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## TERMBRAY INDUSTRIES INTERNATIONAL (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 0093)

### FINAL RESULTS FOR THE YEAR ENDED 31ST MARCH, 2013

#### RESULTS

The board of directors (the “Board”) of Termbay 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, 2013 together with the comparative figures for the last year as follows:

#### Consolidated Statement of Comprehensive Income

	<i>Notes</i>	<b>2013</b> <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Revenue	3	<b>8,464</b>	5,642
Cost of goods sold and services rendered		<u><b>(3,833)</b></u>	<u>(2,636)</u>
Gross profit		<b>4,631</b>	3,006
Other income	4	<b>5,176</b>	1,799
Other gains and losses	5	<b>171,068</b>	6,389
Administrative expenses		<b>(13,565)</b>	(15,380)
Share of result of an associate		<u><b>78,048</b></u>	<u>(2,522)</u>
Profit (loss) before taxation		<b>245,358</b>	(6,708)
Taxation	6	<u><b>(364)</b></u>	<u>(369)</u>
<b>PROFIT(LOSS) FOR THE YEAR</b>	7	<u><b>244,994</b></u>	<u>(7,077)</u>
<b>OTHER COMPREHENSIVE (EXPENSE) INCOME</b>			
Exchange differences arising from translation of foreign operations		<b>(740)</b>	(1,820)
Share of other comprehensive income of an associate		<b>711</b>	3,399
Reclassification adjustment for exchange translation reserve transferred to profit or loss upon deemed disposal of interest in an associate		<u><b>(1,289)</b></u>	<u>–</u>
<b>OTHER COMPREHENSIVE (EXPENSE) INCOME FOR THE YEAR</b>		<u><b>(1,318)</b></u>	<u>1,579</u>
<b>TOTAL COMPREHENSIVE INCOME (EXPENSE) FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>			
		<u><b>243,676</b></u>	<u>(5,498)</u>
		<i>HK cents</i>	<i>HK cents</i>
<b>BASIC EARNINGS (LOSS) PER SHARE</b>	8	<u><b>12.51</b></u>	<u>(0.36)</u>

## Consolidated Statement of Financial Position

	<i>Note</i>	<b>31.3.2013</b> <b>HK\$'000</b>	31.3.2012 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>44,435</b>	46,109
Investment property		<b>29,839</b>	30,172
Interest in an associate	9	<b>659,262</b>	477,357
Pledged bank deposits		<b>2,000</b>	2,000
		<u><b>735,536</b></u>	<u>555,638</u>
<b>CURRENT ASSETS</b>			
Completed properties for sale		<b>122,634</b>	122,771
Other receivables		<b>4,148</b>	42
Deposits and prepayments		<b>2,065</b>	1,995
Taxation recoverable		<b>429</b>	377
Bank balances and cash		<b>361,259</b>	473,155
		<u><b>490,535</b></u>	<u>598,340</u>
<b>CURRENT LIABILITIES</b>			
Other payables and accrued charges		<b>3,030</b>	3,480
Dividend payable		<b>12,505</b>	5,002
Deposits received		<b>710</b>	652
Provisions		<b>–</b>	3,173
Amount due to a related company		<b>2,589</b>	1,992
Taxation payable		<b>3,767</b>	3,830
		<u><b>22,601</b></u>	<u>18,129</u>
<b>NET CURRENT ASSETS</b>		<u><b>467,934</b></u>	<u>580,211</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u><b>1,203,470</b></u>	<u>1,135,849</u>

	<b>31.3.2013</b>	31.3.2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>NON-CURRENT LIABILITIES</b>		
Deferred tax liabilities	<u>1,063</u>	<u>930</u>
<b>NET ASSETS</b>	<u><b>1,202,407</b></u>	<u><b>1,134,919</b></u>
<b>CAPITAL AND RESERVES</b>		
Share capital	156,611	156,611
Reserves	<u>1,045,379</u>	<u>977,891</u>
Equity attributable to owners of the Company	<b>1,201,990</b>	1,134,502
Non-controlling interests	<u>417</u>	<u>417</u>
<b>TOTAL EQUITY</b>	<u><b>1,202,407</b></u>	<u><b>1,134,919</b></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. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

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

In the current year, the Group has applied the following amendments to HKFRSs issued by the HKICPA.

