.3.2016 HK\$'000	31.3.2015 HK\$'000	31.3.2016 HK\$'000	31.3.2015 HK\$'000
Residential property units located in Hong Kong	Level 3	28,840	29,173	143,800	133,000

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2016

16. INTEREST IN AN ASSOCIATE

	2016 HK\$'000	2015 HK\$'000
Cost of investment in an associate listed in Hong Kong	331,205	308,706
Share of post-acquisition profit and other comprehensive income and effect on deemed disposal of interest in an associate, net of dividend received	163,858	300,297
Impairment loss recognised	(272,449)	–
	222,614	609,003
Market value of interest in an associate	222,614	413,902

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, 2015 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, 2016.

Included in the cost of investment in an associate is goodwill of HK\$167,088,000 (2015: 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 28,480,000 new shares for a consideration of approximately HK\$22,499,000. The subscription was completed on 30th December 2015. As at 31st March, 2016, the Group's shareholding in the associate remains at 30.47% as the subscription is in proportion to the total shares held by the shareholders.

During the prior year, the Group's shareholding in the associate was diluted from 31.90% to 30.47% as the associate has issued approximately 12,289,000 shares for share options exercise and issued approximately 154,341,000 right shares. The Group subscribed for 35,500,000 right shares in a net consideration of HK\$34,140,000.

As a result, a net loss on deemed disposal of interest in an associate of HK\$7,392,000 was recognised in profit or loss and the relevant accumulated translation reserve of HK\$959,000 was reclassified to profit or loss. During the prior year, a dividend of HK\$17,036,000 was declared by the associate to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2016

16. INTEREST IN AN ASSOCIATE (continued)

Impairment assessment

Due to the effects caused by sluggish global oil and gas market that caused significant decline in new oilfield service orders and delay in realising trade receivables, the associate reported net loss for the years ended 31st December, 2014 and 2015. The carrying amount of the associate is lower than the market capitalisation with reference to the quoted market price of the shares of the associate as at 31st March, 2015 and 2016 which constitute impairment indicators. The management of the Group carried out review on impairment on the carrying amount of its interest in an associate by comparing its recoverable amount (higher of the value in use and fair value less cost of disposal (market value)) with its carrying amount.

As at 31st March, 2015, the recoverable amount of the associate was determined based on the value in use estimation by the management, as the value in use was higher than the fair value less cost of disposal. In determining the value in use of the interest in an associate, the directors estimated the present value of the estimated future cash flow comprising expected dividend income from the associate and expected ultimate disposal, by using a discount rate to discount the cash flow projections to net present value. The future cash flow from the expected ultimate disposal is calculated with reference to the expected return from the associate. Based on the assessment, the recoverable amount of the Group's interest in an associate was estimated to be higher than the carrying amount and no impairment loss was recognised.

As at 31st March, 2016, the management reviewed the recoverable amount of the 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 estimated that there is 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 is 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 is lower than the carrying amount and an impairment loss of HK\$272,449,000 is recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2016

16. INTEREST IN AN ASSOCIATE (continued)

Impairment assessment (continued)

As at 31st March, 2016 and 2015, the Group had interest in the following associate:

Name of entity	Form of equity	Country of incorporation	Proportion of ownership interest held by the Group		Proportion of voting power held by the Group		Principal activity
			31.3.2016	31.3.2015	31.3.2016	31.3.2015	
Petro-king Oilfield Services Limited	Incorporated	British Virgin Islands	30.47%	30.47%	30.47%	30.47%	Manufacturing and sales of tools and equipment and provision for oilfield consultancy service

Summarised financial information of material associate

Summarised financial information in respect of the Group's associate is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with International Financial Reporting Standards.

The Group's associate is accounted for using the equity method in these consolidated financial statements.

