



# TERMBRAY INDUSTRIES INTERNATIONAL (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)  
(Stock Code: 0093)

## FINAL RESULTS FOR THE YEAR ENDED 31ST MARCH, 2008

### RESULTS

The board of directors 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, 2008 together with the comparative figures for the last year as follows:

#### Consolidated Income Statement

	<i>Notes</i>	<b>2008</b> <i>HK\$'000</i>	2007 <i>HK\$'000</i>
<b>REVENUE</b>	3	<b>43,290</b>	6,576
Cost of goods and services		<u>(29,179)</u>	<u>(1,964)</u>
Gross profit		<b>14,111</b>	4,612
Other income	4	<b>30,185</b>	30,895
Selling and distribution expenses		<b>(3,853)</b>	–
Administrative expenses		<b>(49,012)</b>	(12,802)
Other operating expenses		<b>(31)</b>	–
Gains arising from changes in fair value of investments held for trading		<b>190</b>	4,800
Allowance on properties for sale	5	–	(13,000)
Share of result of an associate		<b>(185)</b>	–
Finance costs		<b>(1,467)</b>	–
<b>(LOSS) PROFIT BEFORE TAXATION</b>	6	<b>(10,062)</b>	14,505
Taxation	7	<b>(1,037)</b>	(130)
<b>(LOSS) PROFIT FOR THE YEAR</b>		<b><u>(11,099)</u></b>	<b><u>14,375</u></b>
<b>ATTRIBUTABLE TO:</b>			
<b>EQUITY HOLDERS OF THE COMPANY</b>		<b>(12,307)</b>	14,375
<b>MINORITY INTERESTS</b>		<b>1,208</b>	–
<b>(LOSS) PROFIT FOR THE YEAR</b>		<b><u>(11,099)</u></b>	<b><u>14,375</u></b>
		<i>HK cents</i>	<i>HK cents</i>
<b>(LOSS) EARNINGS PER SHARE</b>	8		
Basic		<b><u>(0.69)</u></b>	<b><u>0.85</u></b>
Diluted		<b><u>N/A</u></b>	<b><u>0.84</u></b>

## Consolidated Balance Sheet

	<i>Notes</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		17,400	8,107
Prepaid lease payments for land		66,675	67,273
Investment properties		3,478	3,585
Pledged bank deposits		2,034	2,024
Goodwill		258,678	–
		<u>348,265</u>	<u>80,989</u>
<b>CURRENT ASSETS</b>			
Properties for sale		109,995	105,934
Inventories		16,926	–
Trade and other receivables	9	92,599	5,543
Deposits and prepayments		3,293	2,461
Prepaid lease payments for land		598	598
Available-for-sale investments		633,247	225,537
Investments held for trading		103,839	187,977
Tax recoverable		123	–
Amounts due from related parties		730	–
Pledged bank deposits		–	465
Bank balances and cash		40,904	223,983
		<u>1,002,254</u>	<u>752,498</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables and accrued charges	10	44,804	2,710
Deposits received		2,064	1,165
Provisions		3,173	3,173
Amount due to a related company		405	716
Taxation liabilities		10,151	3,244
Amount due to a director		6,465	–
Amounts due to minority shareholders		18,103	–
		<u>85,165</u>	<u>11,008</u>
<b>NET CURRENT ASSETS</b>		<u>917,089</u>	<u>741,490</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>1,265,354</u>	<u>822,479</u>
<b>NON-CURRENT LIABILITIES</b>			
Convertible notes		116,267	–
<b>NET ASSETS</b>		<u>1,149,087</u>	<u>822,479</u>
<b>CAPITAL AND RESERVES</b>			
Share capital		156,611	137,971
Reserves		964,180	684,092
Equity attributable to equity holders of the Company		<u>1,120,791</u>	<u>822,063</u>
Minority interests		28,296	416
<b>TOTAL EQUITY</b>		<u>1,149,087</u>	<u>822,479</u>

Notes:

### 1. BASIS OF PREPARATION

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

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

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

In the current year, the Group has applied, for the first time, a number of new standard, amendment and interpretations (“new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which are effective for the Group’s financial year beginning 1st April, 2007.

The adoption of the new HKFRSs has resulted in the changes to the following areas:

- The impact of application of HKFRS 7 “Financial instruments: Disclosures” has been to expand the disclosures provided in the financial statements regarding the Group’s financial instruments, especially on the sensitivity analysis to market risk.
- The impact of application of HKAS 1 (Amendment) “Capital Disclosures” has been to disclose information regarding its objectives, policies and processes for managing capital.