Amendment to HKAS 12	Deferred Tax: Recovery of Underlying Assets
Amendment to HKFRS 7	Financial Instruments: Disclosures – Transfers of Financial Assets

The application of the amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle <sup>1</sup>
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities <sup>1</sup>
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures <sup>2</sup>
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance <sup>1</sup>
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities <sup>4</sup>
HKFRS 9	Financial Instruments <sup>2</sup>
HKFRS 10	Consolidated Financial Statements <sup>1</sup>
HKFRS 11	Joint Arrangements <sup>1</sup>
HKFRS 12	Disclosure of Interests in Other Entities <sup>1</sup>
HKFRS 13	Fair Value Measurement <sup>1</sup>
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income <sup>3</sup>
HKAS 19 (Revised 2011)	Employee Benefits <sup>1</sup>
HKAS 27 (Revised 2011)	Separate Financial Statements <sup>1</sup>
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures <sup>1</sup>
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities <sup>4</sup>
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st January, 2013

<sup>2</sup> Effective for annual periods beginning on or after 1st January, 2015

<sup>3</sup> Effective for annual periods beginning on or after 1st July, 2012

<sup>4</sup> Effective for annual periods beginning on or after 1st January, 2014

### New and revised standards on consolidation, associates and disclosures

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

Key requirements of HKFRS 10 and HKFRS 12 are described below.

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements. HK (SIC)-Int 12 *Consolidation – Special Purpose Entities* will be withdrawn upon the effective date of HKFRS 10. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

In July 2012, the amendments to HKFRS 10 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these HKFRSs for the first time.

These standards, together with the amendments relating to the transitional guidance, will be adopted in the Group's consolidated financial statements for the annual period beginning 1st April, 2013. The application of these standards is not expected to have significant impact on amounts reported in the consolidated financial statements.

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

The amendments to HKAS 1 Presentation of Items of Other Comprehensive Income introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a 'statement of comprehensive income' is renamed as a 'statement of profit or loss and other comprehensive income'. The amendments to HKAS 1 also 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 items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently 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 option to present items of other comprehensive income either before tax or net of tax.

The amendments to HKAS 1 are effective for the Group's annual periods beginning on 1st April, 2013. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied.

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

### **3. REVENUE AND SEGMENT INFORMATION**

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

	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
Sale of properties	<b>3,146</b>	476
Rental income	<b>5,318</b>	5,166
	<b>8,464</b>	5,642

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

## Segment revenues and results

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

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Revenue from property investment and development segment	<u>8,464</u>	<u>5,642</u>
Segment profit from property investment and development segment	<u>9,136</u>	<u>5,636</u>
Unallocated other income	946	1,503
Unallocated other gains and losses	3,786	1,707
Unallocated expenses	(12,557)	(13,401)
Share of result of an associate	78,048	(2,522)
Gain on deemed disposal of interest in an associate	<u>165,635</u>	<u>–</u>
Profit (loss) for the year	<u>244,994</u>	<u>(7,077)</u>

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

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

## 4. OTHER INCOME

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Interest income from bank balances	987	1,572
Sundry income	75	227
Compensation on land expropriation from PRC government ( <i>Note</i> )	<u>4,114</u>	<u>–</u>
	<u>5,176</u>	<u>1,799</u>

*Note:* The amount represents the PRC government compensation on land expropriation against a piece of land held by the Group in Guangdong province which was fully written off in previous years.

The compensation of HK\$4,114,000 is included in other receivable as at 31st March, 2013 and HK\$3,702,000 was subsequently received after the end of the reporting period.

## 5. OTHER GAINS AND LOSSES

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Net exchange gain	2,260	6,389
Net gain on deemed disposal of interest in an associate ( <i>Note 9</i> )	165,635	–
Reversal of provisions	<u>3,173</u>	<u>–</u>
	<u>171,068</u>	<u>6,389</u>

## 6. TAXATION

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Current tax:		
Hong Kong Profits Tax	200	250
PRC Enterprise Income Tax	<u>31</u>	<u>33</u>
	<u>231</u>	<u>283</u>
Deferred tax	<u>133</u>	<u>86</u>
	<u><u>364</u></u>	<u><u>369</u></u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

PRC Enterprise Income Tax is calculated at 25% of the estimated assessable profit for both years.

## 7. PROFIT (LOSS) FOR THE YEAR

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Profit (loss) for the year has been arrived at after charging:		
Depreciation of		
– property, plant and equipment	1,482	1,352
– investment property	<u>333</u>	<u>333</u>

## 8. BASIC EARNINGS (LOSS) PER SHARE

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

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Earnings (loss) for the year attributable to owners of the Company for the purposes of basic earnings (loss) per share	<u>244,994</u>	<u>(7,077)</u>
	<b>Number of shares</b>	
	<b>'000</b>	<b>'000</b>
Number of ordinary shares for the purposes of basic earnings (loss) per share	<u>1,957,643</u>	<u>1,957,643</u>

Diluted earnings (loss) per share is not presented as there were no potential ordinary shares in issue for both years.