Petro-king Oilfield Services Limited

	31.12.2015 HK\$'000	31.12.2014 HK\$'000
Current assets	1,002,814	1,598,328
Non-current assets (excluding goodwill)	1,020,426	1,086,487
Current liabilities	735,223	1,311,708
Non-current liabilities	185,992	55,458

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2016

16. INTEREST IN AN ASSOCIATE (continued)

Summarised financial information of material associate (continued)

	Year ended 31.12.2015 HK\$'000	Year ended 31.12.2014 HK\$'000
Revenue	631,014	705,172
Loss for the year	(391,759)	(418,147)
Other comprehensive (expense) income for the year		
– currency translation differences	(57,702)	18,979
– revaluation loss on an available-for-sale financial asset	(3,803)	–
Total comprehensive expense for the year	(453,264)	(399,168)
Attributable to:		
Owners of the associate	(444,464)	(404,057)
Non-controlling interests of the associate	(8,800)	4,889
	(453,264)	(399,168)
Dividends received from an associate during the year	–	17,036

Reconciliation of the above summarised financial information to the carrying amount of the interest in an associate recognised in the consolidated financial statements:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2016

16. INTEREST IN AN ASSOCIATE (continued)

Summarised financial information of material associate (continued)

	31.12.2015 HK\$'000	31.12.2014 HK\$'000
Nets assets of an associate	1,102,025	1,317,649
Less: Non-controlling interests	(2,011)	(43,300)
Less: Reserves not attributable to the Group	(33,995)	14,357
Equity attributable to shareholders of the Group as at 31st December	1,066,019	1,288,706
Add: Net proceeds raised by an associate from the issuance of right shares (Note)	–	151,255
	1,066,019	1,439,961
Proportion of the Group's ownership interest in an associate	30.47%	30.47%
Goodwill	167,088	167,088
Other adjustments	3,159	3,159
Impairment loss on investment in an associate	(272,449)	–
Carrying amount of the Group's interest in an associate	222,614	609,003

Note: It represented the share of net proceeds for the issuance of right shares in February 2015 as mentioned above.

17. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

Pledged bank deposits and bank balances and cash, which comprise short-term bank deposits, carry interest at effective interest rates ranging from 0.01% to 0.26% (2015: 0.01% to 0.26%) per annum.

Details of the pledged bank deposits are set out in note 22.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2016

18. AMOUNT DUE TO A RELATED COMPANY

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

Mr. Lee Lap and Mdm. Leung Lai Ping, directors of the Company have ultimate beneficial interest and control over the related company.

19. DEFERRED TAX LIABILITIES

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

	Accelerated tax depreciation HK\$'000
At 1st April, 2014	1,144
Credit to profit or loss	(910)
At 31st March, 2015	234
Charge to profit or loss	2
At 31st March, 2016	236

At the end of the reporting period, the Group has unused tax losses of HK\$99,052,000 (2015: HK\$96,989,000) available for offset against future profit.

No deferred tax asset had been recognised in respect of the unused tax losses as at 31st March, 2016 and 2015 due to the unpredictability of future profit streams. The unrecognised tax losses may be carried forward indefinitely.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2016

20. SHARE CAPITAL

	2016 & 2015	
	Number of shares '000	Nominal value HK\$'000
Ordinary shares of HK\$0.08 each Authorised	2,800,000	224,000
Issued and fully paid	1,957,643	156,611

There is no movement in share capital during the two years ended 31st March, 2016

21. OPERATING LEASE COMMITMENTS

The Group as lessor

At the end of the reporting period, the Group's investment property (comprising leasehold interest in land and buildings) and certain properties held for sale with carrying amounts of HK\$28,840,000 (2015: HK\$29,173,000) and HK\$34,198,000 (2015: HK\$31,689,000) respectively were let out under operating leases. The management has been actively marketing these properties held for sale at a price that is reasonable to its current fair value. The Group has engaged certain property agents to search potential buyers, set up a sales office to support the sales activities and there are advertisements to boost the sales. Moreover, the properties held for sale are let out under short term leases in order to allow the flexibility to control the number of residential units available for sale. Accordingly, the directors of the Company considered that properties held for sale disclosed above are remained as properties held for sale. All of the properties leased out have committed tenants for the next one year (2015: two years).

