



TERMBRAY INDUSTRIES INTERNATIONAL (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 0093)

FINAL RESULTS FOR THE YEAR ENDED 31ST MARCH, 2009

RESULTS

The board of directors of Termbray Industries International (Holdings) Limited (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31st March, 2009 together with the comparative figures for the last year as follows:

Consolidated Income Statement

	<i>Notes</i>	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i> (Restated)
REVENUE	3	218,809	43,290
Cost of goods sold and services rendered		<u>(106,554)</u>	<u>(29,179)</u>
Gross profit		112,255	14,111
Other income	4	21,130	30,185
Selling and distribution expenses		(19,765)	(3,853)
Administrative expenses		(73,880)	(69,357)
(Losses) gains arising from changes in fair value of investments held for trading		(573)	190
Share of result of an associate		–	(185)
Finance costs	5	<u>(6,268)</u>	<u>(1,467)</u>
PROFIT (LOSS) BEFORE TAXATION	6	32,899	(30,376)
Taxation	7	<u>(11,041)</u>	<u>2,530</u>
PROFIT (LOSS) FOR THE YEAR		<u>21,858</u>	<u>(27,846)</u>
ATTRIBUTABLE TO:			
EQUITY HOLDERS OF THE COMPANY		(6,629)	(20,848)
MINORITY INTERESTS		<u>28,487</u>	<u>(6,998)</u>
PROFIT (LOSS) FOR THE YEAR		<u>21,858</u>	<u>(27,846)</u>
		<i>HK cents</i>	<i>HK cents</i> (Restated)
LOSS PER SHARE	8		
Basic		<u>(0.34)</u>	<u>(1.17)</u>
Diluted		<u>N/A</u>	<u>N/A</u>

Consolidated Balance Sheet

	<i>Notes</i>	2009 HK\$'000	2008 HK\$'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment		17,138	17,400
Prepaid lease payments for leasehold land		66,077	66,675
Investment property		3,370	3,478
Pledged bank deposits		2,034	2,034
Goodwill	9	243,318	243,318
Intangible assets	9	8,213	16,500
		<u>340,150</u>	<u>349,405</u>
CURRENT ASSETS			
Properties for sale		114,812	109,995
Inventories		38,419	16,926
Trade and other receivables	10	149,524	92,599
Deposits and prepayments		3,345	3,293
Prepaid lease payments for land		598	598
Available-for-sale investments		6,886	633,247
Investments held for trading		–	103,839
Taxation recoverable		2,871	123
Amounts due from related parties		–	730
Pledged bank deposits		3,121	–
Deposits with a financial institution		126	–
Bank balances and cash		744,961	40,904
		<u>1,064,663</u>	<u>1,002,254</u>
CURRENT LIABILITIES			
Trade and other payables and accrued charges	11	28,812	44,804
Deposits received		1,487	2,064
Provisions		3,173	3,173
Amount due to a related company		2,092	405
Amount due to a director		23,967	6,465
Amounts due to minority shareholders		–	18,103
Taxation payable		7,691	10,151
Secured bank borrowings		21,705	–
		<u>88,927</u>	<u>85,165</u>
NET CURRENT ASSETS		<u>975,736</u>	<u>917,089</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,315,886</u>	<u>1,266,494</u>

	<i>Notes</i>	2009 HK\$'000	2008 HK\$'000 (Restated)
NON-CURRENT LIABILITIES			
Convertible note		122,324	116,267
Deferred tax liabilities		4,766	3,128
		<u>127,090</u>	<u>119,395</u>
NET ASSETS		<u>1,188,796</u>	<u>1,147,099</u>
CAPITAL AND RESERVES			
Share capital		156,611	156,611
Reserves		967,485	955,639
		<u>1,124,096</u>	<u>1,112,250</u>
Equity attributable to equity holders of the Company		1,124,096	1,112,250
Minority interests		64,700	34,849
		<u>1,188,796</u>	<u>1,147,099</u>
TOTAL EQUITY		<u>1,188,796</u>	<u>1,147,099</u>

Notes:

