

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

If you are in any doubt as to any aspect of this circular or as to the action you should take, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Termbray Industries International (Holdings) Limited**, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or to the bank or stockbroker or other agent through whom the sale was effected for transmission to the purchaser.

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities.



TERMBRAY INDUSTRIES INTERNATIONAL (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 0093)

**APPOINTMENT OF CHIEF EXECUTIVE OFFICER
AND
SHARE OPTION AGREEMENT (CONNECTED TRANSACTION)**

Financial Adviser to Termbray Industries International (Holdings) Limited

Piper Jaffray

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**


Optima Capital Limited

A notice convening a special general meeting of the Company to be held at 10:00 a.m., on 22 February 2008, at Flat B, 8th Floor, Waylee Industrial Centre, 30-38 Tsuen King Circuit, Tsuen Wan, New Territories, Hong Kong is set out on pages 29 to 30 of this circular. Whether or not you are able to attend the meeting, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the head office and principal place of business of the Company at Flat B, 8th Floor, Waylee Industrial Centre, 30-38 Tsuen King Circuit, Tsuen Wan, New Territories, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding such meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting should you so wish.

30 January 2008

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	
Introduction	4
Appointment of Chief Executive Officer and the Share Option Agreement	5
Reasons for the entering into of the Service Contract and the Share Option Agreement	8
Special General Meeting	10
Procedures for demanding a poll	10
Recommendation	11
Additional information	11
Letter from the Independent Board Committee	12
Letter from Optima Capital	13
Appendix – General Information	22
Notice of SGM	29

DEFINITIONS

In this circular, the following expressions shall have the following meanings unless the context requires otherwise:

“associate”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Business Day”	a day other than a Saturday or a Sunday on which banks are generally open in Hong Kong for normal business
“Company”	Termbray Industries International (Holdings) Limited, a company incorporated in Bermuda with limited liability and whose Shares are listed on the main board of the Stock Exchange
“Directors”	the directors of the Company
“Effective Date”	the later of (i) the fifth business day immediately following fulfillment of the conditions under the Share Option Agreement (or such other day as may be agreed between the Company and Mr. Wang in writing); and (ii) the first day on which Mr. Wang reports duty to the Company pursuant to the Service Contract
“ESOP”	the scheme approved in the general meeting held on 18 August 2006 by the Shareholders for the issue or grant to officers and/or employees of the Company and/or any subsidiary of Shares or options to subscribe for Shares
“Exercise Date”	means any business day falling during the Option Period on which the Option is duly exercised before the close of business on such day by delivery of an exercise notice to the Company, where appropriate, together with a remittance for the aggregate amount of the moneys payable by Mr. Wang to the Company upon the exercise of the Option in accordance with the Share Option Agreement provided that if an exercise notice is served during a period when the register of holders of Shares is closed the “Exercise Date” shall be the next business day on which the register of holders of Shares is open
“Exercise Price”	initial price of HK\$1.20 per Share or such adjusted price as may for the time being be applicable under the Share Option Agreement

DEFINITIONS

“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company, consisting of independent non-executive Directors, to advise the Independent Shareholders in respect of the Share Option Agreement and the transactions and matters contemplated thereunder
“Independent Financial Adviser” or “Optima Capital”	Optima Capital Limited, a corporation licensed to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO, the independent financial adviser to the Independent Board Committee and the Independent Shareholders
“Independent Shareholders”	the Shareholders other than Mr. Wang and his associates
“King Shine”	King Shine Group Limited, a company incorporated in the British Virgin Islands indirectly holding 49% interests in Petro-king PRC and Petro-king HK, both non wholly-owned subsidiaries of the Company
“Latest Practicable Date”	28 January 2008, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Wang”	Mr. Wang Jinlong, the Director
“Option”	the right to subscribe for the Option Shares at HK\$1.20 per Share (subject to adjustment)
“Option Period”	the period from the Effective Date to the third anniversary of the Effective Date (both dates inclusive)
“Option Shares”	20,000,000 new Shares issuable upon the exercise of the Option pursuant to the Share Option Agreement
“Petro-king HK”	Petro-king International Co., Limited, a company incorporated in Hong Kong

DEFINITIONS

“Petro-king PRC”	深圳市百勤石油技術有限公司 (Petro-king Oilfield Technology Limited), a company established in the PRC
“PRC”	People’s Republic of China
“Service Contract”	the service contract dated 14 January 2008 entered into between the Company and Mr. Wang, whereby the Company has agreed to employ Mr. Wang and Mr. Wang has agreed to serve the Company as chief executive officer of the Company subject to the fulfilment of certain conditions precedent
“SGM”	a special general meeting of the Company to be held to consider the ordinary resolution(s) to be proposed to approve the Share Option Agreement and the transactions and matters contemplated thereunder
“Share(s)”	ordinary share(s) of HK\$0.08 each in the share capital of the Company
“Share Option Agreement”	an agreement dated 14 January 2008 entered into between the Company and Mr. Wang relating to the Option
“Shareholders”	holders of the Share(s) from time to time
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“U. S.”	the United States of America
“%”	per cent.

LETTER FROM THE BOARD



TERMBRAY INDUSTRIES INTERNATIONAL (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 0093)

Directors:

Executive Directors:

Lee Lap (*Chairman & CEO*)

Leung Lai Ping

Tommy Lee (*Vice Chairman*)

Wong Shiu Kee

Wang Jinlong

Independent Non-executive Directors:

Dr. The Hon. Lee Tung Hai, Leo,

G.B.M., G.B.S., LL.D., J.P.

Chan Siu Kang

Lo Yiu Hee

Non-executive Director:

Lee Ka Sze, Carmelo

Registered office:

Clarendon House

Church Street

Hamilton HM11

Bermuda

**Head office and principal place
of business:**

Flat B, 8th Floor

Waylee Industrial Centre

30-38 Tsuen King Circuit

Tsuen Wan

New Territories

Hong Kong

30 January 2008

To the Shareholders

Dear Sir or Madam,

APPOINTMENT OF CHIEF EXECUTIVE OFFICER AND SHARE OPTION AGREEMENT (CONNECTED TRANSACTION)

INTRODUCTION

As set out in an announcement of the Company dated 14 January 2008, the Board announced that on 14 January 2008, the conditional Service Contract and the Share Option Agreement have been entered into between the Company and Mr. Wang. Pursuant to the Service Contract, the appointment of Mr. Wang as chief executive officer of the Company will be effective from the date on which Mr. Wang reports to duty which shall be a date within 15 Business Days from the date on which the Share Option Agreement becoming unconditional for a term of three years. Pursuant to the Share Option Agreement, the Company will grant to Mr. Wang the right to subscribe for 20,000,000 new Shares at HK\$1.20 per Share (subject to adjustment) on the Exercise Date.