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

The Group has not early adopted other new standards and interpretations that have been issued but are not yet effective. The directors of the Company are in the process of assessing the potential impact and so far concluded that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.

### 3. REVENUE AND SEGMENT INFORMATION

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

	<b>2008</b> <i>HK\$’000</i>	2007 <i>HK\$’000</i>
Sale of goods	<b>31,931</b>	–
Rental income	<b>6,199</b>	6,576
Service income	<b>5,160</b>	–
	<b>43,290</b>	6,576

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

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

(A) **Business segment**

	Property development and investment		Oilfield engineering and consultancy services		Unallocated	Consolidated
	Property development HK\$'000	Property investment HK\$'000	Engineering projects HK\$'000	Provision of consultancy service on well drilling HK\$'000		
<b>2008</b>						
Revenue	<u>4,724</u>	<u>1,475</u>	<u>31,931</u>	<u>5,160</u>	<u>-</u>	<u>43,290</u>
Result						
Segment result	<u>(2,051)</u>	<u>840</u>	<u>760</u>	<u>1,891</u>	<u>-</u>	<u>1,440</u>
Other unallocated income (note)					30,375	30,375
Unallocated corporate expenses					(17,464)	(17,464)
Share option expenses					(6,609)	(6,609)
Due diligence expense on aborted acquisitions					(16,152)	(16,152)
Share of result of an associate					(185)	(185)
Finance costs					(1,467)	(1,467)
Loss before taxation						(10,062)
Taxation					(1,037)	(1,037)
Loss for the year						<u>(11,099)</u>
<b>2007</b>						
Revenue	<u>5,136</u>	<u>1,440</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,576</u>
Result						
Segment result	<u>(9,413)</u>	<u>691</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,722)</u>
Other unallocated income (note)					35,695	35,695
Unallocated corporate expenses					(12,468)	(12,468)
Profit before taxation						14,505
Taxation					(130)	(130)
Profit for the year						<u>14,375</u>

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

**(B) Geographical segments**

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

	<b>Turnover from geographical market</b>	
	<b>2008</b>	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	1,475	1,440
The PRC	41,815	5,136
	<u>43,290</u>	<u>6,576</u>

**4. OTHER INCOME**

	<b>2008</b>	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest income from		
– available-for-sale investments	22,336	20,058
– investments held for trading	5,363	7,337
– bank deposits	188	210
	<u>27,887</u>	<u>27,605</u>
Exchange gain	1,634	2,631
Sundry income	664	659
	<u>30,185</u>	<u>30,895</u>

**5. ALLOWANCE ON PROPERTIES FOR SALE**

In view of the continuous development of large scale projects in the local region and the other unfavourable property market circumstances, the directors of the Company considered it appropriate to make allowance on the properties for sale amounting to HK\$13 million for the year ended 31st March, 2007, which had been determined based on their net realisable value by reference to the market value of similar properties in the region by an independent valuer.

In the opinion of the directors, no allowance on properties for sale is made in the current year, and this is referenced to the market value of similar properties in the region based on a valuation as at 31st March, 2008 carried out by an independent valuer.

**6. (LOSS) PROFIT BEFORE TAXATION**

	<b>2008</b>	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss) profit before taxation has been arrived at after charging:		
Amortisation of prepaid lease payments for land	598	598
Depreciation of		
– property, plant and equipment	1,440	1,438
– investment properties	107	107
	<u>107</u>	<u>107</u>

## 7. TAXATION

	2008 HK\$'000	2007 HK\$'000
The tax charge comprises:		
Hong Kong Profits Tax	290	130
PRC Enterprise Income Tax	747	–
	<u>1,037</u>	<u>130</u>

Hong Kong Profits Tax is calculated at 17.5% on estimated assessable profit.

The PRC income tax of subsidiaries is calculated at prevailing PRC tax rates on the estimated profits for the year.

On 16th March, 2007, the PRC promulgated the Law of the Peoples's Republic of China on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the People's Republic of China. On 6th December, 2007, the State Council of the PRC issued Implementation Regulations of the New Law. For company that was qualified as High/New Tech Enterprise under old law or regulations for incentive tax rate of 15%, the tax rate has been/will be progressively increased to 18%, 20%, 22%, 24% and 25% in year 2008, 2009, 2010 and 2011 and 2012, respectively. For company that was still under the Tax Benefit period, the New Law and Implementation Regulations allow the company to continue to enjoy the Tax Benefit and the tax rate will change to 25% afterwards. For companies that were subject to tax rate of 33%, the New Law and Implementation Regulations has changed the tax rate from 33% to 25% from 1st January, 2008.

