



**Termbray Industries
International (Holdings) Limited**

Stock Code: 0093

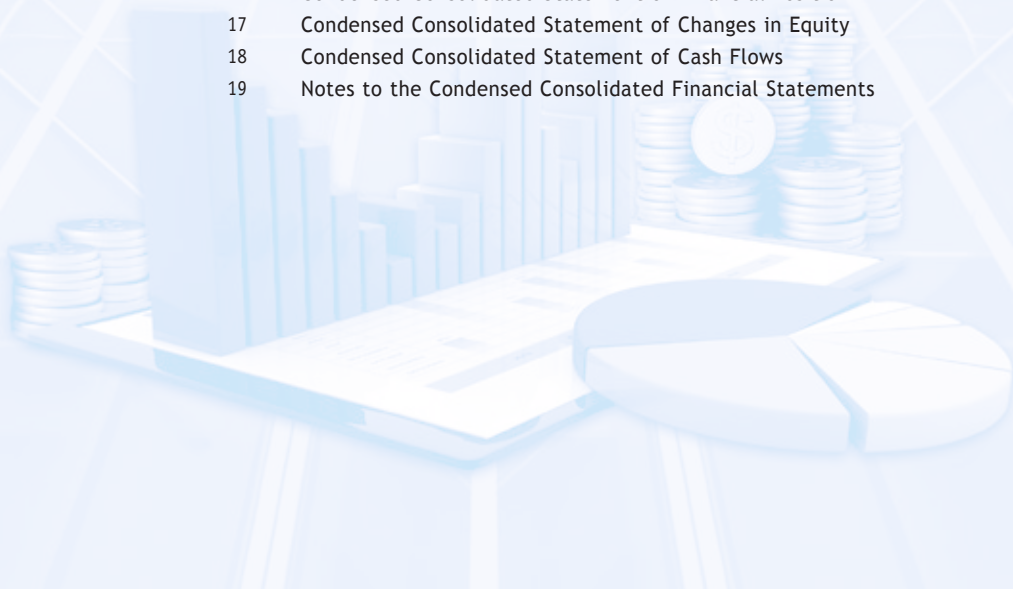
INTERIM REPORT

2018/2019



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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. Ching Yu Lung

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. Lee Ka Sze, Carmelo
Mr. Ching Yu Lung

Remuneration Committee

Mr. Lo Yiu Hee
Mr. Lee Lap
Mr. Tong Hin Wor

Nomination Committee

Mr. Lee Lap
Mr. Lo Yiu Hee
Mr. Tong Hin Wor

Registered Office

Clarendon House, Church Street
Hamilton HM11
Bermuda

Head Office and Principal Place of Business

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E-mail : group@termbray.com.hk
Website : www.termbray.com.hk

Hong Kong Registrar and Transfer Office

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

Listing Information

The Listing Code of the Company's share
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

The board of directors (the “Board”) of Termbray Industries International (Holdings) Limited (the “Company”) presents to shareholders the interim report together with the unaudited condensed consolidated financial statements of the Company and its subsidiaries (together the “Group”) for the six months ended 30 September 2018.

The unaudited consolidated loss attributable to owners of the Company for the six months ended 30 September 2018 amounted to approximately HK\$19,696,000 (six months ended 30/9/2017: profit of HK\$66,740,000). An analysis of the Group’s segment results for the period is set out on pages 32 to 33 of this report.

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 September 2018 (six months ended 30/9/2017: Nil).

On 16 June 2017, the Board approved a special interim dividend by way of distribution in specie of all shares of the Company’s associate, Petro-king Oilfield Services Limited (“Petro-king”), held by the Group on the basis of 268 shares of Petro-king for every 1,000 shares of the Company held (the “Distribution in Specie”). The Company distributed a special interim dividend of 524,648,320 shares of Petro-king with a carrying amount of HK\$170,511,000 to its shareholders on 14 July 2017.

Review of Operations

During the current six months period under review, the Group achieved a turnover of HK\$18,955,000 (six months ended 30/9/2017: HK\$9,722,000) and recorded a loss for the period of HK\$19,696,000 (six months ended 30/9/2017: profit of HK\$66,740,000).

The Group has commenced the principle activity of money lending business of providing mortgaged loans in Hong Kong in the current period under review.