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied the following amendments and interpretations (“new HKFRSs”) issued by the HKICPA, which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of these new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the new and revised standards, amendments or interpretations that have been issued but are not yet effective. The application of HKFRS 3 (Revised) may affect the Group’s accounting for business combination for which the acquisition date is on or after 1st April, 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group’s ownership interest in a subsidiary. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. REVENUE AND SEGMENT INFORMATION

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

	2009 <i>HK\$’000</i>	2008 <i>HK\$’000</i>
Sales of goods	146,597	31,931
Sale of properties	367	–
Rental income	6,153	6,199
Service income	<u>65,692</u>	<u>5,160</u>
	<u>218,809</u>	<u>43,290</u>

The Group is principally engaged in property development, property investment, engineering projects (involving sale of tools and equipment) and provision of consultancy services on well drilling.

The Group reports primary segment information based on its business. Segment information is presented below:

(A) **Business segment**

	Property development HK\$'000	Property investment HK\$'000	Engineering projects HK\$'000	Provision of consultancy service on well drilling HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
2009						
<i>Revenue</i>	<u>4,240</u>	<u>2,280</u>	<u>146,597</u>	<u>65,692</u>	<u>–</u>	<u>218,809</u>
<i>Result</i>						
Segment result	<u>1,593</u>	<u>1,474</u>	<u>66,945</u>	<u>20,762</u>	<u>–</u>	<u>90,774</u>
Unallocated other income (<i>note</i>)					13,018	13,018
Unallocated corporate expenses					(43,389)	(43,389)
Share option expense					(16,062)	(16,062)
Due diligence expense on aborted acquisitions					(5,174)	(5,174)
Finance costs					(6,268)	(6,268)
Profit before taxation						32,899
Taxation					(11,041)	(11,041)
<i>Profit for the year</i>						<u>21,858</u>
	Property development HK\$'000	Property investment HK\$'000	Engineering projects HK\$'000 (Restated)	Provision of consultancy service on well drilling HK\$'000 (Restated)	Unallocated HK\$'000 (Restated)	Consolidated HK\$'000 (Restated)
2008						
<i>Revenue</i>	<u>4,724</u>	<u>1,475</u>	<u>31,931</u>	<u>5,160</u>	<u>–</u>	<u>43,290</u>
<i>Result</i>						
Segment result	<u>(2,051)</u>	<u>840</u>	<u>(13,460)</u>	<u>(4,203)</u>	<u>–</u>	<u>(18,874)</u>
Unallocated other income (<i>note</i>)					30,375	30,375
Unallocated corporate expenses					(17,464)	(17,464)
Share option expense					(6,609)	(6,609)
Due diligence expense on aborted acquisitions					(16,152)	(16,152)
Share of result of an associate					(185)	(185)
Finance costs					(1,467)	(1,467)
Loss before taxation						(30,376)
Taxation					2,530	2,530
<i>Loss for the year</i>						<u>(27,846)</u>

Note: Other income represents mainly net income from short-term treasury activities, including investments in securities and money market funds and the placement of bank deposits.

(B) Geographical segments

The following table provides an analysis of the Group's revenue by location of customers:

	Revenue from geographical market	
	2009 HK\$'000	2008 HK\$'000
Hong Kong	2,280	1,475
The People's Republic of China (the "PRC")	139,991	41,815
Russia	47,237	–
Others	29,301	–
	<u>218,809</u>	<u>43,290</u>
4. OTHER INCOME		
	2009 HK\$'000	2008 HK\$'000
Interest income from		
– available-for-sale investments	4,111	22,336
– investments held for trading	4,193	5,363
– bank deposits and deposits with a financial institution	2,941	188
	<u>11,245</u>	<u>27,887</u>
Net exchange gain	–	1,634
Commission income	8,112	–
Sundry income	1,773	664
	<u>21,130</u>	<u>30,185</u>
5. FINANCE COSTS		
	2009 HK\$'000	2008 HK\$'000
Effective interest expense on convertible note	6,057	1,467
Interest on secured bank borrowings wholly repayable within five years	211	–
	<u>6,268</u>	<u>1,467</u>
6. PROFIT (LOSS) BEFORE TAXATION		
	2009 HK\$'000	2008 HK\$'000 (Restated)
Profit (loss) before taxation has been arrived at after charging (crediting):		
Amortisation of prepaid lease payments for leasehold land	598	598
Amortisation of intangible assets, included in administrative expenses	8,287	20,314
Depreciation of		
– property, plant and equipment	3,195	1,440
– investment property	108	107
	<u>11,188</u>	<u>23,466</u>

