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**TERMBRAY INDUSTRIES INTERNATIONAL (HOLDINGS) LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 0093)**

**ANNOUNCEMENT OF INTERIM RESULTS  
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2013**

The board of directors (the “Board”) of Termbray Industries International (Holdings) Limited (the “Company”) presents to shareholders the unaudited condensed consolidated statement of profit or loss and other comprehensive income of the Company and its subsidiaries (the “Group”) for the six months ended 30th September, 2013 and the Group’s unaudited condensed consolidated statement of financial position at that date together with the comparative figures as follows:

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

*For the six months ended 30th September, 2013*

|   |              | <b>Six months ended</b> |                |
|---|--------------|-------------------------|----------------|
|   | <i>Notes</i> | <b>30/9/2013</b>        | 30/9/2012      |
|   |              | <b>HK\$'000</b>         | HK\$'000       |
|   |              | <b>(unaudited)</b>      | (unaudited)    |
| Revenue   | 3            | <b>2,714</b>            | 5,143          |
| Cost of goods sold and services rendered  |              | <u><b>(1,191)</b></u>   | <u>(2,451)</u> |
|   |              | <b>1,523</b>            | 2,692          |
| Other income  | 4            | <b>419</b>              | 664            |
| Other gains and losses  | 5            | <b>2,787</b>            | (247)          |
| Administrative expenses   |              | <b>(7,442)</b>          | (7,064)        |
| Share of result of an associate   |              | <u><b>22,790</b></u>    | <u>42,806</u>  |
| Profit before taxation  |              | <b>20,077</b>           | 38,851         |
| Taxation  | 6            | <u><b>(166)</b></u>     | <u>(181)</u>   |
| <b>Profit for the period attributable to owners of the Company</b>  | 7            | <b>19,911</b>           | 38,670         |
| Other comprehensive income (expense):   |              |                         |                |
| Items that may be subsequently reclassified to profit or loss:  |              |                         |                |
| Exchange differences arising from translation of foreign operations   |              | <b>(610)</b>            | 102            |
| Share of other comprehensive income (expense) of an associate   |              | <b>3,475</b>            | (510)          |
| Reclassification adjustment for exchange reserve transferred to profit or loss upon deemed disposal of interest in an associate |              | <u><b>–</b></u>         | <u>(36)</u>    |
| <b>Other comprehensive income (expense) for the period</b>  |              | <u><b>2,865</b></u>     | <u>(444)</u>   |
| <b>Total comprehensive income for the period attributable to owners of the Company</b>  |              | <u><b>22,776</b></u>    | <u>38,226</u>  |
|   |              | <b>HK cents</b>         | HK cents       |
|   |              | <b>(unaudited)</b>      | (unaudited)    |
| <b>BASIC EARNINGS PER SHARE</b>   | 9            | <u><b>1.02</b></u>      | <u>1.98</u>    |