The loss for the current period under review as opposed to profit for the corresponding period in 2017 is primarily due to:

- (a) non-recurring items recorded for the six months ended 30 September 2017 as follows:
 - (i) the recognition of a fair value gain of approximately HK\$18 million on an investment property;

- (ii) the recognition of a gain of approximately HK\$64 million on assets distributed to the shareholders of the Company resulting from a special interim dividend in the form of a distribution in specie of 526,180,335 shares in Petro-king held by the Group; and
- (b) the recognition of foreign exchange loss arising from the devaluation of the Renminbi currency by approximately 9% during the six months ended 30 September 2018.

Property Investment and Development

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

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

Due to the construction of Shenzhen-Zhongshan sea-crossing bridge connecting the cities of Shenzhen and Zhongshan, the sales of residential properties in Zhongshan market is bloomed. The sale activities of the Group's property project in Zhongshan is active during the period. Facing the overheated environment of the property market in the People's Republic of China ("PRC"), the Central government has laid down a series of regulations and rules to restrict the selling price of residential properties and the qualifications of buyers to purchase residential properties. In Zhongshan, all sale and purchase agreements entered into during the period under review have to be approved by the relevant government authorities before they can be registered in the government's property sales system. During the period under review, the Group have entered into 32 sale and purchase agreements, and out of which, 19 sale transactions are approved and registered in the government's property sale system. The Group has recognised the sale of 19 residential units during the period under review (six months ended 30/9/2017: 13 units). Following the increase in sales of residential units, the number of residential units which are available for earning rental income is decreased during the period. The rental income earned by the Group from Ever Success Plaza during the period decreased by approximately 42% from that of last corresponding period. As at 30 September 2018, 75 residential units remained to be sold, out of which 37 residential units were let out.

Oilfield Engineering and Consultancy Services

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

The Petro-king Group shares were distributed at its market value at the date of completion of the Distribution in Specie. Accordingly, there was a gain on assets distributed to shareholders of the Company of approximately HK\$64 million recorded in the consolidated financial statements of the Company for the period ended 30 September 2017.

As no fraction of a Petro-king share had been distributed under the Distribution in Specie, fractional entitlements to the Petro-king shares of 1,532,015 shares was held by the Company as investments held for trading recorded in the financial statements of the Company as at 31 March 2018. The relevant Petro-king shares was reclassified as financial assets at fair value through profit or loss ("FVTPL") in the financial statements of the Company as at 30 September 2018.

Upon completion of the Distribution in Specie on 14 July 2017, Petro-king was no longer be accounted for as an associate in the consolidated financial statements of the Company.

Money Lending

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

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

Others

Save as disclosed above, there were no acquisitions of other major subsidiaries or associates during the period under review.

Liquidity and Financial Resources

The Group remains cash-rich and has no material capital expenditure commitments. The operations are financed by capital and reserves.

Foreign currency risk of the Group is controllable as the assets of the Group comprised substantially of cash denominated in Hong Kong dollar. No financial instrument is arranged for hedging purposes in respect of interest rate and currency.

Order Book

Due to its business nature, the Group has no order book at 30 September 2018. The Group has no new product and service to be introduced to the market, other than the commencement of money lending business in Hong Kong during the period under review.

Staff and Emolument Policy

As at 30 September 2018, the Group employed 40 staff at market remunerations with staff benefits such as insurance, provident fund scheme and discretionary bonus.

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.

Outlook

China and United States (“US”) are experiencing various challenges after the global economic crisis. All of the factors including debt crisis in Europe, the fluctuation in oil price and Renminbi currency, the progress of increase in US interest rate and the trade conflicts between China and US, have an unpredictable impact on the 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 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.

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

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

Directors' Interests in Shares and Options

As at 30 September 2018, the interests of the Company's directors, chief executive and their associates in the shares, underlying shares and debentures of the Company and its associated corporations 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 directors	Number of shares				Total	Percentage of total issued shares
	Personal interest	Family interest	Corporate interest	Other interest		
Mr. Lee Lap	-	-	-	1,252,752,780 <i>(note)</i>	1,252,752,780	63.99%
Mdm. Leung Lai Ping	-	-	-	1,252,752,780 <i>(note)</i>	1,252,752,780	63.99%
Mr. Tommy Lee	-	-	-	1,252,752,780 <i>(note)</i>	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 the Lee & Leung Family Trust. The discretionary beneficiaries of the 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.

