

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



TERMBRAY INDUSTRIES INTERNATIONAL (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 00093)

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

The board of directors (the “Board”) of TermbRAY Industries International (Holdings) Limited (the “Company”) presents to shareholders of the Company the unaudited interim condensed consolidated statement of profit or loss and other comprehensive income of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2021 and the Group’s unaudited interim condensed consolidated statement of financial position at that date together with the comparative figures as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	<i>Notes</i>	Six months ended 30 June 2021 HK\$'000 (Unaudited)	Six months ended 30 September 2020 HK\$'000 (Unaudited)
Revenue	4		
– Sales of properties		1,765	2,422
– Rental income		1,851	1,804
– Interest income from money lending		<u>46,900</u>	<u>4,469</u>
		50,516	8,695
Cost of sales		<u>(1,981)</u>	<u>(2,097)</u>
GROSS PROFIT		48,535	6,598
Other income	4	940	1,040
Other gains/(losses), net	4	1,402	11,244
Administrative expenses		(24,401)	(7,352)
Finance costs	6	(3,940)	(8)
(Provision for)/reversal of impairment of loan and interest receivables	7	(5,589)	21
Acquisition-related costs	8	<u>–</u>	<u>(16,580)</u>
Profit/(loss) before income tax		16,947	(5,037)
Income tax expense	9	<u>(5,908)</u>	<u>(984)</u>
PROFIT/(LOSS) FOR THE PERIOD	5	<u>11,039</u>	<u>(6,021)</u>

		Six months ended 30 June 2021 <i>HK\$'000</i> (Unaudited)	Six months ended 30 September 2020 <i>HK\$'000</i> (Unaudited)
Other comprehensive (loss)/income:			
<i>Item that may not be reclassified to profit or loss:</i>			
(Loss)/gain on revaluation of leasehold land and buildings	<i>11</i>	(50,151)	8,047
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<u>(153)</u>	<u>(1,466)</u>
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX		<u>(50,304)</u>	<u>6,581</u>
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD		<u>(39,265)</u>	<u>560</u>
		<i>HK cents</i> (Unaudited)	<i>HK cents</i> (Unaudited)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY:			
	<i>10</i>		
Basic		<u>0.41</u>	<u>(0.31)</u>
Diluted		<u>0.41</u>	<u>(0.31)</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

	Notes	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	11	345,312	399,241
Investment property	11	183,500	183,300
Intangible assets		12,868	14,208
Deferred income tax assets		367	1,446
Loan receivables	12	384,068	348,836
Pledged bank deposit		2,000	2,000
		928,115	949,031
Current assets			
Completed properties for sale		59,099	59,333
Loan receivables	12	115,151	96,921
Interest receivables	13	4,466	2,934
Deposits, prepayments and other receivables		3,949	4,089
Financial assets at fair value through profit or loss		149	147
Cash and cash equivalents		219,187	256,474
		402,001	419,898
TOTAL ASSETS		1,330,116	1,368,929
EQUITY AND LIABILITIES			
Equity			
Share capital		213,411	213,411
Reserves		907,745	947,010
Total equity		1,121,156	1,160,421
Liabilities			
Non-current liabilities			
Deferred income tax liabilities		271	238
Lease liabilities		102	148
Other payables and accruals	14	169,877	166,183
		170,250	166,569
Current liabilities			
Other payables and accruals	14	18,289	18,235
Contract liabilities		–	284
Amount due to a related company		2,084	2,851
Lease liabilities		235	700
Income tax payable		18,102	19,869
		38,710	41,939
Total liabilities		208,960	208,508
TOTAL EQUITY AND LIABILITIES		1,330,116	1,368,929

Notes

1. BASIS OF PREPARATION

The interim condensed consolidated financial information of Termbray Industries International (Holdings) Limited (the “Company”) and its subsidiaries (collectively referred as the “Group”) for the six months ended 30 June 2021 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The interim condensed consolidated financial information does not include all the notes of the type normally included in an annual financial report. Accordingly, it should be read in conjunction with the annual consolidated financial statements for the nine-month period ended 31 December 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

The Board resolved to change the financial year end date of the Company from 31 March to 31 December with effect from 17 December 2020. Taking into consideration that the current principal businesses of the Group are carried out mainly through its subsidiaries with the financial year end date on 31 December, the Board considers that the change of financial year end date of the Company from 31 March to 31 December will enable alignment of the Company’s financial year end date with that of its principal subsidiaries.

Accordingly, the interim condensed consolidated financial information for the current financial period covered a period of six months from 1 January 2021 to 30 June 2021. The comparative figures presented for the interim condensed consolidated statement of profit or loss and other comprehensive income, interim condensed consolidated statement of change in equity, interim condensed consolidated statement of cash flows and related notes covered the unaudited figures of the financial period from 1 April 2020 to 30 September 2020, which may not be comparable with the amounts shown for the current financial period.