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th September, 2013

|  | <i>Note</i> | <b>30/9/2013</b><br><b>HK\$'000</b><br><b>(unaudited)</b> | 31/3/2013<br><b>HK\$'000</b><br><b>(audited)</b> |
|--|-------------|---|--|
| <b>NON-CURRENT ASSETS</b>                    |             |   |  |
| Property, plant and equipment                |             | <b>43,710</b>   | 44,435   |
| Investment property                          |             | <b>29,673</b>   | 29,839   |
| Interest in an associate                     | <i>10</i>   | <b>685,527</b>  | 659,262  |
| Pledged bank deposits                        |             | <b>2,000</b>  | 2,000  |
|  |             | <hr/> <b>760,910</b> <hr/>                                | <hr/> 735,536 <hr/>                              |
| <b>CURRENT ASSETS</b>                        |             |   |  |
| Completed properties for sale                |             | <b>124,517</b>  | 122,634  |
| Other receivables                            |             | <b>479</b>  | 4,148  |
| Deposits and prepayments                     |             | <b>1,982</b>  | 2,065  |
| Taxation recoverable                         |             | <b>464</b>  | 429  |
| Bank balances and cash                       |             | <b>361,737</b>  | 361,259  |
|  |             | <hr/> <b>489,179</b> <hr/>                                | <hr/> 490,535 <hr/>                              |
| <b>CURRENT LIABILITIES</b>                   |             |   |  |
| Other payables and accrued charges           |             | <b>3,029</b>  | 3,030  |
| Dividend payable                             |             | <b>12,505</b>   | 12,505   |
| Deposit received                             |             | <b>752</b>  | 710  |
| Amount due to a related company              |             | <b>3,640</b>  | 2,589  |
| Taxation payable                             |             | <b>3,889</b>  | 3,767  |
|  |             | <hr/> <b>23,815</b> <hr/>                                 | <hr/> 22,601 <hr/>                               |
| <b>NET CURRENT ASSETS</b>                    |             | <hr/> <b>465,364</b> <hr/>                                | <hr/> 467,934 <hr/>                              |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b> |             | <hr/> <b>1,226,274</b> <hr/>                              | <hr/> 1,203,470 <hr/>                            |
| <b>NON-CURRENT LIABILITY</b>                 |             |   |  |
| Deferred tax liabilities                     |             | <b>1,091</b>  | 1,063  |
| <b>NET ASSETS</b>                            |             | <hr/> <b>1,225,183</b> <hr/>                              | <hr/> 1,202,407 <hr/>                            |
| <b>CAPITAL AND RESERVES</b>                  |             |   |  |
| Share capital                                |             | <b>156,611</b>  | 156,611  |
| Reserves                                     |             | <b>1,068,155</b>  | 1,045,379  |
|  |             | <hr/> <b>1,224,766</b> <hr/>                              | <hr/> 1,201,990 <hr/>                            |
| Equity attributable to owners of the Company |             | <b>1,224,766</b>  | 1,201,990  |
| Non-controlling interests                    |             | <b>417</b>  | 417  |
| <b>TOTAL EQUITY</b>                          |             | <hr/> <b>1,225,183</b> <hr/>                              | <hr/> 1,202,407 <hr/>                            |

## 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (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 as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30th September, 2013 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31st March, 2013.

In the current interim period, the Group has applied, for the first time, the following new or revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by HKICPA for the preparation of the Group’s condensed consolidated financial statements.

|  |   |
|--|---|
| HKFRS 10   | Consolidated Financial Statements   |
| HKFRS 11   | Joint Arrangements  |
| HKFRS 12   | Disclosure of Interests in Other Entities   |
| Amendments to HKFRS 10,<br>HKFRS 11 and HKFRS 12 | Consolidated Financial Statements, Joint Arrangements and<br>Disclosure of Interests in Other Entities: Transition Guidance |
| HKFRS 13   | Fair Value Measurement  |
| HKAS 19 (as revised in 2011)                     | Employee Benefits   |
| HKAS 27 (as revised in 2011)                     | Separate Financial Statements   |
| HKAS 28 (as revised in 2011)                     | Investments in Associates and Joint Ventures  |
| Amendments to HKFRS 7                            | Disclosures – Offsetting Financial Assets and Financial Liabilities   |
| Amendment to HKAS 1                              | Presentation of Items of Other Comprehensive Income   |
| Amendments to HKFRSs                             | Annual Improvements to HKFRSs 2009-2011 Cycle   |
| HK(IFRIC) – Int 20                               | Stripping Costs in the Production Phase of a Surface Mine   |

### **Amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income***

The amendments to HKAS 1 introduce new terminology for statement of comprehensive income. Under the amendments to HKAS 1, the Group’s statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be subsequently reclassified to profit or loss; and (b) items that may be subsequently reclassified to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

### **New and revised standards on consolidation, joint arrangements, associates and disclosures**

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

## Impact of the application of HKFRS 10

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and HK(SIC)-Int 12 *Consolidation – Special Purpose Entities*. HKFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

The directors consider that the application of HKFRS 10, HKFRS 11 and HKAS 28 (as revised in 2011), together with amendments relating to the transitional guidance on the application of these HKFRSs has no impact on the amounts reported in the consolidated financial statements.