(B) Long Positions in Shares of Other Associated Corporations

Name of directors	Name of subsidiary	Number of non-voting deferred shares held <i>(note)</i>	% 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 30 September 2018, 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.

At no time during the period 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.

Substantial Shareholders

As at 30 September 2018, the person (other than the directors as disclosed in the “Directors’ interests in Shares and Options”) interested in 5% or more of the issued share capital of the Company 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%
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 the Lee & Leung Family Trust. The discretionary beneficiaries of the 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 a wholly owned by Ms. Jing Xiao Ju.
- (3) East Glory Trading Limited is wholly owned by Master Winner Limited, which in turn is wholly owned by Mr. Yuan Qinghua.

Saved as disclosed above, the Company has not been notified of any other interests or short positions in the shares or the underlying shares of the Company representing 5% or more of the issued share capital of the Company as at 30 September 2018.

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 six months ended 30 September 2018.

Corporate Governance

The Company has met the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the six months ended 30 September 2018 save as disclosed below.

Pursuant to code provision A.4.2 of the CG Code, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. The Company is subject to a private act called "The Termbay 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". The Company had amended its existing 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 three years, while directors holding the office of chairman or managing director shall be subject to re-election every 3 years.

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code"), as the code of conduct regarding directors' securities transactions. The Company have made specific enquiry of all directors that they have complied with the Model Code throughout the six months period ended 30 September 2018.

Audit Committee

The Company has established an audit committee comprising three independent non-executive directors and one non-executive director of the Company. The audit committee of the Company has reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including review of the interim report for the six months ended 30 September 2018.

By order of the Board

Lee Lap

Chairman

Hong Kong, 16 November 2018

Report on Review of Condensed Consolidated Financial Statements

Deloitte.

德勤

**TO THE BOARD OF DIRECTORS OF
TERMBRAY INDUSTRIES INTERNATIONAL (HOLDINGS) LIMITED**

Introduction

We have reviewed the condensed consolidated financial statements of Termbay Industries International (Holdings) Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 15 to 42, which comprises the condensed consolidated statement of financial position as of 30 September 2018 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 *Interim Financial Reporting* (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong, 16 November 2018

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 September 2018

	Notes	Six months ended	
		30.9.2018 HK\$'000 (unaudited)	30.9.2017 HK\$'000 (unaudited)
Revenue	3A		
– Sales of properties		16,654	7,364
– Rental income		2,178	2,358
– Interest income from money lending		123	–
Total Revenue		18,955	9,722
Cost of goods sold and services rendered		(5,830)	(4,392)
Gross profit		13,125	5,330
Other income	4	425	393
Other gains and losses	5	(19,714)	24,393
Administrative expenses		(9,253)	(9,243)
Gain on assets distributed to shareholders	7	–	63,866
Share of result of an associate		–	(17,524)
(Loss) profit before taxation		(15,417)	67,215
Taxation	6	(4,279)	(475)
(Loss) profit for the period	8	(19,696)	66,740
Other comprehensive (expense) income:			
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Exchange differences arising from translation of foreign operations		2,767	(1,670)
Share of other comprehensive income of an associate		–	5,798
– currency translation differences		–	5,798
Reserves released on assets distributed to shareholders		–	2,038
Other comprehensive income for the period		2,767	6,166
Total comprehensive (expense) income for the period attributable to owners of the Company		(16,929)	72,906
Dividend	9	–	170,511
		HK cents (unaudited)	HK cents (unaudited)
(Loss) earnings per share	10		
Basic		(1.01)	3.41
Diluted		N/A	3.41