## 9. INTEREST IN AN ASSOCIATE

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Cost of investment in an associate		
– listed in Hong Kong	295,311	–
– unlisted	–	473,826
Share of post-acquisition profit and other comprehensive income and effect on deemed disposal of interest in an associate	<u>363,951</u>	<u>3,531</u>
	<u><u>659,262</u></u>	<u><u>477,357</u></u>
Market value of interest in an associate		
– listed in Hong Kong	<u><u>1,516,445</u></u>	<u><u>–</u></u>

The financial year end date for the associate is 31st December. For the purpose of applying the equity method of accounting, the audited consolidated financial statements of the associate for the year ended 31st December, 2012 have been used as the Group considers that it is impracticable for the associate to prepare a separate set of audited financial statements as of 31st March, 2013.

Included in the cost of investment in an associate is goodwill of HK\$180,139,000 (2012: HK\$251,701,000) which is the difference between the initial cost of investment and the Group's share of the net value of the associate's identifiable assets and liabilities as at the date of acquisition of the associate. As at 31st March, 2012, the directors conducted a review of the Group's interest in an associate and the recoverable amount of interest in an associate had been determined by estimating the share of present value of the estimated future cash flows expected to be generated by the associate, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment and considered no impairment loss should be recognised.

Included in the associate's identifiable assets and liabilities is intangible assets in relation to incomplete contracts of HK\$Nil (2012: HK\$450,000), determined based on the income-based method, amortised according to the management expectation of realisation of profits of the incomplete contracts over their estimated useful lives of one to two years. The amortisation on intangible assets in relation to incomplete contracts for the year of HK\$450,000 (2012: HK\$42,205,000) has been set off with the share of post-acquisition profit and other comprehensive income.

The Group's shareholdings in the associate was diluted from 45.90% to 32.85% as the associate has issued 102 shares for acquisition of a subsidiary and 287,500,000 shares for Global Offering in June 2012 and March 2013, respectively. As a result, a net gain on deemed disposal of interest in an associate of HK\$165,635,000 was recognised in profit or loss and the relevant accumulated exchange translation reserve of HK\$1,289,000 was reclassified to profit or loss.

During the current year, a dividend of HK\$61,200,000 from pre-acquisition profit was declared by the associate to the Group and was deducted from the cost of investment in an associate.



As at 31st March, 2013 and 2012, the Group had interest in the following associate:

Name of entity	Form of equity	Place/ Country of incorporation	Class of shares held	Proportion of nominal value of issued capital held by the Group		Proportion of voting power held		Principal activity
				2013	2012	2013	2012	
Termbray Petro-king Oilfield Services Limited (formerly known as "Termbray Petro-king Oilfield Services (BVI) Limited")	Incorporated	British Virgin Islands	Ordinary	32.85%	45.90%	32.85%	45.90%	Trading of tools and equipment and provision for oilfield consultancy service

## RESULTS

During the current year under review, the Group achieved a revenue of HK\$8,464,000 and recorded a profit for the year of HK\$244,994,000, compared with the revenue of HK\$5,642,000 and loss for the year of HK\$7,077,000 recorded in last year.

The significant increase in profit for the year is mainly due to the contribution from the share of operation result of Termbray Petro-king Group. For the year from 1st January, 2012 to 31st December, 2012, Termbray Petro-king Group achieved a turnover of HK\$1,106 million, representing an increase of approximately 98%, as compared to that of year ended 31st December, 2011. Such significant growth was attributable to the rapid development of Termbray Petro-king Group's oilfield production enhancement business in the China market and the gaining of new overseas customers for well completion projects in the South America. Moreover, the effect of offset of the share of operating result of Termbray Petro-king Group by the amortization of the intangible assets in relation to incomplete contracts of Termbray Petro-king Group of HK\$450,000 (2012: HK\$42.2 million) is minimal during the year under review.

In addition, the Group recognised a gain of approximately of HK\$166 million from the deemed disposal of interest in Termbray Petro-king Group from 45.44% to 32.85% upon the successful listing of Termbray Petro-king Group on the main board of the Stock Exchange on 6th March, 2013.