## 8. (LOSS) EARNINGS PER SHARE

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

	2008 HK\$'000	2007 HK\$'000
(Loss) profit for the year attributable to equity holders of the Company for the purposes of basic and diluted (loss) earnings per share	<u>(12,307)</u>	<u>14,375</u>
	<b>Number of shares</b> <b>'000</b>	<b>'000</b>
Number of ordinary shares for the purposes of basic (loss) earnings per share	1,780,180	1,696,040
Effect of dilutive potential ordinary shares – share options	–	15,564
Number of ordinary shares for the purpose of diluted (loss) earnings per share	<u>1,780,180</u>	<u>1,711,604</u>

## 9. TRADE AND OTHER RECEIVABLES

The Group allows a normal credit period of 60 days to its customers in respect of the engineering projects (involving sale of tools and equipment) and provision for consultancy services on well drilling. The Group also allows longer credit period for its strategic customers.

Rentals receivable are payable in accordance with the terms of the relevant agreements. The Group does not generally provide any credit period to its tenants.

	<b>2008</b> <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Trade receivables	74,256	5,543
Less: allowance for doubtful debts	<u>(3,674)</u>	<u>–</u>
	70,582	–
Prepayments	<u>22,017</u>	<u>–</u>
	<u><b>92,599</b></u>	<u><b>5,543</b></u>

The following is an aged analysis of trade receivables at the balance sheet date:

	<b>2008</b> <i>HK\$'000</i>	2007 <i>HK\$'000</i>
1-90 days	36,328	2,979
Over 90 days	<u>34,254</u>	<u>2,564</u>
	<u><b>70,582</b></u>	<u><b>5,543</b></u>

Impairment losses in respect of trade and other receivables are recorded using an allowance account unless the management is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade and other receivables directly. The movement in allowance for doubtful debts during the year, including both specific and collective loss components, is as follows:

	<b>2008</b> <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Increase in allowance recognised in profit or loss, and balance at end of the year	<u><b>3,674</b></u>	<u>–</u>

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	<b>2008</b> <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Neither past due nor impaired	<u>26,577</u>	<u>–</u>
Past due but not impaired		
0-90 days past due	36,995	2,979
Over 90 days past due	<u>7,010</u>	<u>2,564</u>
	<u><b>44,005</b></u>	<u>5,543</u>
Total	<u><b>70,582</b></u>	<u><b>5,543</b></u>

Receivables that were past due but not impaired relate to a wide ranged of independent customers that have a good track record without default history. Based on past experience, management believes that no allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

## 10. TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

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

	<b>2008</b> <i>HK\$'000</i>	2007 <i>HK\$'000</i>
0-90 days	<b>11,970</b>	–
Over 90 days	<b>21,974</b>	1,297
	<hr/>	<hr/>
Trade and other payables	<b>33,944</b>	1,297
Accrued charges	<b>10,860</b>	1,413
	<hr/>	<hr/>
	<b>44,804</b>	2,710
	<hr/> <hr/>	<hr/> <hr/>

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

## DIVIDEND

The board of directors of the Company does not recommend the payment of a dividend in respect of the year (2007: Nil).

## REVIEW OF OPERATIONS

### Property investment and development

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

The Group's completed properties for sale – Ever Success Plaza, comprising of over 440 residential units standing on 3 levels of commercial arcades and car parks, is located at a convenient and prime location with a river view in Zhongshan, Guangdong Province. The competition of the property market in Zhongshan is keen. There are abundant supplies of properties with modern design. During the year, the management has launched a series of advertising campaign and put much effort in marketing the properties. The rental income earned by the Group during the year is decreased by 9.0%. As at 31st March, 2008, 228 residential units remained to be sold, out of which 193 residential units were let out. Due to the set up of a larger scale computer and computer peripherals retail centre in western district of Shi Qi city, it caused a negative impact on the customer flow of the commercial arcades.

The original tenant has early terminated the tenancy agreement for the commercial arcades. Accordingly, the Group has made a provision against rental receivable and utility receivable of HK\$3,674,000 in the current year. In June 2008, the Group start to operate the commercial arcades itself with a business partner who has experience in running similar retail centre in Zhongshan. The Group has 51% interest in the operating company.

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



## **Oilfield engineering and consultancy services**

During the year, the Group succeed in diversify its principal activities into the oilfield related industry.

On 3rd September, 2007, the Company entered into a letter of intent with 7 individuals for the acquisition of 51% equity interest in Petro-king International Company Limited (“Petro-king HK”) and Petro-king Oilfield Technology Limited (“Petro-king PRC”, together with Petro-king HK as “Petro-king Group”).