Condensed Consolidated Statement of Financial Position

At 30 September 2018

	<i>Notes</i>	30.9.2018 HK\$'000 (unaudited)	31.3.2018 <i>HK\$'000</i> (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		406,304	409,114
Investment property	11	187,000	187,000
Loan receivable	12	15,754	–
Pledged bank deposits	14	2,000	2,000
Deferred tax assets		3,295	2,716
		614,353	600,830
CURRENT ASSETS			
Completed properties for sale		61,262	73,442
Loan receivable	12	228	–
Interest receivable		23	–
Deposits, prepayments and other receivables		1,945	1,882
Held-for-trading investments	2.2.1	–	720
Financial assets at fair value through profit or loss ("FVTPL")	2.2.1	589	–
Bank balances and cash		287,016	302,325
		351,063	378,369
CURRENT LIABILITIES			
Other payables and accrued charges		4,367	4,462
Contract liabilities	2.1.2	3,641	–
Deposits received	2.1.2	550	4,152
Amount due to a related company	17(b)	1,959	1,700
Taxation payable		14,183	11,240
		24,700	21,554
NET CURRENT ASSETS		326,363	356,815
TOTAL ASSETS LESS CURRENT LIABILITIES		940,716	957,645
NON-CURRENT LIABILITIES			
Deferred tax liabilities		238	238
NET ASSETS		940,478	957,407
CAPITAL AND RESERVES			
Share capital	13	156,611	156,611
Reserves		783,450	800,379
Equity attributable to owners of the Company		940,061	956,990
Non-controlling interests		417	417
TOTAL EQUITY		940,478	957,407

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2018

	Attributable to owners of the Company					Total	Non-controlling interests	Total
	Share capital	Share premium	Translation reserve	Property revaluation reserve	Retained profits			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2017 (audited)	156,611	404,370	6,175	326,966	97,063	991,185	417	991,602
Profit for the period	-	-	-	-	66,740	66,740	-	66,740
Exchange differences arising from translation of foreign operations	-	-	(1,670)	-	-	(1,670)	-	(1,670)
Share of other comprehensive income of an associate								
- currency translation differences	-	-	5,798	-	-	5,798	-	5,798
Reserves released on assets distributed to shareholders	-	-	2,038	-	-	2,038	-	2,038
Total comprehensive income for the period	-	-	6,166	-	66,740	72,906	-	72,906
Dividend paid (note 9)	-	-	-	-	(170,511)	(170,511)	-	(170,511)
At 30 September 2017 (unaudited)	156,611	404,370	12,341	326,966	(6,708)	893,580	417	893,997
At 1 April 2018 (audited)	156,611	404,370	11,192	375,072	9,745	956,990	417	957,407
Loss for the period	-	-	-	-	(19,696)	(19,696)	-	(19,696)
Exchange differences arising from translation of foreign operations	-	-	2,767	-	-	2,767	-	2,767
Total comprehensive income (expense) for the period	-	-	2,767	-	(19,696)	(16,929)	-	(16,929)
At 30 September 2018 (unaudited)	156,611	404,370	13,959	375,072	(9,951)	940,061	417	940,478

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2018

	<i>Note</i>	Six months ended	30.9.2017
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
NET CASH (USED IN) FROM OPERATING ACTIVITIES		(6,288)	310
INVESTING ACTIVITIES			
Interest received		394	358
Net cash outflow from acquisition of assets through acquisition of subsidiary	15	(159)	–
Purchase of financial assets at FVTPL		(7)	–
NET CASH FROM INVESTING ACTIVITIES		228	358
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(6,060)	668
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		302,325	281,659
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		(9,249)	2,401
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash		287,016	284,728

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2018

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for leasehold land and buildings, investment property and financial instruments that are measured at revalued amounts or fair values at the end of the reporting period.

Other than changes in accounting policies resulting from application of new Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2018.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatorily effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2018

2. PRINCIPAL ACCOUNTING POLICIES (continued)

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

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations. HKFRS 15 applies to all contracts with customers except for leases within the scope of HKAS 17 *Leases*.

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

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

HKFRS 15 introduces a 5-step approach when recognising revenue:

- 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 Group satisfies a performance obligation

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2018

2. PRINCIPAL ACCOUNTING POLICIES (continued)

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

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

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

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

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

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration from the customer.

The Group recognises revenue from:

- (i) Sales of properties in the People's Republic of China ("PRC");
- (ii) Rental income (under HKAS 17); and
- (iii) Interest income from money lending business (under HKFRS 9).