LETTER FROM THE BOARD

The Independent Board Committee comprising all the independent non-executive Directors, namely, Dr. The Hon. Lee Tung Hai, Leo, G.B.M., G.B.S., LL.D., J.P., Mr. Chan Siu Kang and Mr. Lo Yiu Hee, has been established to consider and to advise the Independent Shareholders in relation to the Share Option Agreement and the transactions and matters contemplated thereunder. Optima Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

The purpose of this circular is to provide you, among other things, (i) further details of the Share Option Agreement; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Share Option Agreement and the transactions and matters contemplated thereunder; (iii) a letter of advice from Optima Capital to the Independent Board Committee and the Independent Shareholders on the Share Option Agreement and the transactions and matters contemplated thereunder; and (iv) a notice of SGM for the purposes of approving the Share Option Agreement and the transactions and matters contemplated thereunder by the Independent Shareholders.

APPOINTMENT OF CHIEF EXECUTIVE OFFICER AND THE SHARE OPTION AGREEMENT

Service Contract

Date

14 January 2008

Parties

- (a) The Company
- (b) Mr. Wang

Principal terms

The appointment of Mr. Wang as the chief executive officer of the Company is conditional upon the Share Option Agreement becoming unconditional and Mr. Wang reporting to duty within 15 Business Days from the date on which the Share Option Agreement becoming unconditional. Such appointment will be effective from the date Mr. Wang reports to duty which shall be a date within 15 Business Days from the date the Share Option Agreement becoming unconditional for a term of three years. Upon such appointment, Mr. Wang:

- (i) will be responsible for the decision making and day-to-day management of the Group;
- (ii) shall not be the director or consultant of any companies other than the Group, Petro-king HK, Petro-king PRC and King Shine;

LETTER FROM THE BOARD

- (iii) shall not be directly or indirectly engaged in or concerned with or interested in any business other than through the Group, Petro-king HK, Petro-king PRC and King Shine (through the holding of shares in Termbray Oilfield Services (BVI) Ltd.) which is in any respect in competition with or similar to the business as conducted by the Group, in particular oilfield related business;
- (iv) will be entitled to receive from the Company an annual remuneration of HK\$1,200,000 per annum and it is agreed that the annual remuneration payable by the Company aforesaid shall represent the total remuneration receivable by Mr. Wang for all positions held with all members of the Group which shall include the remuneration receivable by Mr. Wang pursuant to his service contracts with Petro-king HK and Petro-king PRC respectively; and
- (v) will be granted 17,000,000 share option under the ESOP.

The grant of share option to Mr. Wang under the ESOP will be in compliance with Rule 17.04 of the Listing Rules.

Share Option Agreement

Date

14 January 2008

Parties

- (a) The Company
- (b) Mr. Wang

Subject of the transaction

The Company conditionally agreed to grant to Mr. Wang the Option on the Exercise Date. Upon the exercise of the Option, 20,000,000 Option Shares will be issued, representing (i) about 1.0% of the existing share capital of the Company as at the date of this circular; and (ii) about 1.0% of the issued share capital of the Company as enlarged by the issue of the Option Shares upon the exercise of the Option.

An application will be made to the Stock Exchange by the Company for the listing of, and permission to deal in, the new Shares to be issued upon the exercise of the rights under the Option.

Consideration

HK\$1.00 payable by Mr. Wang to the Company

LETTER FROM THE BOARD

Exercise Price

HK\$1.20 per Share (subject to adjustments) which was determined on an arm's length basis between the Company and Mr. Wang with reference to the net asset value of the Company as at 30 September 2007. The Exercise Price represents:

- (i) a discount of approximately 25.5% to the closing price of HK\$1.61 per Share as quoted on the Stock Exchange on 11 January 2008, being the last full trading day prior to the date of the Share Option Agreement;
- (ii) a discount of approximately 25.0% to the average of the closing prices of approximately HK\$1.60 per Share in the last five consecutive trading days as quoted on the Stock Exchange prior to and including the date of the Share Option Agreement;
- (iii) a discount of approximately 25.0% to the average of the closing prices of approximately HK\$1.60 per Share in the last ten consecutive trading days as quoted on the Stock Exchange prior to and including the date of the Share Option Agreement;
- (iv) a discount of approximately 12.4% to the closing price of HK\$1.37 per Share as at the Latest Practicable Date; and
- (v) a premium of approximately 147.9% over the unaudited consolidated net assets value attributable to equity holders of the Company of about HK\$0.484 per Share as at 30 September 2007.

The Exercise Price is subject to anti-dilutive adjustments, including consolidation or subdivision of the Shares, capitalization issue, rights issue, issue of new Shares at a price lower than the Exercise Price or capital distribution, and other dilutive events, which may or may not occur at any time from the date of the Share Option Agreement.

The overriding principle as set out in the Stock Exchange's letter dated 5 September 2005 is that no adjustment to the exercise price or number of shares should be to the advantage of the share option scheme participants without prior shareholders' approval. The adjustment will be made to the conversion price if and only if in the event of, among other things, sub-division or consolidation of Shares, bonus issues, rights issues and other dilutive events. Nevertheless, the Directors believe that the adjustment considerations set out in the Share Option Agreement are in general accord with the overriding principle.

Exercise Period

On the condition that Mr. Wang shall continue to provide services to the Company as chief executive officer of the Company under the Service Contract, during the Option Period, Mr. Wang is entitled to:

- (a) exercise the Option to subscribe for one-half of the Option Shares at any time during the period commencing on the Effective Date until the third anniversary of the Effective Date (both dates inclusive); and

LETTER FROM THE BOARD

- (b) exercise the Option to subscribe for the remaining one-half of the Option Shares at any time during the period commencing on the first anniversary of the Effective Date until the third anniversary of the Effective Date (both dates inclusive).

Conditions precedent of the Share Option Agreement

The Share Option Agreement is conditional upon:

- (a) the approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Option Shares upon the exercise of the Option;
- (b) the approval by the Independent Shareholders of the issue of the Option, together with the issue of the Option Shares upon the exercise of the Option; and
- (c) if so required, the Bermuda Monetary Authority shall have approved the issue of the Option, together with the issue of the Option Shares upon the exercise of the Option.

In the event of the conditions precedent not being fulfilled by 30 June 2008 (or such later date as the Company and Mr. Wang may agree), the Share Option Agreement and the Option granted thereunder shall thereupon forthwith cease, determine and lapse and neither party shall have any claim against the other.

Other information

On 14 January 2008, an agreement has been entered into between Mr. Lee Lap, the Chairman of the Company, and Mr. Wang, pursuant to which Mr. Lee Lap agreed, conditional on the Service Contract becoming unconditional, to provide Mr. Wang with an apartment ("Apartment") in Hong Kong at no charge for a period of three years during Mr. Wang's employment with the Company as chief executive officer. Mr. Lee Lap also agreed to pay for the related rates, management fees and utilities related to the Apartment during such period of time. Upon completion of the Service Contract, Mr. Lee Lap agreed to transfer the title of the Apartment to Mr. Wang as a gift.