7. TAXATION

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i> (Restated)
Current tax:		
Hong Kong	185	290
PRC Enterprise Income Tax	13,228	747
Other jurisdiction	1,341	–
	<u>14,754</u>	<u>1,037</u>
Under(over)provision in prior years:		
Hong Kong	(5,636)	–
PRC Enterprise Income Tax	285	–
	<u>(5,351)</u>	<u>–</u>
Deferred tax	<u>1,638</u>	<u>(3,567)</u>
	<u>11,041</u>	<u>(2,530)</u>

On 26th June, 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% (2008: 17.5%) of the estimated assessable profit for the year.

Taxation arising in other jurisdiction is calculated at the rate prevailing in the relevant jurisdiction.

On 16th March, 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the “New Law”) by Order No. 63 of the President of the PRC. On 6th December, 2007, the State Council of the PRC issued Implementation Regulations of the New Law. For a subsidiary of the Group which was qualified as a High/New Tech Enterprise under old law or regulations, it was entitled to an incentive tax rate of 15%, the tax rate has been/will be progressively increased to 18%, 20%, 22%, 24% and 25% in year 2008, 2009, 2010, 2011 and 2012, respectively and thereafter subject to the tax rate of 25%. For other subsidiaries of the Group which were subject to a tax rate of 33%, the New Law and Implementation Regulations has changed the tax rate from 33% to 25% from 1st January, 2008 onwards.

8. LOSS PER SHARE

The calculation of the basic loss per share attributable to equity holders of the Company is based on the following data:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i> (Restated)
Loss for the year attributable to equity holders of the Company for the purpose of basic loss per share	<u>(6,629)</u>	<u>(20,848)</u>
	Number of shares	
	'000	'000
Number of ordinary shares for the purpose of basic loss per share	<u>1,957,643</u>	<u>1,780,180</u>

No diluted loss per share has been presented as the exercise of share option and the conversion of convertible note would result in a decrease in loss per share for both years.

9. GOODWILL AND INTANGIBLE ASSETS

The goodwill arose on the acquisition of Petro-king International Company Limited (“Petro-king HK”), Petro-king Oilfield Technology Limited (“Petro-king SZ”) and Beijing Petroking – Enruida Oilfield Technology Co., Ltd. during the year ended 31st March, 2008.

A valuation report, prepared by an independent qualified professional valuer, Vigers Appraisal & Consulting Limited (“Vigers”) received in the current year shows that the fair values of customer-related intangible assets and intangible assets in relation to non-competition agreements of the acquired subsidiaries at the date of acquisition, determined based on the income-based method, were approximately HK\$24,867,000 and HK\$11,947,000 respectively. The comparative figures of 2008 have been restated as if the initial accounting had been completed from the acquisition date.

The valuation of customer-related intangible assets and intangible assets in relation to non-competition agreements amounted to approximately HK\$24,867,000 and HK\$11,947,000 respectively at the date of acquisition. There was a corresponding reduction in goodwill of HK\$15,360,000 and increase in minority interests of HK\$14,759,000. The loss attributable to equity holders and minority interests of the Company for the year ended 31st March, 2008 were also increased by approximately HK\$8,541,000 and HK\$8,206,000 respectively as a result of additional amortisation expenses. At 31st March, 2008, the following items are restated:

	As originally stated <i>HK\$'000</i>	Adjustment to fair value of assets acquired in prior periods <i>HK\$'000</i>	Amortisation and deferred tax credit for the year ended 31st March, 2008 <i>HK\$'000</i>	As restated <i>HK\$'000</i>
Goodwill	258,678	(15,360)	–	243,818
Intangible assets:				
– Customer-related intangible assets	–	24,867	(19,567)	5,300
– Non-competition agreements	–	11,947	(747)	11,200
Deferred tax liabilities	–	(6,695)	3,567	(3,128)
Total effect on assets and liabilities		<u>14,759</u>	<u>(16,747)</u>	
Retained profits	520,317	–	(8,541)	511,776
Minority interests	28,296	<u>14,759</u>	<u>(8,206)</u>	34,849
Total effect on equity		<u>14,759</u>	<u>(16,747)</u>	