The directors expect that the application of HKFRS 12, a disclosure standard applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities, will result in more extensive disclosure in the consolidated financial statements for the year ending 31st March, 2014.

Except as described above, the application of the other new or revised 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.

### 3. REVENUE AND SEGMENT INFORMATION

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

|                    | Six months ended      |                       |
|--------------------|-----------------------|-----------------------|
|                    | 30/9/2013<br>HK\$'000 | 30/9/2012<br>HK\$'000 |
| Sale of properties | –                     | 2,546                 |
| Rental income      | 2,714                 | 2,597                 |
|                    | <u>2,714</u>          | <u>5,143</u>          |

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

Information regarding the property investment and development segment is reported below.

|                                    | Six months ended      |                       |
|------------------------------------|-----------------------|-----------------------|
|                                    | 30/9/2013<br>HK\$'000 | 30/9/2012<br>HK\$'000 |
| Segment revenue                    | <u>2,714</u>          | <u>5,143</u>          |
| Segment profit                     | 3,580                 | 1,894                 |
| Unallocated other income           | 338                   | 607                   |
| Unallocated other gains and losses | 4                     | (296)                 |
| Unallocated expenses               | (6,801)               | (6,341)               |
| Share of result of an associate    | <u>22,790</u>         | <u>42,806</u>         |
| Profit for the period              | <u>19,911</u>         | <u>38,670</u>         |

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

#### 4. OTHER INCOME

|                                    | <b>Six months ended</b> |                 |
|------------------------------------|-------------------------|-----------------|
|                                    | <b>30/9/2013</b>        | 30/9/2012       |
|                                    | <b><i>HK\$'000</i></b>  | <i>HK\$'000</i> |
| Interest income from bank balances | <b>366</b>              | 628             |
| Sundry income                      | <b>53</b>               | 36              |
|                                    | <u><b>419</b></u>       | <u>664</u>      |

#### 5. OTHER GAINS AND LOSSES

|   | <b>Six months ended</b> |                 |
|---|-------------------------|-----------------|
|   | <b>30/9/2013</b>        | 30/9/2012       |
|   | <b><i>HK\$'000</i></b>  | <i>HK\$'000</i> |
| Net exchange gain (loss)                            | <b>2,787</b>            | (69)            |
| Loss on deemed disposal of interest in an associate | <b>–</b>                | (178)           |
|   | <u><b>2,787</b></u>     | <u>(247)</u>    |

#### 6. TAXATION

|  | <b>Six months ended</b> |                 |
|--|-------------------------|-----------------|
|  | <b>30/9/2013</b>        | 30/9/2012       |
|  | <b><i>HK\$'000</i></b>  | <i>HK\$'000</i> |
| Current tax:   |                         |                 |
| Hong Kong Profits Tax                                    | <b>122</b>              | 123             |
| People's Republic of China ("PRC") Enterprise Income Tax | <b>16</b>               | 15              |
|  | <u><b>138</b></u>       | <u>138</u>      |
| Deferred tax   | <b>28</b>               | 43              |
|  | <u><b>166</b></u>       | <u>181</u>      |

Hong Kong Profits Tax and PRC Enterprise Income Tax are recognized based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for Hong Kong Profits Tax and PRC Enterprise Income Tax for the six months ended 30th September, 2013 are 16.5% (2012: 16.5%) and 25% (2012: 25%) respectively.