REASONS FOR THE ENTERING INTO OF THE SERVICE CONTRACT AND THE SHARE OPTION AGREEMENT

Mr. Wang has been appointed as Director with effect from 31 December 2007 upon completion of the acquisition of Petro-king HK by the Company which took place on 31 December 2007. He is also the director of a number of non wholly-owned subsidiaries of the Company, namely Petro-king PRC, Petro-king HK, Termbray Oilfield Services Limited and Termbray Oilfield Services (BVI) Ltd. Save as disclosed, Mr. Wang does not hold any other positions in the Company or any of its subsidiaries and did not hold any other major appointments or qualifications and has not held any directorships in any other listed public companies in the last three years preceding the date of this circular.

LETTER FROM THE BOARD

Mr. Wang, aged 42, holds a bachelor degree in petroleum engineering from Southwest Petroleum Institute, the PRC. He is the executive director and general manager of Petro-king PRC since May 2003 and the director of Petro-king HK since July 2003. Mr. Wang has over 20 years of working experience in the oilfield exploration industry. Mr. Wang worked for the 5th Drilling Company of Ministry of Geology and Mineral Resources of PRC (“MGMR”) (中國地質礦產部) during the period from June 1986 to July 1994 and was the senior engineer before he left the company. He was transferred to work as the project drilling engineer for the UNDP058 project of the United Nations and MGMR during the period from February 1991 to January 1993. During the period from August 1994 to May 2003, he worked for Phillips China Inc., an integrated oil and gas company headquartered in the U.S., and his last position held therewith was senior drilling/production engineer.

Mr. Wang does not have any relationship with any other Directors, senior management or substantial or controlling shareholders of the Company as defined in the Listing Rules.

As at the date of this circular, King Shine, which is beneficially owned by Mr. Wang as to 56.54%, is the holder of the convertible notes issued by the Company on 31 December 2007 in an aggregate principal amount of HK\$133,692,000 (“Convertible Notes”) pursuant to which King Shine is entitled to convert into an aggregate of 111,410,000 new Shares upon exercise of the conversion rights under the Convertible Notes from 1 July 2009 up to the third anniversary of the date of the issue of the Convertible Note. Save for the aforesaid, Mr. Wang was not interested in any Shares within the meaning of Part XV of the SFO.

Save as disclosed above, there are no other matters relating to the appointment of Mr. Wang that need to be brought to the attention of the Shareholders and there is no other information which is required to be disclosed pursuant to paragraphs (h) to (v) of Rule 13.51(2) of the Listing Rules.

The Group is principally engaged in property development and property investment. The Directors believe that the natural resources sector offers significant development potential and has been considering opportunities in this sector. Apart from substantial capital investment, the expansion into the natural resources sector requires expertise in this respect. Given that Mr. Wang has substantial experience in the oil and gas sector, the Directors believe that the appointment of Mr. Wang as the chief executive officer of the Company would assist the Group’s further development in its natural resources business.

The Board considers that the appointment of Mr. Wang to be the chief executive officer of the Company (including the entering into of the Share Option Agreement) is on normal commercial terms and the terms of the Share Option Agreement (including the basis of the consideration), which are determined on an arm’s length basis and with reference to the net asset value of the Group, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

SPECIAL GENERAL MEETING

Since Mr. Wang is a connected person of the Company, the entering into of the Share Option Agreement constitutes a connected transaction of the Company under Rule 14A.13 of the Listing Rules. The Share Option Agreement is therefore subject to the approval of the Independent Shareholders at the SGM and by way of poll. Mr. Wang and his associates are required to abstain from voting in respect of the proposed resolution to approve the Share Option Agreement and the transactions and matters contemplated thereunder. As at the Latest Practicable Date, Mr. Wang and his associates hold no Share and therefore, as at the Latest Practicable Date, no Shareholder is required to abstain from voting in respect of the proposed resolution to approve the Share Option Agreement and the transactions and matters contemplated thereunder.

The SGM will be held at Flat B, 8th Floor, Waylee Industrial Centre, 30–38 Tsuen King Circuit, Tsuen Wan, New Territories, Hong Kong at 10:00 a.m. on 22 February 2008 to consider and, if thought fit, approve, among other matters, the Share Option Agreement and the transactions and matters contemplated thereunder.

A notice convening the SGM is set out in pages 29 to 30 of this circular. Whether or not you are able to attend the meeting, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the head office and principal place of business of the Company at Flat B, 8th Floor, Waylee Industrial Centre, 30–38 Tsuen King Circuit, Tsuen Wan, New Territories, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding such meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM should you so wish.

The Independent Board Committee has been constituted to make recommendation to the Independent Shareholders in respect of the resolution(s) to approve the Share Option Agreement and the transactions and matters contemplated thereunder. Optima Capital has been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the Share Option Agreement is fair and reasonable so far as the Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

PROCEDURES FOR DEMANDING A POLL

Pursuant to Bye-law 66 of the Bye-laws and the Listing Rules, a resolution put to the vote of a meeting shall be decided on a show of hands unless a poll is required by the Listing Rules or is demanded (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) by:

- (a) the chairman of such meeting; or
- (b) at least three Shareholders present in person (or in the case of a Shareholder being a corporation by its duly authorised representative) or by proxy for the time being entitled to vote at the meeting; or

LETTER FROM THE BOARD

- (c) a Shareholder or Shareholders present in person (or in the case of a Shareholder being a corporation by its duly authorised representative) or by proxy and representing not less than one-tenth of the total voting rights of all Shareholders having the right to vote at the meeting; or
- (d) a Shareholder or Shareholders present in person (or in the case of a Shareholder being a corporation by its duly authorised representative) or by proxy and holding Shares in the Company conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all Shares conferring that right; or
- (e) if required by the Listing Rules, any Director or Directors who, individually or collectively, hold proxies in respect of Shares representing five per cent (5%) or more of the total voting right at such meeting provided that a meeting votes (on a show of hands) in the opposite manner to that instructed in those proxies.

A demand by a person as proxy for a Shareholder or in the case of a Shareholder being a corporation by its duly authorised representative shall be deemed to be the same as a demand by a Shareholder.

RECOMMENDATION

The Independent Board Committee, having taken into account the advice of Optima Capital, the independent financial adviser, considers that the terms of the Share Option Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve, if thought fit, the Share Option Agreement and the transactions and matters contemplated thereunder.

The Board considers that the terms of the Share Option Agreement and the transactions and matters contemplated thereunder are fair and reasonable so far as the Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board also recommends the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM.

ADDITIONAL INFORMATION

Your attention is drawn to the letters from the Independent Board Committee and the Independent Financial Adviser which are respectively set out on page 12 and pages 13 to 21 of this circular and the additional information set out in the Appendix to this circular.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



TERMBRAY INDUSTRIES INTERNATIONAL (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 0093)

30 January 2008

To the Independent Shareholders

Dear Sir or Madam,

**APPOINTMENT OF CHIEF EXECUTIVE OFFICER
AND
SHARE OPTION AGREEMENT (CONNECTED TRANSACTION)**

We refer to the circular (the "Circular") dated 30 January 2008 issued by the Company of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless specified otherwise.