The interim condensed financial information has not been audited and is presented in thousands of Hong Kong dollars (HK\$’000), unless otherwise stated.

2. ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at revalued amounts or fair values, as appropriate.

Other than changes in accounting policies resulting from application of amendments to HKFRSs, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2021 are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the nine-month period ended 31 December 2020.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatory effective for the annual period beginning on or after 1 January 2021 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 14 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

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

3. SEGMENT INFORMATION

Management has determined the operating segments based on the information reviewed by the Chief Operating Decision Maker ("CODM") in making strategic decisions. The CODM is identified as the Executive Directors of the Company.

During the six months ended 30 June 2021, the CODM assessed the performance of the Group by reviewing the results of two reportable segments:

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

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

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

The segment results and other segment items are as follows:

	Property development and investment <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the six months ended 30 June 2021 (Unaudited)			
Revenue	3,616	46,900	50,516
Segment results	3,221	20,433	23,654
Unallocated other income			15
Unallocated other gains, net			280
Unallocated expenses			<u>(7,002)</u>
Profit before income tax			<u>16,947</u>
	Property development and investment <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the six months ended 30 September 2020 (Unaudited)			
Revenue	4,226	4,469	8,695
Segment results	12,055	3,891	15,946
Unallocated other income			161
Unallocated other gains, net			1,929
Unallocated expenses			<u>(23,073)</u>
Loss before income tax			<u>(5,037)</u>

For the six months ended 30 June 2021 and 30 September 2020, unallocated expenses and unallocated other gains/(losses), net represent corporate expenses and unrealised net exchange gains/(losses), respectively. Segment results represent the gains/(losses) before income tax earned by each segment without allocation of certain other income, other gains and losses and expenses. This is the measure reported to the CODM for the purpose of resource allocation and performance assessment.

The segment assets and liabilities are as follows:

	Property development and investment <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 30 June 2021 (Unaudited)			
Assets			
Segment assets	<u>364,227</u>	<u>582,976</u>	947,203
Unallocated assets			<u>382,913</u>
Consolidated total assets			<u><u>1,330,116</u></u>
Liabilities			
Segment liabilities	<u>11,638</u>	<u>194,048</u>	205,686
Unallocated liabilities			<u>3,274</u>
Consolidated total liabilities			<u><u>208,960</u></u>
	Property development and investment <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 31 December 2020 (Audited)			
Assets			
Segment assets	<u>369,006</u>	<u>559,733</u>	928,739
Unallocated assets			<u>440,190</u>
Consolidated total assets			<u><u>1,368,929</u></u>
Liabilities			
Segment liabilities	<u>16,968</u>	<u>186,777</u>	203,745
Unallocated liabilities			<u>4,763</u>
Consolidated total liabilities			<u><u>208,508</u></u>

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

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

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

	Property development and investment HK\$'000	Money lending HK\$'000	Unallocated HK\$'000	Total HK\$'000
For the six months ended 30 June 2021 (Unaudited)				
Depreciation	–	(709)	(3,079)	(3,788)
Amortisation	–	(1,340)	–	(1,340)
Interest income	824	9	9	842
Interest expense	–	(3,940)	–	(3,940)
Income tax expense	(1,772)	(4,136)	–	(5,908)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
For the six months ended 30 September 2020 (Unaudited)				
Depreciation	–	(229)	(2,956)	(3,185)
Interest income	786	–	47	833
Interest expense	–	(8)	–	(8)
Income tax expense	(506)	(478)	–	(984)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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

	Revenue from external customers		Non-current assets	
	Six months ended 30 June 2021 HK\$'000 (Unaudited)	Six months ended 30 September 2020 HK\$'000 (Unaudited)	As at 30 June 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
Hong Kong	47,830	5,399	925,748	945,585
The PRC	2,686	3,296	–	–
	<u>50,516</u>	<u>8,695</u>	<u>925,748</u>	<u>945,585</u>

For the six months ended 30 June 2021 and 30 September 2020, no single customer contributed 10% or more of the Group's total revenue.

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

	As at 30 June 2021 <i>HK\$'000</i> (Unaudited)	As at 31 December 2020 <i>HK\$'000</i> (Audited)
Reportable segment assets	947,203	928,739
Financial assets at fair value through profit or loss	149	147
Cash and cash equivalents	36,723	40,917
Property, plant and equipment	344,270	397,500
Deposits, prepayments and other receivables	1,771	1,626
	<hr/>	<hr/>
Total assets per interim condensed consolidated statement of financial position	1,330,116	1,368,929
	<hr/> <hr/>	<hr/> <hr/>
Reportable segment liabilities	205,686	203,745
Amount due to a related company	2,084	2,851
Deferred income tax liabilities	271	238
Other payables and accruals	919	1,674
	<hr/>	<hr/>
Total liabilities per interim condensed consolidated statement of financial position	208,960	208,508
	<hr/> <hr/>	<hr/> <hr/>