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

	2016 HK\$'000	2015 HK\$'000
Within one year	2,640	2,668
In the second to fifth years inclusive	–	1,805
	2,640	4,473

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2016

21. OPERATING LEASE COMMITMENTS (continued)

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2016 HK\$'000	2015 HK\$'000
Within one year	365	365

Operating lease payments represent rentals payable by the Group for office premises. These are negotiated and rentals are fixed for a period of one year (2015: one year), and the Group does not have an option to extend the lease.

22. PLEDGE OF ASSETS

As at 31st March, 2016, bank deposits of HK\$2,000,000 (2015: HK\$2,000,000) were pledged to the banks as security in respect of mortgage loans granted to property purchasers by the banks.

23. RETIREMENT BENEFIT PLANS

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

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

The total expense recognised in profit or loss of HK\$264,000 (2015: HK\$226,000) represents contributions payable to these schemes by the Group in respect of the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2016

24. RELATED PARTY TRANSACTIONS

During the year, the Group had the following transactions with related parties:

- (a) Pursuant to the tenancy agreements entered into between Panda Investment Company Limited ("Panda Investment") and the Group, the Group leased certain office premises of Panda Investment during the year at the agreed rental of HK\$486,000 (2015: HK\$486,000) per annum. Panda Investment is a wholly owned subsidiary of Lee & Leung Family Investment Limited, the ultimate parent of the Company.
- (b) At 31st March, 2016, the Group had an amount of approximately HK\$2,553,000 (2015: HK\$2,190,000) due to Panda Investment which is unsecured, interest-free and repayable on demand.
- (c) Pursuant to tenancy agreements entered into between Mr. Lee Wing Keung, a son of certain directors of the Company, and the Group, the Group leased its land and building to Mr. Lee Wing Keung for a period of 3 years commencing from 16th March, 2014 to 15th March, 2017 at monthly rental of HK\$157,000 (exclusive of rates, management fee and utility charges). The rental income recognised during the year is HK\$1,884,000 (2015: HK\$1,884,000).
- (d) The compensation of key management personnel paid or payable by the Group in respect of the year, substantially all of which comprised of short term benefits attributable to the directors of the Company, amounted to HK\$9,327,000 (2015: HK\$9,327,000), details of which are set out in note 12(a).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2016

25. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The following list contains only the particulars of the principal subsidiaries at 31st March, 2016 and 2015 which principally affect the results, assets or liabilities of the Group as the directors are of the opinion that a full list of all the subsidiaries would be of excessive length. All the principal subsidiaries are wholly owned subsidiaries and, unless otherwise specified, are operating in their place of incorporation/establishment. None of the subsidiaries had any loan capital outstanding at 31st March, 2016 and 2015 or at any time during the year.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2016

25. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of company	Place of incorporation/ establishment	Paid up issued share capital/ registered capital	Proportion of nominal value of issued share capital held by the Company	Principal activities
<i>Indirect subsidiaries: (continued)</i>				
Termbray (Guangzhou) Land Development Company Limited	Hong Kong	10,000 ordinary shares of HK\$1 each	100%	Property holding
Termbray Electronics Company Limited	Hong Kong	2 ordinary shares of HK\$100 each and 10,000 non-voting deferred shares of HK\$100 each	100%	Investment holding and treasury activities
<i>Zhongshan Ever Success Properties Limited (iii)</i>	PRC	Registered capital of RMB1,500,000	100%	Property development
(i)	Operating in Hong Kong			
(ii)	Operating in the PRC			
(iii)	A limited liability company established in the PRC			

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2016

26. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2016 HK\$'000	2015 HK\$'000
Non-current assets		
Investments in subsidiaries (Note)	1,128,362	1,193,115
Current assets		
Bank balances and cash	14,471	14,961
Other current assets	168	168
	14,639	15,129
Current liabilities		
Dividend payable	12,505	12,505
Other current liabilities	997	953
	13,502	13,458
Net current assets	1,137	1,671
Net assets	1,129,499	1,194,786
Capital and reserves		
Share capital	156,611	156,611
Reserves	972,888	1,038,175
Total equity	1,129,499	1,194,786