The Independent Board Committee has been formed to advise the Independent Shareholders in respect of the Share Option Agreement and the transactions and matters contemplated thereunder, details of which are set out in the letter from the Board in the Circular. Optima Capital has been appointed as the Independent Financial Adviser to advise us in this respect. Your attention is drawn to the letter from the Board as set out on pages 4 to 11 of the Circular and the letter of advice from Optima Capital as set out in pages 13 to 21 of the Circular.

The Independent Board Committee, having taken into account the factors and reasons considered by Optima Capital regarding the Share Option Agreement and its conclusion and advice, considers the terms of the Share Option Agreement and the transactions and matters contemplated thereunder to be fair and reasonable so far as the Company and the Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. On this basis, we recommend the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the SGM to approve the Share Option Agreement and the transactions and matters contemplated thereunder.

Yours faithfully,
for and on behalf of the

Independent Board Committee

**Dr. The Hon
Lee Tung Hai, Leo**

Chan Siu Kang

Lo Yiu Hee

G.B.M., G.B.S., LL.D., J.P.

Independent non-executive Directors

LETTER FROM OPTIMA CAPITAL

The following is the text of a letter of advice from Optima Capital to the Independent Board Committee and the Independent Shareholders prepared for incorporation in this Circular.



Unit 3618, 36th Floor
Bank of America Tower
12 Harcourt Road
Central, Hong Kong

30 January 2008

*To the Independent Board Committee and the Independent Shareholders of
Termbray Industries International (Holdings) Limited*

Dear Sirs,

APPOINTMENT OF CHIEF EXECUTIVE OFFICER AND SHARE OPTION AGREEMENT (CONNECTED TRANSACTION)

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Share Option Agreement and the transactions and matters contemplated thereunder, details of which are set out in the circular of the Company dated 30 January 2008 (the “**Circular**”) to the Shareholders of which this letter forms part. Capitalized terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 14 January 2008, the Board announced that the Company has entered into the Share Option Agreement with Mr. Wang pursuant to which the Company agreed to grant Mr. Wang the right to subscribe for 20,000,000 new Shares at HK\$1.20 per Share (subject to adjustment) on the Exercise Date.

Since Mr. Wang is a Director and thus a connected person of the Company, the entering into of the Share Option Agreement constitutes a connected transaction of the Company under Rule 14A.13 of the Listing Rules. The Share Option Agreement is therefore subject to the approval of the Independent Shareholders at the SGM by way of poll. Mr. Wang and his associates are required to abstain from voting in respect of the proposed resolution to approve the Share Option Agreement and the transactions and matters contemplated thereunder. As at the Latest Practicable Date, Mr. Wang and his associates hold no Share and therefore, as at the Latest Practicable Date, no Shareholder is required to abstain from voting in respect of the proposed resolution to approve the Share Option Agreement and the transactions and matters contemplated thereunder.

LETTER FROM OPTIMA CAPITAL

The Independent Board Committee comprising Dr. The Hon. Lee Tung Hai, Leo, *G.B.M., G.B.S., LL.D., J.P.*, Mr. Chan Siu Kang and Mr. Lo Yiu Hee, all being independent non-executive Directors, has been formed to advise the Independent Shareholders whether the Share Option Agreement and the transactions and matters contemplated thereunder are fair and reasonable so far the Company and the Shareholders are concerned and as to whether the Share Option Agreement and the transactions and matters contemplated thereunder are in the interests of the Company and the Shareholders as a whole. In our capacity as the independent financial adviser to the Independent Board Committee and the Independent Shareholders, our role is to provide the Independent Board Committee and Independent Shareholders with an independent opinion and recommendation in this regard.

In formulating our recommendation, we have relied on the information and facts contained or referred to in the Circular and supplied to us by the Company, and the opinion expressed by and the representations of the Directors and management of the Company. We have assumed that all the information and representations provided to us or contained or referred to in the Circular were true, accurate and complete in all respects at the time they were made and continue to be so up to the date of the SGM and may be relied upon. We have also assumed that all opinions made by the Directors in the Circular were made reasonably after due and careful enquiry and were based on honestly-held opinion. We have also relied on the responsibility statement set out in the Appendix to the Circular that the Directors collectively and individually accept full responsibility for the accuracy of the information contained in the Circular. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors. We have also been advised by the Directors and believe that no material facts have been omitted from the information provided and referred to in the Circular misleading.

We have reviewed currently available information and documents, which are available under the present circumstances, and have performed all reasonable steps to enable us to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. We have no reason to suspect that any relevant information or reports have been withheld, nor are we aware of any facts or circumstances which would render the information provided and the representations made to us to be untrue, inaccurate or misleading. We have not, however, carried out an independent verification of the information provided, nor have we conducted an independent investigation into the personal profile of Mr. Wang and the business, affairs, operations, financial position or future prospects of the Company and any of its respective subsidiaries or associates.

LETTER FROM OPTIMA CAPITAL

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation regarding the Share Option Agreement and the transactions and matters contemplated thereunder, we have taken into consideration the following principal factors and reasons:

1. Background of and reasons for the Share Option Agreement

The Group is principally engaged in property development and property investment.

We note from the latest published interim report of the Company for the six months ended 30 September 2007 (“2007 Interim Report”) that the Group’s ongoing strategy is to gain a foothold and develop in the natural resources sector by way of exploring different kinds of investment opportunities. The Group remains cautiously optimistic about the year ahead in respect of diversification of business into natural resources sector and will continue to seek investment opportunities in the sector.

As stated in the announcement of the Company dated 15 October 2007, the Group acquired Petro-king HK and Petro-king PRC (together with their respective subsidiaries and associated companies, if any, the “Petro-king Group”). The Group considers that the experience of the Petro-king Group in oilfield related engineering and consultancy services would grant the Group the expertise required to expand and be successful in the oil sector. The Company believes that the Petro-king Group will have a significant growth potential and would be a significant profit contributor to the Group in the future.

We note from the 2007 Interim Report that the Group plans to diversify its business into natural resources sector besides its core business. Since the natural resources sector is a new business scope to the Company, the Directors consider that apart from substantial capital investment, the expansion into the natural resources sector requires expertise in the area. Given that Mr. Wang has substantial experience in the oil and gas sector, the Directors believe that the appointment of Mr. Wang as the chief executive officer of the Company would assist the Group’s further development in its natural resources business.

As referred to in the letter from the Board contained in the Circular (the “Letter from the Board”), Mr. Wang has been appointed as Director with effect from 31 December 2007 upon completion of the acquisition of Petro-king HK by the Company which took place on 31 December 2007. He is also the director of a number of non wholly-owned subsidiaries of the Company, namely Petro-king HK, Petro-king PRC, Termbray Oilfield Services Limited and Termbray Oilfield Services (BVI) Ltd. The Board intends to grant the Option, subject to the conditions precedent of the Share Option Agreement, to Mr. Wang as part of the incentive scheme to motivate him to strive for the future development and expansion of the Group.