4. REVENUE, OTHER INCOME AND OTHER GAINS/(LOSSES), NET

Revenue, other income and other gains/(losses), net recognised during the period are as follows:

	Six months ended 30 June 2021 <i>HK\$'000</i> (Unaudited)	Six months ended 30 September 2020 <i>HK\$'000</i> (Unaudited)
Revenue		
Sales of properties in the PRC (<i>Note</i>)	1,765	2,422
Rental income (under HKFRS 16)	1,851	1,804
Interest income from money lending business (under HKFRS 9)	46,900	4,469
	<hr/>	<hr/>
	50,516	8,695
	<hr/> <hr/>	<hr/> <hr/>

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

	Six months ended 30 June 2021 <i>HK\$'000</i> (Unaudited)	Six months ended 30 September 2020 <i>HK\$'000</i> (Unaudited)
Other income		
Interest income on bank deposits	842	833
Sundry income	98	207
	<u>940</u>	<u>1,040</u>
Other gains/(losses), net		
Unrealised net exchange gains	1,200	7,944
Fair value gain on financial assets at fair value through profit or loss	2	–
Fair value gain on the investment property	200	3,300
	<u>1,402</u>	<u>11,244</u>

5. PROFIT/(LOSS) FOR THE PERIOD

The following expenses have been included in “cost of sales” and “administrative expenses” during the interim period:

	Six months ended 30 June 2021 <i>HK\$'000</i> (Unaudited)	Six months ended 30 September 2020 <i>HK\$'000</i> (Unaudited)
Employee benefit expenses	7,008	2,431
Depreciation of property, plant and equipment	3,788	3,185
Amortisation of intangible assets	1,340	–
Cost of properties sold	484	698
Expenses relating to short-term leases	381	385
	<u>13,999</u>	<u>6,700</u>

6. FINANCE COSTS

	Six months ended 30 June 2021 HK\$'000 (Unaudited)	Six months ended 30 September 2020 HK\$'000 (Unaudited)
Interest expense on lease liabilities	9	8
Unwinding of interests on deferred consideration payable (<i>Note 16</i>)	<u>3,931</u>	<u>–</u>
	<u>3,940</u>	<u>8</u>

7. PROVISION FOR /(REVERSAL OF) IMPAIRMENT OF LOAN AND INTEREST RECEIVABLES

	Six months ended 30 June 2021			Total HK\$'000
	12 months expected credit loss (Stage 1) HK\$'000	Lifetime expected credit loss not credit impaired (Stage 2) HK\$'000	Lifetime expected credit loss credit impaired (Stage 3) HK\$'000	
Net charge of provision for impairment on loan and interest receivables	372	188	887	1,447
Write-off of loan receivables	3,436	799	284	4,519
Recovery of loan and interest receivables written-off	<u>(314)</u>	<u>(21)</u>	<u>(42)</u>	<u>(377)</u>
	<u>3,494</u>	<u>966</u>	<u>1,129</u>	<u>5,589</u>
	Six months ended 30 September 2020			
	12 months expected credit loss (Stage 1) HK\$'000	Lifetime expected credit loss not credit impaired (Stage 2) HK\$'000	Lifetime expected credit loss credit impaired (Stage 3) HK\$'000	Total HK\$'000
Net reversal of provision for impairment on loan and interest receivables	<u>(21)</u>	<u>–</u>	<u>–</u>	<u>(21)</u>

8. ACQUISITION-RELATED COSTS

Acquisition-related costs in relation to the acquisition mentioned in Note 16 of HK\$16,580,000 that were not directly attributable to the issue of shares are expensed in the interim condensed consolidated statement of profit or loss. The acquisition was completed on 30 October 2020.

9. INCOME TAX EXPENSE

Taxation has been calculated on the estimated assessable profits for the six months ended 30 June 2021 and six months ended 30 September 2020 at the rates of taxation prevailing in the countries/places in which the Group operates. Income tax expense is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year.

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

	Six months ended 30 June 2021 HK\$'000 (Unaudited)	Six months ended 30 September 2020 HK\$'000 (Unaudited)
Current income tax:		
PRC enterprise income tax	–	318
PRC land appreciation tax	320	48
Hong Kong profits tax	4,476	618
	4,796	984
Deferred income tax	1,112	–
Income tax expense	5,908	984

10. EARNINGS/(LOSS) PER SHARE

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

	Six months ended 30 June 2021 (Unaudited)	Six months ended 30 September 2020 (Unaudited)
Profit/(loss) attributable to owners of the Company (HK\$'000)	11,039	(6,021)
Weighted average number of ordinary shares in issue ('000)	2,667,643	1,957,643
Basic earnings/(loss) per share (HK cents)	0.41	(0.31)

There were no potential dilutive ordinary shares outstanding during the six months ended 30 June 2021 and 30 September 2020 and hence the diluted earnings/(loss) per share is the same as the basic earnings/(loss) per share.

11. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

	Property, plant and equipment <i>HK\$'000</i> (Unaudited)	Investment property <i>HK\$'000</i> (Unaudited)
30 June 2021		
Cost or valuation:		
At 1 January 2021	419,598	183,300
Addition	10	–
Loss on revaluation	(53,230)	–
Fair value gain	–	200
	<u>–</u>	<u>200</u>
At 30 June 2021	<u>366,378</u>	<u>183,500</u>
Accumulated depreciation and impairment:		
At 1 January 2021	(20,357)	–
Provided during the period	(3,788)	–
Loss on revaluation	3,079	–
	<u>3,079</u>	<u>–</u>
At 30 June 2021	<u>(21,066)</u>	<u>–</u>
Net book value		
At 30 June 2021	<u>345,312</u>	<u>183,500</u>
An analysis of cost or valuation:		
At cost model	1,042	–
At revalued amount	344,270	–
At fair value	–	183,500
	<u>–</u>	<u>183,500</u>
	<u>345,312</u>	<u>183,500</u>

	Property, plant and equipment <i>HK\$'000</i> (Unaudited)	Investment property <i>HK\$'000</i> (Unaudited)
30 September 2020		
Cost or valuation:		
At 1 April 2020	409,168	180,000
Lease modification	(19)	–
Gain on revaluation	5,100	–
Fair value gain	–	3,300
	<u>414,249</u>	<u>183,300</u>
At 30 September 2020		
Accumulated depreciation and impairment:		
At 1 April 2020	(16,348)	–
Provided during the period	(3,185)	–
Gain on revaluation	2,947	–
	<u>(16,586)</u>	<u>–</u>
At 30 September 2020		
Net book value		
At 30 September 2020	<u>397,663</u>	<u>183,300</u>
An analysis of cost or valuation:		
At cost model	563	–
At revalued amount	397,100	–
At fair value	–	183,300
	<u>397,663</u>	<u>183,300</u>

The Group has accounted for leasehold land and buildings within property, plant and equipment using the revaluation model, and the investment property using the fair value model. As at 30 June 2021, leases recognised as right-of-use assets amounted to HK\$322,000 (31 December 2020: HK\$761,000) and are included in property, plant and equipment presented in the interim condensed consolidated statement of financial position.

Rental income from the investment property for the six months ended 30 June 2021 amounted to HK\$930,000 (six months ended 30 September 2020: HK\$930,000). Direct operating expense incurred for the investment property that generated rental income during the six months ended 30 June 2021 amounted to HK\$178,000 (six months ended 30 September 2020: HK\$38,000).

(a) Valuation process of the Group

The Group's leasehold land and buildings, and the investment property were valued at 30 June 2021 and 31 December 2020 by an independent professionally qualified valuer, Vigers Appraisal & Consulting Ltd ("Vigers"), who hold a recognised relevant professional qualification and has recent experience in the locations and segments of the leasehold land and buildings, and investment property valued.

For all leasehold land and buildings, their current use equates to the highest and best use. During the six months ended 30 June 2021, the resulting loss arising on revaluation of HK\$50,151,000 (six months ended 30 September 2020: gain of HK\$8,047,000) has been debited (six months ended 30 September 2020: credited) to the property revaluation reserve. There is no restriction on the distribution of the property revaluation reserve to the shareholders. If the leasehold land and buildings had not been revalued, they would have been included in the interim condensed consolidated statement of financial position at historical cost less accumulated depreciation of approximately HK\$36,847,000 (31 December 2020: HK\$37,104,000).

For the investment property, its current use equates to the highest and best use. The fair value gain/(loss) is included in "Other gains/(losses), net" in the interim condensed consolidated statement of profit or loss.

The recurring fair value measurement for leasehold land and buildings, and the investment property are included in level 3 of the fair value hierarchy. The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There was no transfer between levels 1, 2 and 3 during the period.

(b) Valuation techniques

The valuation of leasehold land and buildings were determined using the direct comparison method (31 December 2020: direct comparison method) (Level 3 approach) by making reference to comparable market transactions for similar properties, while the investment property was determined using the income approach (31 December 2020: direct comparison method) (Level 3 approach) by making reference to comparable market transactions for similar properties. The most significant input into this valuation approach is unit sales price, taking into account the differences in transaction time, location, frontage and size, etc. between the comparables and the properties.

For the leasehold land and buildings, the unit sales price as at 30 June 2021 amounts to HK\$26,600 and HK\$93,300 (31 December 2020: HK\$27,000 and HK\$110,700) respectively, per square foot on saleable area basis.

For the investment property, the unit sales price as at 30 June 2021 amounts to HK\$57,300 (31 December 2020: HK\$57,300) per square foot on saleable area basis.

An increase in the unit sales price adopted would result in an increase in the fair value measurement of leasehold land and buildings, and the investment property by the same magnitude, and vice versa.