## 7. PROFIT FOR THE PERIOD

|  | <b>Six months ended</b> |                  |
|--|-------------------------|------------------|
|  | <b>30/9/2013</b>        | <b>30/9/2012</b> |
|  | <b>HK\$'000</b>         | <b>HK\$'000</b>  |
| Profit for the period has been arrived<br>at after charging the following items: |                         |                  |
| Cost of inventories recognised as expense  | –                       | 1,195            |
| Depreciation of  |                         |                  |
| – property, plant and equipment  | 725                     | 755              |
| – investment property  | 166                     | 167              |
|  | <u>166</u>              | <u>167</u>       |

## 8. DIVIDEND

No dividend was paid, declared or proposed during the current interim period. The directors have resolved not to declare the payment of an interim dividend for the six months ended 30th September, 2013 (six months ended 30th September, 2012: Nil).

During the six months ended 30th September, 2012, a final dividend of HK9 cents per share in respect of the year ended 31st March, 2012 was declared to the shareholders of the Company. The aggregate amount of the final dividend declared in the last interim period and paid subsequent to the end of the last interim period amounted to HK\$176,188,000.

## 9. BASIC EARNINGS PER SHARE

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

|   | <b>Six months ended</b> |                  |
|---|-------------------------|------------------|
|   | <b>30/9/2013</b>        | <b>30/9/2012</b> |
|   | <b>HK\$'000</b>         | <b>HK\$'000</b>  |
| Earnings for the period attributable to owners of the<br>Company for the purposes of basic earnings per share | <u>19,911</u>           | <u>38,670</u>    |
|   | <b>Number of shares</b> |                  |
|   | <b>'000</b>             | <b>'000</b>      |
| Number of ordinary shares for the purpose of<br>basic earnings per share                                      | <u>1,957,643</u>        | <u>1,957,643</u> |

Diluted earnings per share is not presented as there were no potential ordinary shares in issue for both periods.

## 10. INTEREST IN AN ASSOCIATE

|  | <b>30/9/2013</b> | <b>31/3/2013</b> |
|--|------------------|------------------|
|  | <b>HK\$'000</b>  | <b>HK\$'000</b>  |
| Cost of investment in an associate listed in Hong Kong             | 295,311          | 295,311          |
| Share of post-acquisition profit and other<br>comprehensive income | <u>390,216</u>   | <u>363,951</u>   |
|  | <u>685,527</u>   | <u>659,262</u>   |
| Market value of interest in an associate                           | <u>1,267,680</u> | <u>1,516,445</u> |

The financial year end date for the associate is 31st December. For the purpose of applying the equity method of accounting, the management accounts of the associate for the six months period ended 30th June, 2013 have been used.

During the year ended 31st March, 2013, the Group's shareholding in the associate was diluted from 45.90% to 32.85% as the associate issued 102 shares for acquisition of a subsidiary and 287,500,000 shares for global offering in June 2012 and March 2013, respectively.

## **INTERIM DIVIDEND**

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30th September, 2013 (2012: Nil).

## **REVIEW OF OPERATIONS**

During the current six months period under review, the Group achieved a turnover of HK\$2,714,000 (six months ended 30/9/2012: HK\$5,143,000) and made a profit for the period of HK\$19,911,000 (six months ended 30/9/2012: HK\$38,670,000).

The decrease in profit for the period was primarily due to (i) the Group's shareholding in its associated company, Termbray Petro-king Oilfield Services Limited ("Termbray Petro-king"), has decreased from approximately 45.9% as at 31st March, 2012 to approximately 32.9% as at 31st March, 2013 upon the successful listing of the shares of Termbray Petro-king on the main board of The Stock Exchange of Hong Kong Limited in March 2013 and (ii) Termbray Petro-king's decrease in profit attributable to owners of Termbray Petro-king for the six months ended 30th June, 2013 as compared to that of the corresponding period ended 30th June, 2012, thereby reducing the Group's share of operation results of Termbray Petro-king Group for the current six months period under review.

## **Property Investment and Development**

The operating environment for the Group's property investment and development business remains tough during the period under review. Property market in Guangdong Province of Mainland China ("PRC") is still under keen competition. The activities of the Group's property projects, which are mainly located in the Guangdong Province, continue at a low level during the period.