LETTER FROM OPTIMA CAPITAL

We have reviewed the information furnished by the Company regarding the background and working experiences of Mr. Wang and note that Mr. Wang graduated from the Southwest Petroleum Institute, the PRC in 1986 with a bachelor degree in petroleum engineering and had over 20 years working experience in the oilfield exploration industry. He has over 8 years working experience in the 5th Drilling Company of MGMR and has participated in many key projects, including but not limited to ultra-deep well drilling, drilling program design, cost control and contract management, in particular, the UNDP058 project aiming at improving petroleum drilling operation in China. In 1994, Mr. Wang worked for Phillips China Inc., an integrated oil and gas company headquartered in the U.S., and had the opportunities to get involved in the management work such as drilling planning, drilling and completion cost estimate, drilling and completion concept design and completion method selection and evolution during the period. Through working for Phillips China Inc., Mr. Wang gained extensive field experience about onshore/offshore drilling, completion, production, technology and cost management as per international standard petroleum industry.

As mentioned in the Letter from the Board, the granting of the Option to Mr. Wang pursuant to the Share Option Agreement is one of the conditions precedent of the Service Contract. The appointment of Mr. Wang as the chief executive officer of the Company will be effective from the date Mr. Wang reports to duty which shall be a date within 15 Business Days from the date the Share Option Agreement becoming unconditional for a term of three years.

The Company will mainly rely on the expertise of Mr. Wang in managing the investment projects in the oil and gas sector. The Directors believe the expertise of Mr. Wang in oilfield related engineering and consultancy service would be crucial for the Group to expand and be successful in the oil sector. We understand from the Company that Mr. Wang has extensive working experience in the oilfield industry and is a key member of the management team of the Company. It will be in the interests of the Company to be able to continue to capitalize on the expertise, experience and knowledge of Mr. Wang in the future development of the Group. We concur with the view of the Directors that it is important for the Company to retain and motivate Mr. Wang, who is one of the key persons to the development of the Company, by appointing Mr. Wang as chief executive officer of the Company and entering into of the Share Option Agreement.

LETTER FROM OPTIMA CAPITAL

2. Principal terms of the Share Option Agreement

The Company conditionally agreed to grant Mr. Wang the right to subscribe for 20,000,000 new Shares at HK\$1.20 per Share (subject to adjustment) on the Exercise Date. The Exercise Price was determined on an arm's length basis between the Company and Mr. Wang with reference to the net assets value of the Company as at 30 September 2007.

Having considered that the Company principally engaged in property development and property investment, which is an asset-based business, we are of the view that the basis for determining the Exercise Price with reference to the net assets value of Company is fair and reasonable.

Exercise Price

The Exercise Price represents:

- (i) a discount of approximately 25.5% to the closing price of HK\$1.61 per Share as quoted on the Stock Exchange on 11 January 2008, being the last full trading date prior to the date of the Share Option Agreement;
- (ii) a discount of approximately 25.0% to the average closing prices of approximately HK\$1.60 per Share in the last five consecutive trading days as quoted on the Stock Exchange prior to and including the date of the Share Option Agreement;
- (iii) a discount of approximately 25.0% to the average closing price of approximately HK\$1.60 per Share in the last ten consecutive trading days as quoted on the Stock Exchange prior to and including the date of the Share Option Agreement;
- (iv) a discount of approximately 12.4% to the closing price of HK\$1.37 per Share as at the Latest Practicable Date; and
- (v) a premium of approximately 147.9% over the unaudited consolidated net assets value attributable to equity holders of the Company of about HK\$0.484 per Share as at 30 September 2007.

In order to assess the fairness and reasonableness of the Exercise Price, we compared the Exercise Price with reference to the (i) recent price performance of the Shares; (ii) issue price of subscription shares under the share subscription agreement dated 3 September 2007 entered into by the Company, details of which are referred to in the circular of the Company dated 12 December 2007 (the "Subscription"); and

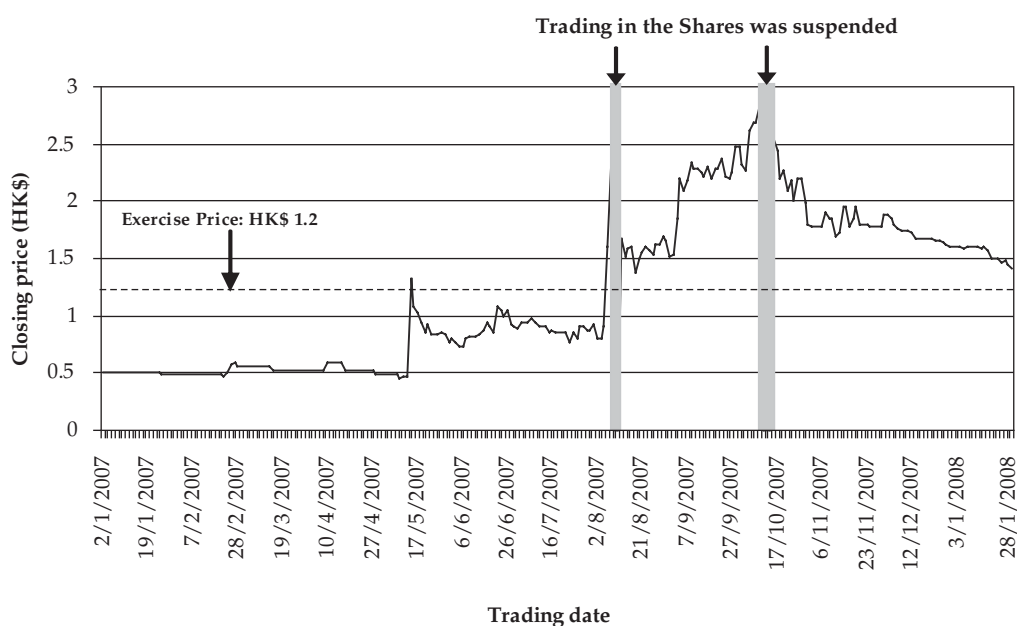
LETTER FROM OPTIMA CAPITAL

(iii) net assets value per Share as at 30 September 2007, being the period end date for the latest published accounts of the Company, as following:

(i) Reference to recent price performance of the Shares

The chart below shows the daily closing prices of the Shares from 2 January 2007 to the Latest Practicable Date (the “Review Period”) as quoted on the Stock Exchange:

Price performance during the Review Period



During the Review Period, the closing price of the Shares ranged from HK\$0.445 to HK\$2.83.

On 7 August 2007, the Company announced that it was in discussion with independent third parties regarding potential natural resources investments. Subsequently, the Company announced on 10 August 2007 that, among others, it entered into an option agreement dated 8 August 2007 in relation to the possible acquisition of potential oil assets. The closing price was surged from HK\$0.91 per Share on 6 August 2007 to HK\$1.6 per Share on 7 August 2007, then to HK\$2.41 per Share on 8 August 2007. The Shares continue to close above the Exercise Price since then and on the Latest Practicable Date, the closing price of the Shares was HK\$1.37 per Share.