The customer-related intangible assets, comprising mainly incomplete contracts at the date of acquisitions, have finite useful lives. Such intangible assets are amortised on a straight-line basis over their estimated useful lives of four months. The intangible assets in relation to non-competition agreements represented contracts entered with the vendors of Petro-king HK and Petro-king SZ. Such intangible assets are amortised on a straight-line basis over their estimated useful lives of four years.

10. TRADE AND OTHER RECEIVABLES

The Group allows a credit period of 90 days after invoice date to most of its customers in respect of the engineering projects and provision for consultancy services on well drilling. The rental receivables are payable in accordance with the terms of the relevant agreements.

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Trade receivables	133,721	74,256
Less: allowance for doubtful debts	<u>(3,674)</u>	<u>(3,674)</u>
	<u>130,047</u>	<u>70,582</u>
Other receivables	21,443	22,017
Less: allowance for doubtful debts	<u>(1,966)</u>	<u>—</u>
	<u>19,477</u>	<u>22,017</u>
	<u>149,524</u>	<u>92,599</u>

The following is an aged analysis for the date of the transactions of trade receivables (net of allowance for doubtful debts) at the balance sheet dates:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
1-90 days	90,653	33,145
91-180 days	19,001	33,781
181-365 days	10,994	3,435
1 to 2 years	<u>9,399</u>	<u>221</u>
	<u>130,047</u>	<u>70,582</u>

Before accepting any new customers, the Group applies an internal credit assessment policy to assess the potential customer's credit quality and defines credit limits by customer. Management closely monitors the credit quality of trade receivables and considers that the trade receivables that are neither past due nor impaired to be of good credit quality.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK\$22,872,000 (2008: HK\$37,437,000) which are past due as at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. The average age of these receivables is 105 days (2008: 58 days) past due date.

Receivables that were past due but not impaired mainly relate to customers that have good track records without default history. Based on past experience, management believes that no allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

11. TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

The following is an aged analysis of trade and other payables at the balance sheet date:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
1-90 days	9,477	11,970
Over 90 days	16,025	21,974
Trade and other payables	25,502	33,944
Accrued charges	3,310	10,860
	28,812	44,804

The credit period on purchases of goods is 60 days (2008: 60 days).

The Group has financial risk management policies in place to ensure that all payables are paid within the credit time frame.

12. POST BALANCE SHEET EVENT

Pursuant to the Board of Directors' Meeting of Petro-king SZ, a 51% indirect subsidiary of the Company, held on 1st April, 2009, Petro-king SZ would acquire 100% equity interest of 德州嘉誠石油裝備有限公司, an oilfield technology company, at a cash consideration of RMB6,000,000 (equivalent to HK\$6,783,000). The acquisition was subsequently approved by the relevant authority in the PRC and acquisition was completed on 1st May, 2009.

DIVIDEND

The board of directors of the Company does not recommend the payment of a dividend in respect of the year (2008: Nil).

REVIEW OF OPERATIONS

Property investment and development

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

The Group's completed properties for sale – Ever Success Plaza, comprising of over 440 residential units standing on 3 levels of commercial arcades and car parks, is located at a convenient and prime location with a river view in Zhongshan, Guangdong Province. The competition of the property market in Zhongshan is keen. There are abundant supplies of properties with modern design. Due to the vacancy of the commercial arcades, the occupancy rate of the residential units is also dropped. The management has put much effort in marketing the properties. The rental income earned by the Group from these properties during the period is decreased by 23.89%. As at 31st March, 2009, 227 residential units remained to be sold, out of which 174 residential units were let out.