12. LOAN RECEIVABLES

	As at 30 June 2021 <i>HK\$'000</i> (Unaudited)	As at 31 December 2020 <i>HK\$'000</i> (Audited)
Gross loan receivables – property mortgage loans	366,060	359,985
Gross loan receivables – personal loans	124,733	75,901
Gross loan receivables – corporate loans	29,000	29,000
	<hr/>	<hr/>
Total gross loan receivables	519,793	464,886
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Less: Provision for impairment – Stage 1	(13,564)	(13,193)
Provision for impairment – Stage 2	(1,002)	(815)
Provision for impairment – Stage 3	(6,008)	(5,121)
	<hr/>	<hr/>
Total provision for impairment	(20,574)	(19,129)
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Loan receivables, net of provision	499,219	445,757
Less: Non-current portion	(384,068)	(348,836)
	<hr/>	<hr/>
Current portion	115,151	96,921
	<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

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

Except for personal loan receivables of HK\$124,733,000 as at 30 June 2021 (31 December 2020: HK\$75,901,000) which are unsecured, loan receivables are secured by collaterals provided by customers, interest-bearing and repayable with fixed terms agreed with the customers.

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

	As at 30 June 2021 <i>HK\$'000</i> (Unaudited)	As at 31 December 2020 <i>HK\$'000</i> (Audited)
Within one year	115,151	96,921
One to two years	103,268	59,175
Two to five years	52,975	56,548
Over five years	227,825	233,113
	<hr/>	<hr/>
	499,219	445,757
	<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

13. INTEREST RECEIVABLES

	As at 30 June 2021 <i>HK\$'000</i> (Unaudited)	As at 31 December 2020 <i>HK\$'000</i> (Audited)
Gross interest receivables – property mortgage loans	1,892	1,496
Gross interest receivables – personal loans	2,574	1,438
	<u>4,466</u>	<u>2,934</u>

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

Except for interest receivables of HK\$2,574,000 as at 30 June 2021 (31 December 2020: HK\$1,438,000) which are unsecured, interest receivables are secured by collaterals provided by customers and repayable with fixed terms agreed with the customers. The maximum exposure to credit risk at each of the reporting dates is the carrying value of the receivables mentioned above.

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

14. OTHER PAYABLES AND ACCRUALS

	As at 30 June 2021 <i>HK\$'000</i> (Unaudited)	As at 31 December 2020 <i>HK\$'000</i> (Audited)
Deferred consideration payable (<i>Note 16(a)</i>)	182,188	178,255
Rental deposits	420	410
Accrued audit fee	1,369	1,663
Accrued employee benefits expenses	811	1,833
Other payables and accrued expenses	3,378	2,257
Other payables and accruals	188,166	184,418
Less: Non-current portion of deferred consideration Payable (<i>Note 16(a)</i>)	<u>(169,877)</u>	<u>(166,183)</u>
	<u>18,289</u>	<u>18,235</u>

15. DIVIDEND

No dividend was paid in respect of the six months ended 30 June 2021 (six months ended 30 September 2020: Nil).

16. BUSINESS COMBINATION

On 23 September 2020, Termbray Wealth Investment Limited (“Purchaser”), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement (“SPA”) with Earth Axis Investment Limited, a company controlled by Mr. Tommy Lee, a director of the Company, to acquire the entire issued share capital of aEasy Credit Investment Limited.

The initial amount of the consideration stated on the SPA is HK\$404,109,000, which is subject to post-completion dollar-for-dollar adjustments based on the net asset value of aEasy Credit Investment Limited and its subsidiaries (together, the “Acquired Subsidiaries”) as at completion unless the difference is less than HK\$1,000,000. The consideration shall be settled by the Company’s issue of 710,000,000 new shares at the issue price of HK\$0.289 which approximates HK\$205,229,000; and cash consideration to be settled by the Purchaser, in stages – (a) HK\$20,000,000 on or before 31 December 2021; (b) HK\$20,000,000 on or before 31 December 2022; and (c) the balance of the consideration on or before 31 December 2023.

The acquisition was completed on 30 October 2020. Upon completion, the Group exercises control over the Acquired Subsidiaries and have rights to return of the Acquired Subsidiaries. The Acquired Subsidiaries became the Company’s wholly owned subsidiaries. The Company expects that the merger of the Group’s existing property mortgage loan business with the secured and unsecured loan businesses of the Acquired Subsidiaries will bring synergy effect to the money lending business of the Group as a whole after the acquisition.

(a) Details of the purchase consideration for the acquisition

	Fair value <i>HK\$’000</i>
Ordinary shares issued	198,800
Deferred consideration payable	<u>176,887</u>
Total purchase consideration	<u><u>375,687</u></u>

The fair value of the 710,000,000 shares issued as part of the consideration paid for the acquisition was based on the published share price on 30 October 2020 of HK\$0.28 per share. Issue costs of HK\$404,000 which were directly attributable to the issue of the shares have been netted against the deemed proceeds.