As reference to the chart above, the Exercise Price represents (i) a premium to the closing prices of the Shares during most of the time in the Review Period before 7 August 2007 and (ii) a discount to the closing prices of the Shares during the time in the Review Period since 7 August 2007, being the date on which the Company first announced its intention to explore potential natural resources investment.

LETTER FROM OPTIMA CAPITAL

As mentioned above, the principal purpose of granting the Option is to motivate Mr. Wang instead of fund raising. It is reasonable to grant the Option to Mr. Wang at the Exercise Price with a discount to the recent market price of the Shares. We concur with the view of the Company that the discount factor is one of the essential aspects of granting the Option under the Share Option Agreement in order to achieve the effect of retaining and motivating Mr. Wang to strive for the future development of the Group.

(ii) Reference to the issue price of the Subscription

On 3 September 2007, the Company entered into the share subscription agreement with the subscriber pursuant to which the subscriber has agreed to subscribe for 233,000,000 new Shares at a price of HK\$1.20 per Share. The issue price of the Subscription was agreed after arm's length negotiations with reference to the net assets value of the Company as at 31 March 2007. The Subscription was approved by independent Shareholders at the special general meeting of the Company held on 28 December 2007 and was completed on 7 January 2008. We consider that the issue price of the Subscription can be referred to as the recent transaction price of the Company, and the Exercise Price is the same as the issue price of the Subscription.

(iii) Reference to the net assets value

The Exercise Price represents a substantial premium of approximately 151.6% and approximately 147.9% over the audited consolidated net assets value per Share of approximately HK\$0.477 as at 31 March 2007 and the unaudited consolidated net assets value per Share of approximately HK\$0.484 as at 30 September 2007 respectively.

In addition, pursuant to the Share Option Agreement, the Exercise Price is subject to anti-dilutive adjustments, including any consolidation or sub-division of Shares, capitalization issue, rights issue, issue of new Shares at a price lower than the Exercise Price or capital distribution, and other dilutive events, which may or may not occur at any time from the date of the Share Option Agreement. The Directors believe that the adjustment mechanism as set out in the Share Option Agreement is in general accord with the overriding principle, details of which are set out in the Stock Exchange's letter dated 5 September 2005.

Having considered that the Exercise Price (i) represents a discount to the recent market price of the Shares, and that the discount factor is one of the essential aspects of granting the Option under the Share Option Agreement to motivate and retain Mr. Wang; (ii) is the same as the issue price of the Subscription, which can be referred to as the recent transaction price of the Company; and (iii) represents a substantial premium over the audited consolidated net assets value of the Company as at 31 March 2007 and the unaudited consolidated net assets value of the Company as at 30 September 2007, we are of the view that the Exercise Price is fair and reasonable.

LETTER FROM OPTIMA CAPITAL

Exercise Period

Mr. Wang is entitled to:

- (a) exercise the Option to subscribe for one-half of the Option Shares at any time during the period commencing on the Effective Date until the third anniversary of the Effective Date (both dates inclusive); and
- (b) exercise the Option to subscribe for the remaining one-half of the Option Shares at any time during the period commencing on the first anniversary of the Effective Date until the third anniversary of the Effective Date (both dates inclusive);

on the condition that Mr. Wang shall continue to provide services to the Company as chief executive officer of the Company under the Service Contract, during the Option Period.

As referred to in the Letter from the Board, Mr. Wang will be responsible for the decision making and day-to-day management of the Group and is one of the key driver of the Group's performance. The Company considers that granting the Option to Mr. Wang help tying the interests of Mr. Wang in line with those of the Group. Given that the Option will only be exercised when Mr. Wang is still employed by the Group under the Service Contract, we consider that the Exercise Period is fair and reasonable.

Taking into account the factors stated above in this paragraph, we are of the view that the terms of the Share Option Agreement (including the basis of the consideration) and the transactions and matters contemplated thereunder are on normal commercial term, and fair and reasonable so far as the Company and the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

3. Potential dilution effect on the existing shareholdings

Pursuant to the Share Option Agreement, 20,000,000 Option Shares will be issued upon the exercise of the Option, which represents approximately 1.0% of the existing share capital of the Company as at the Latest Practicable Date and approximately 1.0% of the issued share capital of the Company as enlarged by the issue of the Option Shares upon the exercise of the Option.

We consider that the effect on the percentage shareholding of existing Shareholders in the Company as a result of the issue of Option Shares under the Share Option Agreement is minimal and thus acceptable given the reasons for and benefits of the Share Option Agreement as mentioned above in the paragraph headed "Background of and reasons for the Share Option Agreement".

LETTER FROM OPTIMA CAPITAL

RECOMMENDATION

Having taken into account the above principal factors and reasons, in particular that,

- (i) the business strategy of the Group in the year ahead and the plan to diversify its business into natural resources sector;
- (ii) Mr. Wang possesses substantial experience in the oilfield exploration industry and the expertise of Mr. Wang in oilfield related engineering and consultancy service would be beneficial to the Group to expand in the oil sector;
- (iii) the Option serves as an incentive to motivate Mr. Wang to strive for the future development and expansion of the Group and that the appointment of Mr. Wang under the Service Contract will be conditional upon the Share Option Agreement becoming unconditional;
- (iv) the terms of the Share Option Agreement, including but not limited to the Exercise Price and the Exercise Period, being fair and reasonable to the Shareholders; and
- (v) the potential dilution effect on the existing shareholdings upon the exercise of the Option to be minimal and acceptable,

we are of the opinion that the terms of the Share Option Agreement and the transactions and matters contemplated thereunder are (i) on normal commercial terms, though not in the ordinary and usual course of business of the Company; and (ii) fair and reasonable so far as the Company and the Independent Shareholders are concerned; and the entering into of the Share Option Agreement is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders and also recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Share Option Agreement and the transactions and matters contemplated thereunder.