Income from sales of properties in the ordinary course of business is recognised when the respective properties have been completed and delivered to the buyers. It is generally satisfied at a point in time when the control is transferred to the buyer.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2018

2. PRINCIPAL ACCOUNTING POLICIES (continued)

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

2.1.2 Summary of effects arising from initial application of HKFRS 15

The following tables summaries the impacts of applying HKFRS 15 on the Group's condensed consolidated statement of financial position as at 1 April 2018 for each of the line items affected. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 March 2018 HK\$'000	Reclassification HK\$'000	Carrying amounts under HKFRS 15 at 1 April 2018 HK\$'000
Current liabilities			
Deposits received (Note)	4,152	(3,560)	592
Contract liabilities (Note)	–	3,560	3,560
	<u> </u>	<u> </u>	<u> </u>

Note: As at 1 April 2018, deposits received from buyers of properties of HK\$3,560,000 was reclassified to contract liabilities.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2018

2. PRINCIPAL ACCOUNTING POLICIES (continued)

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

2.1.2 Summary of effects arising from initial application of HKFRS 15 (continued)

The following table summarises the impacts of applying HKFRS 15 on the Group's condensed consolidated statement of financial position as at 30 September 2018 for each of the line items affected. Line items that were not affected by the changes have not been included.

	As reported HK\$'000	Reclassification HK\$'000	Amounts without application of HKFRS 15 HK\$'000
Current liabilities			
Deposits received	550	3,641	4,191
Contract liabilities	<u>3,641</u>	<u>(3,641)</u>	<u>–</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2018

2. PRINCIPAL ACCOUNTING POLICIES (continued)

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

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

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2018

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments (continued)

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at fair value through profit or loss ("FVTPL")

Financial assets that do not meet the criteria for being measured at amortised cost or fair value through other comprehensive income ("FVTOCI") or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2018

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments (continued)

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (continued)

Financial assets at fair value through profit or loss ("FVTPL") (continued)

The directors of the Company reviewed and assessed the Group's financial assets as at 1 April 2018 based on the facts and circumstances that existed at that date.

The table below illustrates the classification of financial assets under HKFRS 9 and HKFRS 39 at the date of initial application 1 April 2018. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 March 2018 under HKAS 39 HK\$'000	Reclassification HK\$'000	Carrying amounts under HKFRS 9 at 1 April 2018 HK\$'000
Held for trading investments			
– HKAS 39 (Note)	720	(720)	–
Financial assets at FVTPL			
– HKFRS 9 (Note)	–	720	720
	<u>–</u>	<u>720</u>	<u>720</u>

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2018

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments (continued)

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (continued)

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including other receivables, loan receivables, pledged bank deposits, and bank balances and cash). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL (“12m ECL”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

For all instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2018

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments (continued)

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (continued)

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2018

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments (continued)

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (continued)

Significant increase in credit risk (continued)

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2018

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments (continued)

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (continued)

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case, interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount.

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

Except as described above, the application of other amendments to HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2018

3A. REVENUE

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

For the six months ended 30 September 2018

	<i>HK\$'000</i>
Sales of properties in the PRC	16,654
Rental income	2,178
Interest income from money lending business	123
	<u>18,955</u>
Timing of revenue recognition (for sale of properties)	
A point in time	<u>16,654</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2018

3B. SEGMENT INFORMATION

The Group has commenced the property mortgage money lending business in Hong Kong during the current interim period. Details of which are set out in note 15.

For the six months ended 30 September 2018

	Property Investment and development HK\$'000	Money lending business HK\$'000	Total HK\$'000
Segment revenue	<u>18,832</u>	<u>123</u>	<u>18,955</u>
RESULTS			
Segment loss	<u>(6,704)</u>	<u>(165)</u>	<u>(6,869)</u>
Unallocated other income			246
Unallocated other gains and losses			(4,430)
Unallocated expenses			<u>(8,643)</u>
Loss before taxation			<u>(19,696)</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2018

3B. SEGMENT INFORMATION (continued)

For the six months ended 30 September 2017

	Property Investment and development <i>HK\$'000</i>	Money lending business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue	<u>9,722</u>	<u>–</u>	<u>9,722</u>
RESULTS			
Segment profit	<u>27,158</u>	<u>–</u>	<u>27,158</u>
Unallocated other income			269
Unallocated other gains and losses			1,879
Unallocated expenses			<u>(8,908)</u>
			20,398
Share of results of associates			(17,524)
Gain on assets distributed to shareholders			<u>63,866</u>
Profit before taxation			<u>66,740</u>