## DIVIDENDS

No interim dividend was paid by the Company for the six months ended 30th September, 2012 (2011: HK\$0.06 per share, totally HK\$117.5 million).

The Board does not recommend the payment of a final dividend for the year ended 31st March, 2013 (2012: HK\$0.09 per share, totally HK\$176.2 million).

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 2nd September, 2013 to Friday, 6th September, 2013 (both days inclusive), during which no transfer of shares will be effected. In order to qualify for attendance of annual general meeting, all completed transfer forms accompanied with the relevant share certificates must be lodged with the Company's share registrar, Tricor Standard Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 30th August 2013.

## **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. The commercial arcades is still vacant and the occupancy rate of the residential units has slightly increased compared with last year. The management has put a lot of effort in marketing the properties and is endeavouring to improve the operation of the commercial arcades. The rental income earned by the Group from Ever Success Plaza during the year slightly increased by 7.79%. The Group has sold 6 residential units during the year under review. As at 31st March, 2013, 217 residential units remained to be sold, out of which 134 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. During the current year, Cong Hua Bow Yuen has completed the negotiation with the local authorities and entered into a settlement agreement with the local authorities. Pursuant to the settlement agreement, the Group is entitled to receive a compensation of approximately HK\$4,114,000, which is accounted for in the profit and loss account in current year.

### **Oilfield engineering and consultancy services**

At the beginning of the current financial year, the Group held 45.90% interest in Termbray Petro-king Oilfield Services Limited ("Termbray Petro-king") as an associate through Termbray Natural Resources Limited, a wholly owned subsidiary of the Group.

The Group's interest in Termbray Petro-king has been diluted to 45.44% upon the exchange of newly issued shares of Termbray Petro-king of 1.01% for the additional interest of 5.5% in the shareholding of its jointly controlled entity ("JCE"), which is engaged in the manufacturing and sales of oilfield tools and equipments in Singapore. The JCE becomes a 51% owned subsidiary of Termbray Petro-king since June 2012.

The financial year end date for Termbray Petro-king and its subsidiaries ("Termbray Petro-king Group") is 31st December, 2012. During the year under review, the Group has applied the equity method of accounting for the audited results of Termbray Petro-king Group as an associate from 1st January, 2012 to 31st December, 2012.

For the year from 1st January, 2012 to 31st December, 2012, Termbray Petro-king Group achieved a turnover of HK\$1,106 million, representing an increase of approximately 98%, as compared to that of year ended 31st December 2011. Such significant growth was attributable to the rapid development of Termbray Petro-king Group's oilfield production enhancement business in the China market and the gaining of new overseas customers for well completion projects in the South

America. Termbray Petro-king Group's marketing strategy achieved notable results in 2012. During the year, it strategically scaled down and eventually ceased operations in sanctioned countries, such as Iran and Syria and redeployed resources to the development of the China and South American markets. Revenue from the China and South American markets recorded a remarkable growth in 2012 over that of 2011. Benefitting from the continuous growth in demand for energy of China as a major driver of the global economy, Termbray Petro-king Group's professional and quality high-end oilfield services, especially its outstanding performance in tight gas and shale gas fields services, was well recognised by the market and its customers. As a service provider of high-end oilfield services with in-house capabilities of developing and manufacturing of certain key oilfield services tools and equipments, Termbray Petro-king Group continued to expand its manufacturing and production capacities in Singapore and China and had obtained certificates awarded by the API for a number of its self-developed products. Such strategy provided Termbray Petro-king Group with advantages in terms of cost, availability, quality and reliability of the tools and equipment over competitors lacking in-house manufacturing capabilities. The directors considered that the overall performance of Termbray Petro-king Group for the year under review is satisfactory.

Included in the net fair value of the Group's share of Termbray Petro-king Group's identifiable assets and liabilities is intangible assets in relation to incomplete contracts determined based on the income-based method. Such intangible assets are amortised according to the management expectation of realisation of profits of the incomplete contracts over their estimated useful lives of one to two years since October 2010.

Most of the contracts completed by Termbray Petro-king Group during the current year under review are contracts entered into after October 2010. The effect of offset of the Group's share of operating result of Termbray Petro-king Group by the amortization of the intangible assets in relation to incomplete contracts for the current year under review is minimal. The amortization of the intangible assets is HK\$450,000 for the current year (2012: HK\$42.2 million).