The gross amount of the deferred consideration payable amounts to HK\$200,502,000. It is discounted at an interest rate of 4.4817% based on valuation report from AVISTA Valuation Advisory Limited with HK\$176,887,000 recognized within non-current liabilities on completion date.

(b) **Details of the net assets acquired and bargain purchase recognized as a result of the acquisition**

	Fair value <i>HK\$'000</i>
Property, plant and equipment	1,546
Intangible assets	14,722
Deferred income tax assets	242
Loan receivables	353,012
Interest receivables	2,966
Deposits, prepayments and other receivables	2,556
Cash and cash equivalents	43,091
Amounts due from related companies	3,264
Amounts due to related companies	(1,007)
Lease liabilities	(657)
Other payables and accruals	(376)
Income tax payable	(2,372)
	<hr/>
Net identifiable assets acquired	416,987
Less: Total purchase consideration	(375,687)
	<hr/>
Bargain purchase from acquisition of subsidiaries	<u><u>41,300</u></u>

The bargain purchase from acquisition of entities from a related party is mainly attributable to discounting impact of the deferred consideration payable and fair value adjustments of intangible assets. It will not be taxable for tax purposes.

INTERIM DIVIDEND

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2021.

CHANGE OF FINANCIAL YEAR END DATE

The Board resolved to change the financial year end date of the Company from 31 March to 31 December with effect from 17 December 2020.

Taking into consideration that the current principal businesses of the Group are carried out mainly through its subsidiaries with the financial year end date on 31 December, the Board considers that the change of financial year end date of the Company from 31 March to 31 December will enable alignment of the Company's financial year end date with that of its principal subsidiaries. It will also enable streamlining of the preparation and audit of the Group's consolidated financial statements and reduction of relevant time and costs. Due to the change of the financial year end date, the results for the six months ended 30 September 2020 are used as comparative figures.

REVIEW OF OPERATIONS

During the current six months period under review, the Group achieved a turnover of HK\$50,516,000 (six months ended 30 September 2020: HK\$8,695,000) and recorded a profit for the period of HK\$11,039,000 (six months ended 30 September 2020: loss of HK\$6,021,000).

The profit for the current period under review is primarily due to the recognition of

- (i) interest income from money lending business recorded approximately HK\$46.9 million during the current period (six months ended 30 September 2020: HK\$4.5 million) representing an increase of approximately HK\$42.4 million as compared with the six months ended 30 September 2020.
- (ii) fair value gain of HK\$200,000 on an investment property.

Property Development and Investment

The operating environment for the Group's property development and investment business remains fair 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 the Shenzhen-Zhongshan sea-crossing bridge connecting the cities of Shenzhen and Zhongshan, the sales of residential properties in Zhongshan market was stimulated in past years. There is not much improvement in the operating environment over the past months in 2021. The sales activities of the Group's property project in Zhongshan for the remaining residential units were not satisfactory during the current period under review. Facing the overheated environment of the property market in the 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, 2 sale transactions were approved and registered in the government's property sale system. The Group has recognised the sale of 2 residential units during the period under review (six months ended 30 September 2020: 3 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 under review. The rental income earned by the Group from Ever Success Plaza during the six months ended 30 June 2021 decreased by approximately 9% compared with six months ended 30 September 2020. As at 30 June 2021, 56 residential units remained to be sold, out of which 10 residential units were let out.

Money Lending

Although the Coronavirus Disease 2019 ("COVID-19") pandemic has posed extraordinary challenges for Hong Kong economy since early 2020, our money lending business still achieved satisfactory and health growth for the first half of 2021. The acquisition of Zero Finance Group which completed on 30 October 2020, strengthen our money lending services by having the unique financial technology support and automated mobile application "X Wallet".

The number of registered users of "X Wallet" has been increased from 43,489 in 2020 to 54,090 as at 30 June 2021. The number of current customers of "X Wallet" increased from 4,384 as at 31 December 2020 to 6,540 as at 30 June 2021. The increase in number of current customers improves the results of unsecured loan and generated approximately HK\$21 million during the six months ended 30 June 2021.

At this moment, X8 Finance Limited ("X8 Finance") will focus on providing mortgage loans for residential properties in Hong Kong. The management will cautiously carry out the money lending business in Hong Kong. With the economic uncertainty and potential challenges, the management will carefully assess the credit worthiness of the borrowers, the quality and leveraging of the mortgaged properties.

Others

There were no acquisitions of major subsidiaries or associates during the period ended 30 June 2021 under review.

LIQUIDITY AND FINANCIAL RESOURCES

The Group remains cash sufficient and has no material capital expenditure commitments. The Group's operations are financed by capital and reserves and cash generated from operations.

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

ORDER BOOK

Due to its business nature, the Group has no order book at 30 June 2021. The Group has no new product and service to be introduced to the market.

STAFF AND EMOLUMENT POLICY

As at 30 June 2021, the Group employed 54 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

The COVID-19 pandemic continuously impacts the globe in early 2021, however, with the release of vaccination for COVID-19, the pandemic in certain countries started to moderate. Supported by the rollout of vaccination programmes by the government, it is believed that the economy will recover gradually in second half of the year.