Yours faithfully,
For and on behalf of
Optima Capital Limited
Gary Mui
Executive Director
Head of Corporate Finance

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of each Directors and the chief executive of the Company in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required to be entered in the register maintained by the Company pursuant to section 352 of the SFO; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as contained in the Listing Rules, were as follows:

(1) Long positions and short position in Shares, underlying Shares and debentures

Name of directors	Long position/(Short position)				Total	Type of securities	Percentage of total issued shares
	Personal interest	Family interest	Corporate interest	Other interest			
Mr. Lee Lap	-	-	-	1,252,752,780 (Note 1)	1,252,752,780	Shares	63.99%
Mdm. Leung Lai Ping	-	-	-	1,252,752,780 (Note 1)	1,252,752,780	Shares	63.99%
Mr. Wang	-	-	HK\$133,692,000 (Note 2)	-	HK\$133,692,000	Debentures	-
	-	-	111,410,000	-	111,410,000	Underlying Shares	5.69%
	-	-	(111,410,000) (Note 3)	-	(111,410,000)	Underlying Shares	5.69%

Notes:

- (1) The 1,252,752,780 Shares included under the other interest of Mr. Lee Lap and Mdm. Leung Lai Ping are held by Lee & Leung (B.V.I.) Limited, which is wholly-owned by First Trend Management Limited as trustee for Lee & Leung Family Unit Trust. All the units in Lee & Leung Family Unit Trust are held by HSBC International Trustee Limited as trustee for Lee & Leung Family Trust. Mr. Lee Lap is the settlor of the Lee & Leung Family Trust. The discretionary beneficiaries of the Lee & Leung Family Trust are Mdm. Leung Lai Ping, the children of Mr. Lee Lap and Mdm. Leung Lai Ping and the offspring of such children.
- (2) King Shine Group Limited, which is beneficially owned by Mr. Wang as to 56.54%, is the holder of the convertible notes in the aggregate principal amount of HK\$133,692,000 pursuant to which King Shine Group Limited is entitled to convert into an aggregate of 111,410,000 new Shares upon exercise of the conversion right.
- (3) The convertible notes referred to in Note 2 above is charged to the Company as security for King Shine Group Limited and its guarantors' liabilities in respect of the representation and warranties and the profit guarantee given under the agreement for the acquisition of Petro-king International Co., Limited.

(2) *Long positions in shares of associated corporations*

Name of directors	Name of subsidiary	Number of non-voting deferred shares held (Note)	% of total issued non-voting deferred shares
Mr. Lee Lap	Applied Industrial Company Limited	1,000	40%
	Lee Plastics Manufacturing Company Limited	250,000	50%
	Magnetic Electronics Limited	5,000	100%
	Termbray Electronics Company Limited	7,000	70%
Mdm. Leung Lai Ping	Applied Industrial Company Limited	1,500	60%
	Lee Plastics Manufacturing Company Limited	250,000	50%
	Termbray Electronics Company Limited	3,000	30%

Note: All the above non-voting deferred shares are held by the above directors personally as beneficial owner.

Name of director	Name of subsidiary	Number of ordinary shares	% of total issued ordinary shares
Mr. Wang	Termbray Oilfield Services (BVI) Ltd.	98	49.00%
	Termbray Oilfield Services Limited	10,000	100.00%
	Petro-king International Co. Limited	100	100.00%
	深圳市百勤石油技術有限公司	5,000,000	100.00%

Note: The above 49% ordinary shares in Termbray Oilfield Services (BVI) Ltd. are held directly by King Shine Group Limited, which is beneficially owned by Mr. Wang as to 56.54%. Termbray Oilfield Services (BVI) Ltd. is interested in 100% of the issued shares of Termbray Oilfield Services Limited, which in turn is interested in 100% of the issued shares of Petro-king International Co. Limited and 深圳市百勤石油技術有限公司 respectively. Mr. Wang is therefore deemed to be interested in 49% of the issued shares of Termbray Oilfield Services (BVI) Ltd., 100% of the issued shares of Termbray Oilfield Services Limited, Petro-king International Co. Limited and 深圳市百勤石油技術有限公司 respectively.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required to be entered in the register maintained by the Company pursuant to section 352 of the SFO; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as contained in the Listing Rules.

(b) Persons or corporations who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial shareholders

So far as is known to each Director or the chief executive of the Company, as at the Latest Practicable Date, the following persons (other than the directors as disclosed above) or corporations had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who/which was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group and the amount of each of such person's/corporate's interest in such securities, together with particulars of any options in respect of such capital, were as follows:

Name of shareholders	Capacity	Long position in number of Shares	Long position/ (Short position) in number of underlying Shares	Percentage of the issued share capital of the Company
Lee & Leung (B.V.I.) Limited (<i>note 1</i>)	Beneficial owner	1,252,752,780	-	63.99%
First Trend Management Limited (<i>note 1</i>)	Held by controlled corporations as trustee for Lee & Leung Family Unit Trust	1,252,752,780	-	63.99%

Name of shareholders	Capacity	Long position in number of Shares	Long position/ (Short position) in number of underlying shares	Percentage of the issued share capital of the Company
HSBC International Trustee Limited (note 1)	Held by controlled corporation as trustee for Lee & Leung Family Trust	1,252,752,780	–	63.99%
Cosmo Telecommunication Inc. (note 2)	Beneficial owner	151,202,960	–	7.72%
Ms. Jing Xiao Ju	Interest of controlled corporation	151,202,960	–	7.72%
East Glory Trading Limited (note 3)	Beneficial owner	103,397,540	–	5.28%
Master Winner Limited (note 3)	Interest of controlled corporation	103,397,540	–	5.28%
Mr. Yuan Qinghua	Interest of controlled corporation	103,397,540	–	5.28%
King Shine Group Limited (note 4)	Beneficial owner	–	111,410,000 – (111,410,000)	5.69% (5.69%)

Notes:

- (1) These 1,252,752,780 Shares are held by Lee & Leung (B.V.I.) Limited, which is wholly owned by First Trend Management Limited as trustee for Lee & Leung Family Unit Trust. All the units in Lee & Leung Family Unit Trust are held by HSBC International Trustee Limited as trustee for Lee & Leung Family Trust. Mr. Lee Lap is the settlor of the Lee & Leung Family Trust. The discretionary beneficiaries of the Lee & Leung Family Trust are Mdm. Leung Lai Ping, the children of Mr. Lee Lap and Mdm. Leung Lai Ping and the offspring of such children.
- (2) Cosmo Telecommunication Inc. is a wholly owned by Ms. Jing Xiao Ju.
- (3) East Glory Trading Limited is wholly owned by Master Winner Limited, which in turn is wholly owned by Mr. Yuan Qinghua.
- (4) King Shine Group Limited, which is beneficially owned by Mr. Wang as to 56.54%, is the holder of the convertible notes in the aggregate principal amount of HK\$133,692,000 pursuant to which King Shine is entitled to convert into an aggregate of 111,410,000 new Shares upon exercise of the conversion right.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company was aware of any other person or corporation who had an interest or short position in the Shares or underlying Shares which

would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who/which was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group, or any options in respect of such capital.

3. SERVICE CONTRACTS

Each of the independent non-executive Directors has entered into an appointment letter with the Company pursuant to which each of them is appointed for service with the Company as an independent non-executive Director from 1 January 2007 to 31 December 2008, which appointment shall terminate on the earlier of (i) 31 December 2008; or (ii) the date on which Director ceases to be an independent non-executive Director for any reasons pursuant to the bye-laws of the Company or any other applicable laws. Each of the independent non-executive Directors shall be entitled to a director fee to be determined by the Board or shareholders of the Company, as appropriate, from time to time.