The Group's completed properties for sale – Ever Success Plaza, comprising of over 440 residential units standing on 3 levels of commercial arcades and car parks, is located at a convenient and prime location with a river view in Zhongshan, Guangdong Province. The competition of the property market in Zhongshan is keen. There are abundant supplies of properties with modern design. The commercial arcades is still vacant and the occupancy rate of the residential units is kept at almost the same level as last period. The management has put a lot of effort in marketing the properties and is endeavouring improve the operation of the commercial arcades. The rental income earned by the Group from Ever Success Plaza during the period is slightly increased by 11.8% comparing with the last corresponding period. The Group has not sold any residential unit during the period under review. As at 30th September, 2013, 217 residential units remained to be sold, out of which 138 residential units were let out.

With regard to the investment in Cong Hua White Swan Bow Yuen Real Estate Development Limited (“Cong Hua Bow Yuen”), the Group has made full provision for impairment loss against the property held by Cong Hua Bow Yuen in the financial statements of the Group in the prior years. In last financial year, Cong Hua Bow Yuen has entered into a settlement agreement with the local PRC authorities for compensation on land expropriation. Pursuant to the settlement agreement, the Group has received 90% of the compensation of approximately HK\$3,702,000 in the current period.

### **Oilfield Engineering and Consultancy Services**

Upon successful listing of Termbray Petro-king (Stock code: 2178) on The Stock Exchange of Hong Kong Limited on 6th March, 2013, the Group held 32.85% (30/9/2012: 45.4%) interest in Termbray Petro-king as an associate through Termbray Natural Resources Limited, a wholly owned subsidiary of the Group.

During the period under review, the Group has applied the equity method of accounting for the results of Termbray Petro-king Group as an associate for the six months period from 1st January, 2013 to 30th June, 2013 (“1H2013”).

In 1H2013, Termbray Petro-king Group achieved a revenue of HK\$496 million and profit for the period of HK\$77 million. The improvement in operating profit margin in current period has partly offset the effect of the one off gain on disposal of jointly controlled entity recorded in the last period under review.

In 1H2013, Termbray Petro-king Group achieved a balanced development in both China and overseas markets. Termbray Petro-king Group experienced a slowdown in revenue from the China market. In China, while maintaining a good relationship with existing customers, Termbray Petro-king Group won bids and gained bilateral contracts from certain new customers. Unconventional oil and gas (including tight gas, tight oil and shale gas) sector continues to be the Group’s focus in China. However, most of the new projects in China were still in the preparation stage. As such, massive work and revenue have yet to be incurred in coming periods.

For overseas markets, South America and the Middle East were the major focus of Termbray Petro-king Group. While continuing its well completion services, Termbray Petro-king Group has also started its production enhancement services in Venezuela. In consideration of the risks associated with sanction issues, Termbray Petro-king Group has terminated its business in Iran and Syria in 2012. However, by leveraging its excellent track record and experienced engineering team, Termbray Petro-king Group has successfully gained new customers and new projects in the Middle East, such as United Arab Emirates and Iraq. Furthermore, Termbray Petro-king Group has been actively promoting its oilfield project services in Central Asia, Australia and Canada.

As a high-end integrated oilfield services provider, Termbray Petro-king Group strives to enhance and to expand its in-house capabilities of developing and manufacturing certain key oilfield service tools and equipments. Termbray Petro-king Group has successfully developed its own turbine drilling tool and put into commercialized operation of its self-developed directional turbine drilling technology. In addition, Termbray Petro-king Group debuted a new fracturing technology for production enhancement of tight gas/oil in 2013.

Construction work of the research and development and production base in Huizhou, Guangdong, PRC (“Huizhou Base”) has commenced in 1H2013 and its trial run is targeted to begin in the first half of 2014. Termbray Petro-king Group believes the new production facilities of Huizhou Base significantly enhance the production capacity of its manufacturing segment of key tools and equipment for oilfield services while lowering its reliance on major suppliers, optimising the cost structure of principal operations and enhancing its product and service qualities.