Pursuant to the letter of intent, on 10th October, 2007, Petro-king Holding Limited (formerly known as Termbray Oilfield Services Limited) (“Petro-king Holding”), a wholly-owned subsidiary of the Company, entered into an acquisition agreement with 7 individuals (“PRC Vendors”) to acquire the entire registered and paid-up capital of Petro-king PRC at the cash consideration of RMB30,000,000.

On the same day, Petro-king Holding also entered into the Petro-king HK acquisition agreement with 3 individuals (“HK Vendors”), pursuant to which (i) Petro-king Holding agreed to acquire 51% of the entire issued share capital of Petro-king HK at the consideration of RMB225,000,000 (equivalent to about HK\$231,390,000) to be satisfied in cash; and (ii) Petro-king Holding agreed to acquire the swap shares representing 49% of the issued share capital of Petro-king HK as at the date of the Petro-king HK acquisition agreement and immediately prior to the completion of the Petro-king HK acquisition. The consideration for the purchase of the swap shares shall be satisfied by (a) the allotment and issue of 49% of the issued share capital of the purchaser holding company, a holding company of Petro-king Holding as at the time of completion of Petro-king HK acquisition; and (b) the assignment of 49% of the shareholders’ loan advanced from the Group to the purchaser holding company in such an amount outstanding as at completion of Petro-king HK acquisition.

On the date of completion of the Petro-king HK acquisition, the Company and King Shine Group Ltd (“King Shine”), which is beneficially owned by Mr. Wang Jinlong as to 55.28%, will enter into a convertible notes subscription agreement, pursuant to which King Shine agrees to subscribe for the convertible notes of the Company with a tenor of 3 years in the principal amount of HK\$133,692,000 at the initial conversion price (subject to adjustments) of HK\$1.20 per conversion share. Assuming full conversion of the convertible notes at the initial conversion price, a total of 111,410,000 conversion shares will be issued.

The acquisition of Petro-king HK and Petro-king PRC was completed on 31st December, 2007. The subscription of the convertible notes by King Shine was completed on the same date.

The performance of Petro-king Group during the 1st quarter of 2008 is consistent with previous years’ seasonal pattern. Petro-king Group’s major business operation is in PRC and most of the oilfields’ operation is stopped during the period of Chinese New Year, therefore the operation for Petro-king Group is the lowest for the whole year. In addition, the substantial increase in crude oil prices has created a keen demand in the market for the related tools and machineries, It resulted in a delay in delivery of those ordered tools and machineries from overseas suppliers.

## **Treasury Investment Activity**

The Group still holds a substantial amount of funds of approximately HK\$0.7 billion which have been placed as short term bank deposit or invested in money market funds with international financial institutions or fixed income notes generating a stable source of income to the Group.

## **PROSPECTS**

The global economy sustained a stable and balance growth during the year under review. China continues to act as a key driver in the global economic growth. The Group is confident to capitalize on these opportunities and will grasp every business opportunities available to build up its own distinctive strength and to explore new business in China.

With the substantial available fund on hand, the Group has always been actively seeking for investment opportunities so as to achieve a diversification in business activities which will result in a steady growth in the Group's long term performance.

The directors believe that the natural resources sector offers significant development potential and has been considering opportunities in this sector.

On 8th August, 2007, the Company entered into an Option Agreement with an independent third party to purchase potential oil producing assets in Kazakhstan ("Potential Assets"). The relevant details of the option agreement were announced on the Company's and the Stock Exchange's website on 10th August, 2007.

Due to the reasons including the parties to the Option Agreement dated 8th August, 2007 for the Potential Assets not reaching mutual agreement on the terms of the acquisition agreement, the purchase option for the Potential Assets was not exercised by the Company and has lapsed on 9th November, 2007. The Company has incurred due diligence expenses of HK\$11,431,000 in assessing and evaluating the Potential Assets. The Company's 50% share of the due diligence expenses was accounted for in the financial statements of the current year. The Company has issued a writ against the independent third party to recover 50% of the due diligence expenses incurred pursuant to the terms of the Option Agreement.

Despite the lapse of the purchase option, the Group will continue to seek other investment opportunities in the natural resources sector. The Group has submitted a bid to acquire another producing oilfield in Azerbaijan. The bid was not successful and the Group has incurred due diligence expenses of HK\$10,436,000 in assessing and evaluating the project. The due diligence expenses was fully accounted for in the financial statements of the current year.

To meet with the funding requirement for investment opportunities in the natural resources sector, the Company has issued the 3 years convertible notes to King Shine of HK\$133,692,000. In addition, in January 2008, Lee & Leung (B.V.I.) Limited subscribed for 233,000,000 ordinary shares of the Company at a price of HK\$1.20 per share. Both help to further enhance the funding position of the Group by HK\$413,292,000.