4. OTHER INCOME

	Six months ended	
	30.9.2018	30.9.2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest income from bank balances	394	358
Sundry income	31	35
	<u>425</u>	<u>393</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2018

5. OTHER GAINS AND LOSSES

	Six months ended	
	30.9.2018	30.9.2017
	HK\$'000	HK\$'000
Net exchange (loss) gain	(19,576)	6,463
Fair value loss on financial assets at FVTPL	(138)	–
Fair value gain on held-for-trading investments	–	230
Fair value gain on investment property	–	17,700
	<u>(19,714)</u>	<u>24,393</u>

6. TAXATION

	Six months ended	
	30.9.2018	30.9.2017
	HK\$'000	HK\$'000
Current tax:		
Hong Kong Profits Tax	147	138
PRC Enterprise Income Tax	1,686	336
	<u>1,833</u>	<u>474</u>
PRC Land Appreciation Tax ("LAT")	3,025	–
Deferred tax	(579)	1
	<u>4,279</u>	<u>475</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2018

7. GAIN ON ASSETS DISTRIBUTED TO SHAREHOLDERS

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

8. (LOSS) PROFIT FOR THE PERIOD

	Six months ended	
	30.9.2018	30.9.2017
	HK\$'000	HK\$'000
(Loss) profit for the period has been arrived at after charging (crediting) the following items:		
Cost of inventories recognised as expense	4,618	3,142
Depreciation of property, plant and equipment	2,906	2,808
Gross rental income from investment property	978	978
Less: direct operating expense incurred for investment property that generated rental income during the period	(73)	(129)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2018

9. DIVIDEND

No dividend was paid in respect of the six months ended 30 September 2018.

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

10. (LOSS) EARNINGS PER SHARE

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

	Six months ended	
	30.9.2018	30.9.2017
	HK\$'000	HK\$'000
(Loss) profit for the period attributable to owners of the Company for the purpose of basic and diluted (loss) earnings per share	<u>(19,696)</u>	<u>66,740</u>
	Number of shares	
	'000	'000
Number of ordinary shares for the purpose of basic and diluted (loss) earnings per share	<u>1,957,643</u>	<u>1,957,643</u>

No diluted loss per share was presented for the current interim period as there was no potential ordinary share in issue. The computation of the diluted earnings per share for the prior interim period did not assume the exercise of the associate's share options and convertible bonds, because both the conversion of potential ordinary shares in relation to the share options and the conversion of convertible bonds of the associate had an anti-dilutive effect to the basic earnings per share.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2018

11. INVESTMENT PROPERTY

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

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

The Group's investment property was valued on 30 September 2018 and 31 March 2018 by Vigers Appraisal & Consulting Ltd. ("Vigers"), an independent qualified professional valuer not connected to the Group which has appropriate professional qualifications and recent experience in the valuations of similar properties in the relevant locations.

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

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

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

Investment property held by the Group in the condensed consolidated statement of financial position	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Residential	Level 3	Direct comparison method The key input is (1) Unit sale rate	Unit sale rate, taking into account the time, location, and individual factors, such as frontage and size, between the comparable and the property, of HK\$52,000 (31 March 2018: HK\$52,000) per square feet on gross floor area basis for the property	An increase in the unit sale rate used would result in an increase in the fair value measurement of the investment property by the same percentage increase, and vice versa.

The fair value of the investment property at 30 September 2018 and 31 March 2018 was measured using valuation techniques with significant unobservable inputs and hence were classified as Level 3 of the fair value hierarchy. There were no transfer into or out of Level 3 during the current interim period.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2018

12. LOAN RECEIVABLE

	30.9.2018 HK\$'000 (unaudited)	31.3.2018 <i>HK\$'000</i> (audited)
Secured loan	15,982	–
Less: Amount due within one year and classified under current assets	(228)	–
Amount due after one year	15,754	–

The contractual maturity dates of the Group's fixed-rate loan receivable are as follows:

	30.9.2018 HK\$'000	31.3.2018 <i>HK\$'000</i>
Fixed-rate loan receivables:		
Within one year	228	–
Two to five years	1,103	–
Over five years	14,651	–
Total	15,982	–

The Group holds collateral of some property interests located in Hong Kong over secured loan receivable of HK\$15,982,000 (31.3.2018: nil). The directors of the Company consider the exposure of credit risk of the secured receivable, after taking into account the value of the collateral, is insignificant, as the fair value of the collateral (i.e. property interests) is higher than the outstanding amount of the loan receivable at the end of the reporting period.