The directors considered that the overall performance of Termbray Petro-king Group for the period under review is satisfactory.

### **Treasury Investment Activity**

The Group still holds a substantial amount of funds of approximately HK\$362 million which have been mainly placed as short term bank deposits with large financial institutions in Hong Kong.

### **Others**

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

## **ORDER BOOK**

Due to its business nature, the Group has no order book at 30th September, 2013. The Group has no new product and service to be introduced to the market.

## **STAFF AND EMOLUMENT POLICY**

As at 30th September, 2013, the Group employed 41 staff at market remunerations with staff benefits such as insurance, provident fund scheme, discretionary bonus and share option scheme.

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

## OUTLOOK

The global economy has been recovering from the global financial crisis happened in 2008. United States and China are experiencing various challenges after the global economic crisis. Both of the debt crisis in Europe and the progress of stop buying of national debts by the US Government have an unpredictable impact on the recovery of global economy. In China, Central government has implemented various tightening monetary policies to cool down its economy, especially the overheated property market and high inflation rate. We believe China will continue to play a key role in the future global economic recovery. The Group is confidence in capitalising on these opportunities and will grasp every business opportunities available to build up its own distinctive strength and to explore new businesses in China.

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

It is Termbray Petro-king Group's strategy to maintain a well balanced business development in both China market and overseas markets in a medium to long term.

For the domestic China market, natural gas development in China will be the major focus of chinese oilfield service providers with high-end competence and experience. The recent favorable government policy on natural gas development is likely to speed up the pace of both chinese national oil companies ("NOC") and other investors to invest in non conventional gas such as tight gas and shale gas, which in turn will create more business opportunities for high-end oilfield service providers with reputable technical capability. In the second half of 2013, Termbray Petro-king Group believes that tight gas will continue to be the major contributor for its revenue from domestic market in China.

For the overseas markets, NOC's overseas investments were still keen in 1H2013. Termbray Petro-king Group have participated in biddings in various projects in the Middle East and Central Asia, and are actively following up with its customers' business development on their new projects in Australia and Canada. The management expects the business development in Venezuela will gained further success in coming years.

The second half of a year is usually the more active season in a typical year. In anticipating the picking up in project progress in the second half of 2013 together with the planned execution of tight gas project, Termbray Petro-king Group believes revenue from production enhancement of horizontal wells will continue to be the major revenue contribution in the second half of 2013. The management of Termbray Petro-king Group are confident that it will achieve a stable development in business in the second half of 2013.

Tembray Petro-king Group will continue to leverage its technologically leading position in the market, its recognised high-end oilfield service capabilities, proven experience in domestic and overseas operations, professional engineers with international project management exposure, strong in-house research and development and tools manufacturing capabilities, plus strong financial positions to put Termbray Petro-king Group in a significantly better position to capture new business opportunities in China and overseas and benefit from this growth.

We are cautiously optimistic about the future performance of Termbray Petro-king Group.

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

## **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 30th September, 2013.

## **CORPORATE GOVERNANCE**

The Company has met the code provisions of the Corporate Governance 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 30th September, 2013 save as disclosed below.

Pursuant to code provision A.4.2, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. The Company is subject to 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 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 ended 30th September, 2013.

## **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 30th September, 2013.

## **OTHER INFORMATION**

The interim results of the Group for the six months ended 30th September, 2013 have been reviewed by Messrs. Deloitte Touche Tohmatsu, Certified Public Accountants.

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

*Executive Directors:*

Mr. Lee Lap (*Chairman*)

Mdm. Leung Lai Ping

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

Mr. Wong Shiu Kee

*Independent Non-Executive Directors:*

Mr. Lo Yiu Hee

Mr. Tong Hin Wor

Mr. Siu Lok Chow, Gabriel

*Non-Executive Director:*

Mr. Lee Ka Sze, Carmelo

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

Hong Kong, 22nd November, 2013