To strengthen our expertise in the oilfield related industry, the Board welcome Mr. Wang Jinlong to join the Group as Chief Executive Officer on 22nd February, 2008. Mr. Wang holds a bachelor degree in petroleum engineering from Southwest Petroleum Institute, the PRC. He has more than 20 years working experience in oilfield related industry. The directors believe the expertise of Mr. Wang in oilfield related industry would be crucial for the Group to expand and be successful in the natural resources sector.

With the substantial increase in crude oil prices over the past years, we are optimistic on the performance of Petro-king Group in the coming year. Petro-king Group is capable to provide consultancy services on difficult and complex oilfield projects, of which competition is not so keen. Besides, Petro-king Group has completed successfully several projects with other PRC strategic partners in overseas. With their continuing expansion of business worldwide, they will offer more business to Petro-king Group. New projects in Middle East and Asia-pacific are now negotiating and are expected to commence in 2008.

It is the Group's ongoing strategy to gain a foothold and develop in the natural resources sector by way of exploring different kinds of investment opportunities. On the other hand, there exists some underlying risk factors such as oil and commodity price volatility, interest rate movements and natural disasters which cannot be ignored. The Group remains cautiously optimistic about the year ahead in respect of diversification of business into natural resources sector and has the confidence to strengthen its competitiveness and to build value for our shareholders.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 31st March, 2008, the Group remains cash-rich and has no bank borrowings and no material capital expenditure commitments. The operations are financed by shareholders' funds and convertible notes.

During the year, the Company has issued convertible notes of HK\$133,692,000 to King Shine. The convertible notes are non interest bearing and have a tenor of 3 years to be matured on 31st December, 2010. The conversion right can not be exercised from date of issuance up to 30th June, 2009. Except for the event that the profit guarantee for Petro-king Group by King Shine for the financial year ended 31st December, 2007 is met, the noteholder can exercise the conversion right up to 30% of the principal amount of the convertible notes. The lock-up period will cease if the listing of the Petro-king Group occurs before 30th June, 2009. A noteholder shall have the right to convert the notes into ordinary shares of the Company, at the initial conversion price (subject to adjustments) of HK\$1.20 per conversion share, at any time and from time to time during the period commencing from 1st July, 2009 up to 31st December, 2010.

On the maturity date, the noteholder shall be entitled to demand from the Company the full repayment of the outstanding principal amount of any outstanding and unconverted convertible notes (if any) in cash, or at its option to convert (i) the whole (but not part only) of the outstanding principal amount of the outstanding and unconverted convertible notes into ordinary shares of the Company or (ii) part thereof into ordinary shares of the Company together with the full repayment of the remaining principal balance thereof in cash.

In addition, in January 2008 Lee & Leung (B.V.I.) Limited subscribed for 233,000,000 ordinary shares of the Company at a price of HK\$1.20 per share.

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

## **STAFF**

As at 31st March, 2008, the Group employed 158 staff at market remunerations with staff benefits such as insurance, provident fund scheme, discretionary bonus and share option scheme.

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

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

## **CORPORATE GOVERNANCE**

The Company has met the code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited during the year ended 31st March, 2008 save as disclosed below:

Pursuant to code provision A.2.1, the roles of chairman and chief executive officer of an issuer should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. During the period until 22nd February, 2008, Mr. Lee Lap is both the chairman and chief executive officer of the Group. Having considered the business operation and the size of the Group during the service period, the Board is of the view that Mr. Lee Lap acting as both the chairman of the Board and also as the chief executive officer of the Group during the said period is acceptable and in the best interest of the Group.

After completion of the acquisition of Petro-king Group and the diversification of business in the oilfield related industry, the Company appointed Mr. Wang Jinlong as chief executive officer on 22nd February, 2008. Since then, Mr. Lee Lap acts as the Chairman of the Company only and the roles of chairman and chief executive officer are separated.

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

In view of the above and paragraph 4.2 of the Code, the Company at the annual general meeting held on 19th August, 2005 amended its existing bye-laws to provide that every director of the Company, other than directors holding the office of chairman or managing director shall be subject to 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, 2008.

### **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, 2008.

### **OTHER INFORMATION**

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

#### *Executive Directors:*

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

#### *Independent Non-Executive Directors:*

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

#### *Non-Executive Director:*

Mr. Lee Ka Sze, Carmelo

By order of the Board  
**Lee Lap**  
*Chairman*

Hong Kong, 11th July, 2008