Under a series of anti-epidemic measures taken by the Hong Kong government, the anti-epidemic achievements have been gradually improved, and people's living habits have been constantly changed by "work from home" and "social distancing", which have brought unique advantages to the Group's financial technology lending business. Individuals' demand for unsecured loan services supported by financial technology is growing. The Group will capture this opportunity and expand our market share and customer base. The management expects it will stimulate the development of the personal loan business via Zero Finance's fully automated mobile application "X Wallet" which provide instant approval decision and 24 hours a day, 7 days a week instant fund transfer. With the support of the mobile application technology, the Group's money lending business expected to grow steadily.

In the PRC, Central government has implemented various tightening monetary policies to cool down the overheated property market. We believe the PRC will continue to play a key role in the future global economy. The Group is confident in capitalising on these opportunities and will grasp every business opportunity available to build up its own distinctive strength and to explore new businesses in the PRC.

Property development and investment 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.

ACQUISITION OF ZERO FINANCE GROUP

The Board announced on 23 September 2020 to acquire aEasy Credit Investment Limited (the “Target Company”), together with its subsidiaries, Zero Finance Hong Kong Limited (“Zero Finance”) and Zero Credit Limited (“Zero Credit”) (collectively the “Zero Finance Group”) from Earth Axis Investment Limited (the “Vendor”), which is ultimately held as to 99.99% by Mr. Tommy Lee and 0.01% held by Mr. Lee Lap, both being the executive directors of the Company (the “Acquisition”). Termbray Wealth Investment Limited (the “Purchaser”) (an indirect wholly-owned subsidiary of the Company), the Vendor and Mr. Tommy Lee entered into a sale and purchase agreement (the “Agreement”), pursuant to which, subject to the terms and conditions of the Agreement, the Purchaser agreed to purchase and the Vendor agreed to sell 100% of the issued ordinary shares of the Target Company at a consideration of HK\$404,109,000 (subject to adjustment) (the “Consideration”). Out of the Consideration, HK\$205,229,444 will be settled by the allotment and issue of 710,000,000 shares of HK\$0.08 each in the share capital of the Company at the issue price of approximately HK\$0.289 to the Vendor and the remaining balance will be settled in cash as follows:

- HK\$20 million will be settled by the Purchaser in cash to the Vendor on or before 31 December 2021;
- HK\$20 million will be settled by the Purchaser in cash to the Vendor on or before 31 December 2022; and
- The balance of the Consideration (subject to the post-completion adjustment) will be settled by the Purchaser in cash to the Vendor on or before 31 December 2023.

The Purchaser shall have the discretion to make early payment of the cash portion of the Consideration prior to the aforesaid payment dates, if it considers that the Group has sufficient cash available for such purpose after setting aside the cash required for the Group’s working capital.

The highest applicable percentage ratio under the Rules Governing the Listing of Securities (“the Listing Rules”) on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) in respect of the Acquisition exceeds 100%. The Listing Committee of the Stock Exchange has resolved that the Acquisition is an extreme transaction and the reverse takeover rules do not apply. Further, the Vendor is a majority-controlled company of Mr. Tommy Lee and hence is a connected person of the Company. Therefore, the Acquisition also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As such, the Acquisition is subject to the reporting, announcement, circular and independent shareholders’ approval requirements under Chapter 14 and Chapter 14A of the Listing Rules. The Company is required to prepare a transaction circular under an enhanced disclosure comparable to prospectus standard (the “Circular”) and China Tonghai Capital Limited has been appointed as the financial adviser of the Company to conduct due diligence on the Acquisition.

Since (i) Mr. Tommy Lee, an executive Director, is the indirect controlling shareholder and a director of the Vendor and (ii) Mr. Lee Lap, an executive Director, is the father of Mr. Tommy Lee, they are deemed to have material interests in the Acquisition. As such, both of them have abstained from voting on the board resolutions approving the Acquisition and the transactions contemplated thereunder.

The independent board committee (comprising all the independent non-executive Directors) was formed in accordance with Chapter 14A of the Listing Rules to advise the independent shareholders on the Acquisition. China Galaxy International Securities (Hong Kong) Co., Limited, the independent financial adviser, was appointed by the Company to advise the independent board committee and the independent shareholders on the Acquisition.

The Circular was despatched to all shareholders on 25 September 2020. At the special general meeting held on 15 October 2020, a resolution was passed to approve the Acquisition. The Acquisition was completed on 30 October 2020 (the “Completion”).

Upon Completion, the Target Company has become the Company’s wholly-owned subsidiary. Accordingly, the financial information of Zero Finance Group since the completion date (30 October 2020) is consolidated into the accounts of the Group for the nine-month period ended 31 December 2020.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group has a long history of over 20 years of engaging in property development and investment as its principal business. In August 2018, the Group acquired 100% shareholding interest in X8 Finance, which holds a Money Lender’s Licence for money lending business in Hong Kong. After the acquisition, X8 Finance has commenced property mortgage money lending business in Hong Kong, which has then become a principal business of the Group. The Group has been exploring investment opportunities which will result in a steady growth in its performance in the long run.