The secured loan receivable carries a fixed-rate interest at 7.5% (31.3.2018: nil) per annum and with maturity 25 years (31.3.2018: nil). All amounts of principal are expected to be received on respective maturity dates.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2018

13. SHARE CAPITAL

Ordinary shares of HK\$0.08 each, issued and fully paid

	Number of shares '000	Share capital HK\$'000
At 1 April 2017, 31 March 2018 and 30 September 2018	<u>1,957,643</u>	<u>156,611</u>

14. PLEDGE OF ASSETS

At 30 September 2018, bank deposits of HK\$2,000,000 (31.3.2018: HK\$2,000,000) were pledged to the banks as security in respect of mortgage loans granted to property purchasers by banks.

15. ACQUISITION OF ASSETS THROUGH ACQUISITION OF A SUBSIDIARY

On 1 August 2018, the Group acquired 100% of the issued share capital of X8 Finance Limited ("X8") at a cash consideration of HK\$193,443, from a related company in which a director has beneficial interest. X8 holds a license for money lending business in Hong Kong. At the date of acquisition, X8 had not yet commenced any business.

After acquisition, X8 has commenced the property mortgage money lending business in Hong Kong during the current interim period.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2018

15. ACQUISITION OF ASSETS THROUGH ACQUISITION OF A SUBSIDIARY (continued)

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	<i>HK\$'000</i>
Bank balances and cash	34
Property, plant and equipment	96
Deposits, prepayments and other receivables	79
Trade and other payables	<u>(16)</u>
Total identifiable net assets	<u><u>193</u></u>

Net cash outflow on acquisition of X8

	<i>HK\$'000</i>
Cash consideration paid	193
Less: Cash and cash equivalents acquired	<u>(34)</u>
	<u><u>159</u></u>

16. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements are observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2018

16. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Fair value hierarchy	30.9.2018 HK\$'000 (unaudited)	31.3.2018 HK\$'000 (audited)
<i>Financial assets at FVTPL/ held-for-trading investments</i>			
Equity securities listed in Hong Kong (Note)	Level 1	<u>589</u>	<u>720</u>

Note: The fair value of listed equity securities is determined with reference to quoted market bid prices from the stock exchange.

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2018

17. RELATED PARTY TRANSACTIONS

During the current interim period, the Group had the following transactions with related parties:

- (a) Pursuant to the tenancy agreement entered into between Panda Investment Company Limited ("Panda Investment") and the Group, the Group leased certain office premises and warehouses from Panda Investment and paid rental of HK\$243,000 (six months ended 30.9.2017: HK\$243,000) during the current interim period. Panda Investment is a wholly owned subsidiary of Lee & Leung Family Investment Limited, the ultimate parent of the Company.
- (b) At 30 September 2018, the Group had an amount of approximately HK\$1,959,000 (31.3.2018: HK\$1,700,000) due to Panda Investment, which is unsecured, interest-free and repayable on demand.
- (c) Pursuant to the tenancy agreement 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 16 March 2017 to 15 March 2020 at a monthly rental of HK\$163,000, exclusive of rates, management fees and utility charges. The rental income recognised during the current period is HK\$978,000 (six months ended 30.9.2017: HK\$978,000).
- (d) During the current interim period, the Group acquired 100% of issued capital of X8 at a consideration of HK\$193,443 from a related company in which a director has beneficial interest. Details of the transaction are disclosed in note 15.
- (e) The compensation of key management personnel paid or payable by the Group in respect of the current interim period, substantially all of which comprised short term benefits attributable to the directors of the Company, amounted to HK\$4,663,500 (six months ended 30.9.2017: HK\$4,663,500).

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