Since June 2008, the Group has operated the commercial arcades itself with a business partner who has experience in running similar retail centre. The Group has 51% interest in the operating company. However, the occupancy rate is still not much improved, and the performance is not satisfactory. In November 2008, the Group has taken over the whole operation of the commercial arcades. The management is still trying hard to improve the situation by looking for innovative trendy commodities which is attractive to the consumers in Zhongshan.

With regard to the investment in Cong Hua White Swan Yuen Real Estate Development Limited ("Cong Hua Bow Yuen"), the chance for the extension of the joint venture period of Cong Hua Bow Yuen remains very remote. Full provision for impairment loss against the property held by Cong Hua Bow Yuen had been made in the financial statements of the Group in prior years.

Oilfield engineering and consultancy services

Last year, the Group succeeded in diversify its principal activities into the oilfield related industry. The acquisition of Petro-king International Company Limited ("Petro-king HK") and Petro-king Oilfield Technology Limited ("Petro-king SZ", together with Petro-king HK as "Petro-king Group") was completed on 31st December, 2007.

During the year under review, the turnover of Petro-king Group is HK\$212.3 millions (2008: HK\$37.1 millions). The significant increase in turnover in current year by 472% is due to only three months' performance was accounted for in Termbray Group's result in last year after completion of acquisition of Petro-king Group on 31st December, 2007. Petro-king Group has maintained very good relationship with its existing customers. It is engaged in more difficult and complex oilfields services and the competition for high-end oil exploration technology is not very keen in China, therefore it is able to increase its business. As most of the exploration tools are imported from overseas which have better quality and performance, Petro-king Group is able to maintain a growth in profit margin on its projects. On the other hand, Sichuan province of China is one of its major operating market, but the earthquake did not cause any significant impact on its business in this region.

In addition, Petro-king Group also expands its business presence worldwide along with its major customers which acquired a number of overseas oilfield projects. Petro-king Group has undertaken the initial design work for several massive projects in Middle East. These projects output are well-accepted by our customers and will secure more jobs for Petro-king Group in the coming years.

On 6th August, 2008, Petro-king SZ entered into an acquisition agreement with Beijing Hendrun Energy Environment Technology Limited to acquire the entire registered and paid up capital of Beijing Enruida Technology Co., Limited (“Enruida PRC”) at a consideration of RMB40,000,000. On the same date, Petro-king Holding Limited also entered into an acquisition agreement with Wisdom Boom Investments Limited to acquire the entire issue share capital of Hendrun Technologies Industrial R&D Co., Limited (“Enruida HK”, collectively with Enruida PRC referred as “Enruida Group”) at a consideration of such sum equivalent to RMB135,000,000. Such consideration shall be payable partly in cash and partly by way of issue and allotment of the IPO shares of the listing vehicle of the Petro-king Group.

The relevant details of the acquisition of Enruida Group were announced on the Company’s and the Stock Exchange’s website on 12th August, 2008.

The Enruida Group provides oilfield engineering and technical consultancy services for domestic oilfields as well as environmental protection services in the oilfields including sewage treatment, waste management and pollution control.

In view of the global financial crisis and the prevailing stock condition, the parties to the Enruida PRC Acquisition Agreements and the Enruida HK Acquisition Agreement (the “Acquisition Agreements”) have reassessed the appropriateness of timing and merits of the terms of the Acquisition Agreements and mutually agreed on 31st October, 2008 not to proceed with the Acquisition Agreements. Each party to the Acquisition Agreements shall bear its own costs and disbursements in relation to the Acquisition.

The Group has incurred due diligence expenses of approximately HK\$5,174,000 in assessing and evaluating the Enruida Group. The termination of the Acquisition Agreements has no material adverse impact on the business development of the Group.

TREASURY INVESTMENT ACTIVITY

The Group still holds a substantial amount of funds of approximately HK\$0.7 billion. It was placed as short term bank deposit or invested in money market funds with international financial institutions or fixed income notes generating a stable source of income to the Group before the outbreak of the global financial crisis. In encounter with the global financial crisis, the Group has realized most of the money market fund into cash and has transferred the cash to large banks in Hong Kong.