The Target Company is incorporated in Hong Kong and is an investment holding company with no business operation other than its investment in Zero Finance.

Zero Finance, the only operating company within Zero Finance Group, is a direct wholly-owned subsidiary of the Target Company which possesses a Money Lender’s Licence and is principally engaged in the money lending business of providing secured loans and unsecured loans in Hong Kong.

Zero Credit, a wholly-owned subsidiary acquired by Zero Finance in June 2018, also possesses a Money Lender's Licence but has been inactive since its acquisition by Zero Finance up to the date of this announcement.

The Company expects that the merger of the Group's existing property mortgage loan business with the secured and unsecured loan business of Zero Finance Group will bring about synergy effect to the money lending business of the enlarged Group immediately after completion (the "Enlarged Group") as a whole after the Acquisition. The current traditional mortgage loan model of X8 Finance can be improved and optimized with inspirations from the business model and technological characteristics of "X Wallet", a mobile application developed and used by Zero Finance.

(i) In terms of business model:

- (a) The Company believes that after the Acquisition, the network of "X Wallet" and the experience in attracting customers on the online platform could provide potential mortgage loan customers to the Enlarged Group and facilitate the Enlarged Group to expand its customers base directly through the online channel, thereby reducing its reliance on customer referral by agencies and lowering the costs of its loan business.
- (b) Zero Finance has allocated a significant amount of resources to the brand building of Zero Finance, and particularly "X Wallet", since the launch of "X Wallet" in 2018. The Company is of the view that after the Acquisition, its loan business could greatly benefit from the brand names of Zero Finance and "X Wallet".
- (c) Furthermore, the Company could maintain better and more efficient customer relations with its mortgage loan clients by exploring the introduction of online customer services and communication via "X Wallet" or other online platform to be set up with the use of the technologies developed for "X Wallet".

(ii) In terms of technology:

- (a) In respect of "X Wallet", various technologies have been developed and introduced in its online loan business, including the live face detection and recognition system for identifying identity fraud, the credit scoring model, the fully-automated procedures from loan application to transfer of funds, as well as the data security measure. The Company expects that after the Acquisition, the Enlarged Group could utilize the technologies developed for "X Wallet" to streamline and modernize its mortgage loan business model and procedures, as well as to improve the risk control for such business.
- (b) Those technologies could assist the Enlarged Group to screen out fraudulent cases and facilitate the Enlarged Group to design a data-based credit rating system specifically for its mortgage loan business by building up, learning and/or modifying from the model and experience in respect of the automated credit rating system developed for and deployed by "X Wallet". In this way, the decision-making of the money lending business of the Enlarged Group will be more than driven by data and involve fewer human factors, and the risk control will be enhanced as a whole.

With the benefit of expected synergy after merging the Group's existing property mortgage loan business with that of Zero Finance Group as described above, the Group expects that the property mortgage loan business of the Enlarged Group will further expand. Nonetheless, the Enlarged Group will at the same time adopt a prudent policy in approving mortgage loan applications in light of the recent economic downturn and possible declining trend of property prices in Hong Kong.

The Group sees a growing demand for convenient and efficient money lending services in Hong Kong, and is optimistic about the prospect of the "X Wallet" personal loan business of Zero Finance Group despite challenges due to intense competition from other market players, as "X Wallet" provides around-the-clock, full-automated and fast and convenient money lending services, which fits in well with the trend of increased usage of mobile applications. After the Acquisition, the Enlarged Group will continue to develop and expand the unsecured loan business via "X Wallet" to generate revenue for the Enlarged Group.

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 June 2021.

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 Listing Rules during the six months ended 30 June 2021 except as disclosed below.

Pursuant to code provision A.4.2 of the CG Code, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. The Company is subject to a private act called "The Termbray Industries International (Holdings) Limited Act 1991". Section 4(g) of the said Act provides that: "Notwithstanding anything contained in the Companies Act or rule of law to the contrary, the directors of the Company shall not be required to be elected at each annual general meeting, but shall (save for any chairman or managing director) be subject to retirement by rotation". 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 three 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 June 2021.

AUDIT COMMITTEE

The Company has established an audit committee comprising three independent non-executive directors 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 June 2021.

OTHER INFORMATION

The interim results of the Group for the six months ended 30 June 2021 have been reviewed by PricewaterhouseCoopers, Certified Public Accountants.

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

Executive Directors:

Mr. Lee Lap (*Chairman*)

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

Mr. Chau Hau Shing

Independent Non-Executive Directors:

Mr. Lo Yiu Hee

Mr. Tong Hin Wor

Mr. Ching Yu Lung

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

Hong Kong, 25 August, 2021