Mr. Wang Jinlong has entered into a service contract with the Company pursuant to which Mr. Wang is appointed for service with the Company as an executive Director for a term of three years from 31 December 2007 to 30 December 2010. Mr. Wang will not be entitled to any remuneration for his service as the executive Director of the Company. Other than the aforesaid, as at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

4. COMPETING INTEREST

Pursuant to paragraph 8.10 of the Listing Rules, the Company hereby discloses that Mr. Lee Lap and Mdm. Leung Lai Ping are interested in companies engaged in property investment and development in the PRC and Hong Kong (the "Competing Business").

The Board has established procedures to identify any conflicts of interest due to the aforesaid interests of Mr. Lee Lap and Mdm. Leung Lai Ping. If conflict of interest arises, Mr. Lee Lap and Mdm. Leung Lai Ping will abstain from participating in making any decisions. The Company is therefore capable of carrying on its business independently of, and at arm's length from the Competing Business.

5. MATERIAL CHANGE

The Directors are not aware of any material adverse changes in the financial or trading position of the Group since 31 March 2007, the date to which the latest published audited accounts of the Group were made up.

6. EXPERT AND CONSENT

- (a) The following is the qualification of the expert who has given opinions and advice which are included in this circular:

Name	Qualification
Optima Capital Limited	a corporation licensed to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO

- (b) Optima Capital Limited does not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.
- (c) Optima Capital Limited has given and has not withdrawn its written consent to the issue of this circular, with the inclusion of the references to its name and/or its opinion in the form and context in which they are included.
- (d) Optima Capital Limited does not have any direct or indirect interest in any asset which had been acquired, or disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group since 31 March 2007, the date to which the latest published audited financial statements of the Group were made up.

7. MISCELLANEOUS

- (a) The registered office of the Company is located at Clarendon House, Church Street, Hamilton, HM 11, Bermuda.
- (b) The head office and principal place of business of the Company in Hong Kong is at Flat B, 8th Floor, Waylee Industrial Centre, 30–38 Tsuen King Circuit, Tsuen Wan, New Territories, Hong Kong.
- (c) The secretary of the Company is Mr. Lo Tai On, who is an associate member of the Hong Kong Institute of Certified Public Accountants.
- (d) The qualified accountant of the Company is Mr. Wong Shiu Kee, who is a fellow member of both the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.
- (e) The Company's branch registrar and transfer office in Hong Kong is Tricor Standard Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

- (f) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.
- (g) As at the Latest Practicable Date, save for the Convertible Notes beneficially owned by Mr. Wang and the conditional Service Contract, the details of which can be referred to in the section headed "Letter from the Board" in this circular, there was no contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date in which any Director was materially interested and which was significant in relation to the business of the Group.
- (h) As at the Latest Practicable Date, none of the Directors has any direct or indirect interest in any assets which had been acquired, disposed of or leased to, or which are proposed to be acquired, disposed of or leased to, the Company or any of its subsidiaries since 31 March 2007, the date to which the latest published audited financial statements of the Company were made up.
- (i) Mr. Lee Ka Sze, Carmelo, the non-executive Director, is a partner of Woo Kwan Lee & Lo, legal adviser of the Company with respect to Hong Kong law in connection with the Service Contract and the Share Option Agreement, which firm will receive normal professional fees.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the head office and principal place of business of the Company at Flat B, 8th Floor, Waylee Industrial Centre, 30-38 Tsuen King Circuit, Tsuen Wan, New Territories, Hong Kong, up to and including the date of the SGM:

- (a) a copy of the Share Option Agreement;
- (b) a copy of the Service Contract;
- (c) the letter from Optima Capital containing its advice to the Independent Board Committee and the Independent Shareholders, the text of which is set out in the section headed "Letter from Optima Capital" in this circular;
- (d) the letter of recommendation from the Independent Board Committee containing its advice to the Independent Shareholders, the text of which is set out in the section headed "Letter from the Independent Board Committee" in this circular;
- (e) the letter of consent referred to under the paragraph headed "Expert and Consent" in this appendix; and
- (f) a copy of each of the service contracts referred to in the paragraph headed "Service Contracts" in this appendix.

NOTICE OF SGM



TERMBRAY INDUSTRIES INTERNATIONAL (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 0093)

NOTICE IS HEREBY GIVEN that a special general meeting of Termbay Industries International (Holdings) Limited (the “**Company**”) will be held at Flat B, 8th Floor, Waylee Industrial Centre, 30–38 Tsuen King Circuit, Tsuen Wan, New Territories, Hong Kong on 22 February 2008 at 10:00 a.m. for the purpose of considering and, if thought fit, passing the following resolution as an ordinary resolution of the Company, with or without amendments:

ORDINARY RESOLUTION

“**THAT** the share option agreement (the “Share Option Agreement”, a copy of which marked “A” has been produced to the meeting and signed by the Chairman of the meeting for the purpose of identification) dated 14 January 2008 entered into between the Company and Mr. Wang Jinlong pursuant to which, the Company will grant to Mr. Wang Jinlong the right to subscribe for 20,000,000 new shares of the Company at HK1.20 per share, subject to adjustment, on the Exercise Date (as defined in the circular of the Company dated 30 January 2008) and the transactions and matters contemplated thereunder be and are hereby approved, and the directors of the Company be and are hereby authorized to allot and issue the 20,000,000 new shares of the Company upon the exercise of the option pursuant to the Share Option Agreement and to take all such actions as they may consider necessary or expedient to implement the Share Option Agreement.”

By order of the Board

Termbay Industries International (Holdings) Limited

Lee Lap

Chairman

Hong Kong, 30 January 2008

NOTICE OF SGM

Notes:

- (1) The ordinary resolution to be considered at the meeting will be decided by poll. Mr. Wang Jinlong together with his associates will abstain from voting on the ordinary resolution.
- (2) A member of the Company entitled to attend and vote at the meeting is entitled to appoint one or, if he is the holder of two or more shares, more than one proxy to attend and, on a poll, to vote instead of him. A proxy need not be a member of the Company.
- (3) Where there are joint registered holders of any share, any one of such persons may vote at the meeting, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at the meeting personally or by proxy, that one of the said persons so present whose name stands first on the register in respect of such share, shall alone be entitled to vote in respect thereof.
- (4) A form of proxy for use at the meeting is enclosed.
- (5) To be valid, the form of proxy, together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority, must be deposited at the head office and principal place of business of the Company at Flat B, 8th Floor, Waylee Industrial Centre, 30-38 Tsuen King Circuit, Tsuen Wan, New Territories, Hong Kong not less than 48 hours before the time appointed for holding the meeting or adjourned meeting. Completion and return of the form of proxy will not preclude members from attending and voting in person at the meeting.
- (6) As at the date of this notice, the executive Directors are Mr. Lee Lap, Mdm. Leung Lai Ping, Mr. Tommy Lee, Mr. Wong Shiu Kee and Mr. Wang Jinlong; the non-executive Director is Mr. Lee Ka Sze, Carmelo; and the independent non-executive Directors are Dr. The Hon. Lee Tung Hai, Leo, G.B.M., G.B.S., LL.D., J.P., Mr. Chan Siu Kang and Mr. Lo Yiu Hee.