Note: As at 31st March, 2015, the balance of investments in subsidiaries included amounts due from subsidiaries. As at 31st March, 2016, the Company's balance of investments in subsidiaries represents its investment cost and the deemed investments arising from the waivers of amounts due from subsidiaries pursuant to the relevant written statements made by the Company on 1st April 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2016

26. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (continued)

Movement in the Company's reserves

	Share capital HK\$'000	Share premium HK\$'000	Retained profits HK\$'000	Contributed Surplus HK\$'000	Total HK\$'000
At 1st April, 2014	156,611	404,370	104,463	191,810	857,254
Profit for the year and total comprehensive income for the year	–	–	337,532	–	337,532
At 31st March, 2015	156,611	404,370	441,995	191,810	1,194,786
Loss for the year and total comprehensive expense for the year	–	–	(65,287)	–	(65,287)
At 31st March, 2016	156,611	404,370	376,708	191,810	1,129,499

27. EVENTS AFTER THE REPORTING PERIOD

On 26th May, 2016, the Group has provided an irrevocable and unconditional undertaking to the associate for subscription of 121,426,231 rights shares for a consideration of approximately HK\$37,642,000. Completion of the subscription is subject to certain conditions to be satisfied.

LIST OF MAJOR PROPERTIES

PROPERTIES FOR SALE

Property location	Use	Approximate gross Floor are Sq.m.	Group's Attribution interest %
90-124 An Lan Road, Zhongshan, Guangdong Province	Commercial and car park Residential	15,152 22,731	100 100

FIVE YEAR FINANCIAL SUMMARY

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

CONSOLIDATED RESULTS

	2016 HK\$'000	Year ended 31st March,			
		2015 HK\$'000	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000
Revenue	12,449	6,941	6,351	8,464	5,642
(Loss) profit before taxation	(406,551)	(149,463)	45,153	245,358	(6,708)
Taxation	(663)	(85)	(1,603)	(364)	(369)
(Loss) profit for the year	(407,214)	(149,548)	43,550	244,994	(7,077)
Attributable to owners of the Company	(407,214)	(149,548)	43,550	244,994	(7,077)
Attributable to non-controlling interests	–	–	–	–	–

FIVE YEAR FINANCIAL SUMMARY

CONSOLIDATED ASSETS AND LIABILITIES

	2016 HK\$'000	As at 31st March,			
		2015 HK\$'000	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000
Non-current assets					
Property, plant and equipment	40,654	41,691	42,995	44,435	46,109
Investment property	28,840	29,173	29,506	29,839	30,172
Investment in an associate	222,614	609,003	727,785	659,262	477,357
Pledged bank deposits	2,000	2,000	2,000	2,000	2,000
Current assets	417,953	454,246	479,237	490,535	598,340
TOTAL ASSETS	712,061	1,136,113	1,281,523	1,226,071	1,153,978
CURRENT LIABILITIES	(22,524)	(22,808)	(22,771)	(22,601)	(18,129)
NON-CURRENT LIABILITIES	(236)	(234)	(1,144)	(1,063)	(930)
NET ASSETS	689,301	1,113,071	1,257,608	1,202,407	1,134,919
Equity attributable to equity holders of the Company	688,884	1,112,654	1,257,191	1,201,990	1,134,502
Non-controlling interests	417	417	417	417	417
TOTAL EQUITY	689,301	1,113,071	1,257,608	1,202,407	1,134,919

PER SHARE DATA

	2016 HK cents	Year ended 31st March,			
		2015 HK cents	2014 HK cents	2013 HK cents	2012 HK cents
Basic (loss) earnings per share	(20.80)	(7.64)	2.22	12.51	(0.36)
Dividends per share					
Interim dividend	–	–	–	–	6
Final dividend	–	–	–	–	9
Net asset value per share	35.21	56.86	64.24	61.42	57.97