OUTLOOK

The global economy sustained a stable and balance growth during the first half of the current financial year. With the outbreak of the global financial crisis in the last quarter of 2008, the global economy is definitely adversely affected. We will need to monitor carefully how is the economy being affected and when can it be recovered. We believe China continues to play a key role in the future global economic recovery. The Group is confident to capitalize on these opportunities and will grasp every business opportunities available to build up its own distinctive strength and to explore new business in China.

During the year under review, the crude oil price has been fluctuated significantly. It drops substantially from record high of USD147 per barrel in July 2008 to USD33 per barrel in December 2008 due to the biggest ever financial tsunami spread from United States to all over the world. This cause massive recession and crude oil stock piled up. The crude oil price has reverted upward in recent months and according to latest forecasts it will surpass USD70 per barrel by the end of 2009 and the trend is expected to continue. The economic revival plan starts to take effect in the leading economies in different regions, e.g. China and United States. With the implementation of the new price adjustment mechanism in China, our PRC customers will be benefited by the current price level as it will not trigger the special profit tax levy that will be imposed for them when the international oil price maintain at a high level. We expect there will be more changes to reflect the international price trend, hence it helps to improve the performance of our PRC customers. We anticipate our PRC customers will maintain capital investment domestically and increase overseas investment to meet the huge net import consumption of China. Besides, we manage to open up more new businesses in Northern China.

In addition, Petro-king Group has kicked-off several massive projects in oversea markets, such as Middle East and Asia-Pacific. These new projects will last for several years. These projects have completed initial design and will soon undergo production in the coming years. The multinational oil companies are still investing reasonably on exploitation and production of petroleum in which Petro-king Group have the expertise in the niche market. With their continue expansion of the business worldwide, these overseas customers will offer more business to Petro-king Group. We are cautiously optimistic about the future performance of Petro-king Group.

It is the Group's ongoing strategy to gain a foothold and develop in the natural resources sector by way of cautiously exploring different kinds of 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 impact of global financial crisis, the recovery progress of the global economy, the global human swine flu and natural disasters which cannot be ignored. The Group remains cautiously optimistic about the year ahead in respect of diversification of business into natural resources sector and has the confidence to strengthen its competitiveness and to build value for our shareholders.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st March, 2009, the Group remains cash-rich and no material capital expenditure commitments. The operations are mainly financed by shareholders' funds and convertible notes.

The convertible notes of HK\$133,692,000 issued to King Shine Group Limited in last year are non interest bearing and have a tenor of 3 years to be matured on 31st December, 2010. The noteholder shall have the right to convert the notes into ordinary shares of the Company, at the initial conversion price (subject to adjustments) of HK\$1.20 per conversion share, at any time and from time to time during the period commencing from 1st July, 2009 up to 31st December, 2010. On the maturity date, the noteholder shall be entitled to demand from the Company the full repayment of the outstanding principal amount of any outstanding and unconverted convertible notes (if any) in cash.

Cash and other liquid assets amounted to HK\$751,973,000 and accounted for 71% of total current assets.

Exchange risk of the Group is not significant as the tangible assets of the Group comprised substantially of cash denominated in United States currency which is officially pegged to the Hong Kong currency. No financial instrument are needed for hedging purposes in respect of interest rate and currency.

STAFF

As at 31st March, 2009, the Group employed 186 staff at market remunerations with staff benefits such as insurance, provident fund scheme, discretionary bonus and share option scheme.

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

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

CORPORATE GOVERNANCE

The Company has met the code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited during the year ended 31st March, 2009 save as disclosed below:

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

In view of the above and paragraph 4.2 of the Code, the Company at the annual general meeting held on 19th August, 2005 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 3 years, while directors holding the office of chairman or managing director shall be subject to re-election once 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 year ended 31st March, 2009.

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 annual results for the year ended 31st March, 2009.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated balance sheet, consolidated income statement and the related notes thereto for the year ended 31st March, 2009 as set out in the Preliminary Announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

OTHER INFORMATION

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

Executive Directors:

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

Independent Non-Executive Directors:

Mr. Chan Siu Kang
Mr. Lo Yiu Hee
Mr. Tong Hin Wor

Non-Executive Director:

Mr. Lee Ka Sze, Carmelo

By order of the Board
Lee Lap
Chairman

Hong Kong, 10th July, 2009