The listing of Termbray Petro-king was approved by The Stock Exchange of Hong Kong Limited ("Stock Exchange") and the shares of Termbray Petro-king (stock code: 2178) was successfully listed on the main board of the Stock Exchange on 6th March, 2013. The Global Offering was completed with the issuance of 250,000,000 shares of Termbray Petro-king under public offer in Hong Kong and international placing at an issue price of HK\$3.28 per share. In addition, the international underwriter has exercised the over-allotment option for 37,500,000 additional Termbray Petro-king shares at HK\$3.28. Upon completion of the exercise of over-allotment option, Termbray Petro-king has an issued share capital at an aggregate of 1,037,500,000 shares. The Group held 32.85% interest in Termbray Petro-king as at 31st March, 2013.

The gross proceeds accruing to Termbray Petro-king upon completion of listing are approximately HK\$943 million. The Group has recognised a gain of approximately HK\$166 million from the deemed disposal of the Group's interest in Termbray Petro-king Group from 45.44% to 32.85%, after considering the Group's share of net asset value of Termbray Petro-king Group prior to the listing of Termbray Petro-king shares and the net asset value of Termbray Petro-king Group upon completion of listing (including the exercise of over-allotment option) of Termbray Petro-king shares.

## **TREASURY INVESTMENT ACTIVITY**

The Group still holds a substantial amount of funds of approximately HK\$361 million which have been placed as short term bank deposits with large financial institutions in Hong Kong.

## OUTLOOK

The global economy has been recovering from the global financial crisis happened in 2008. However, the debt crisis in Europe today has an unpredictable impact on the recovery of global economy. United States and China are experiencing various challenges after the global economic crisis. In United States, the recovery progress of its economy is slower than expected. In China, the 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 continues to play a key role in the future global economic recovery. The Group is confident to capitalising on these opportunities and will grasp every business opportunities available to build up its own distinctive strength and to explore new business in China.

In view of the government policies of China on the development of unconventional gas, the management of Termbray Petro-king Group expected that the Chinese national oil companies (“NOC”) will continue to aggressively pursue overseas exploration and production projects in order to ensure adequate supplies of oil and gas to meet domestic consumption growth. The management of Termbray Petro-king Group expected that the demand for oilfield project services, particularly the production enhancement, will see sustainable growth in the foreseeable future.

It is the business strategy of Termbray Petro-king Group to expand its customer base through diversification. While maintaining its good business relationship with the NOC, Termbray Petro-king Group have also extended its services to international oil companies, such as from Russia and South America and other non-NOC. It is expected that Termbray Petro-king Group’s South American market business will continue to grow and have a significant contribution in 2013.

In addition, the in-house capabilities of developing and manufacturing oilfield services tools and components will further enhance the competitiveness of Termbray Petro-king Group in terms of product quality and technological advancement in the long run.

Following the completion of initial public offering in Hong Kong, Termbray Petro-king Group successfully raised funds for its future business development. Termbray Petro-king Group will speed up the construction of the research and development center and production facilities in Huizhou and target to commence the commercial operation of such facilities in 2014.

The management of Termbray Petro-king Group believe that its technologically leading position in the market, its recognised high-end oilfield service capabilities, and its proven experience in domestic and overseas operations and personnel with international background and strong expertise in the oilfield services industry will put Termbray Petro-king Group in a significantly better position to capture new business opportunities in China and overseas.

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

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 31st March, 2013, the Group remains cash-rich and has no material capital expenditure commitments. The operations are financed by capital and reserves.

Bank balances and cash amounted to approximately HK\$361 million and accounted for 73.6% of total current assets.

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

## **STAFF**

As at 31st March, 2013, the Group employed 39 staff at market remunerations with staff benefits such as insurance, provident fund scheme and 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 in the Corporate Governance Code ("the 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 year ended 31st March, 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 a private act called "The Termbray Industries International (Holdings) Limited Act 1991". Section 4(g) of the said Act provides that: "Notwithstanding anything contained in the Companies Act or rule of law to the contrary, the directors of the Company shall not be required to be elected at each annual general meeting, but shall (save for any chairman or managing director) be subject to retirement by rotation in such manner and at such frequency as the bye-laws may provide." Accordingly, the chairman and managing director of the Company may not be made subject to retirement by rotation. The Company has amended its bye-laws to provide that every director of the Company, other than directors holding the office of chairman or managing director shall be subject to retirement by rotation at least once every 3 years, while directors holding the office of chairman or managing director shall be subject to re-election once every 3 years.

## **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, 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 annual results for the year ended 31st March, 2013.

## **SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31st March, 2013 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 & 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, 21st June, 2013