
THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this Composite Document or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your Termbray Shares, you should at once hand this Composite Document together with the accompanying Form of Acceptance and Transfer to the purchaser(s) or transferee(s) or to the bank or licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

This Composite Document should be read in conjunction with the accompanying Form of Acceptance and Transfer, the provisions of which form part of the terms of the Offer contained herein.

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Composite Document and the accompanying Form of Acceptance and Transfer, make no representation as to their accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Composite Document and the accompanying Form of Acceptance and Transfer.



NEW INSIGHT INVESTMENTS LIMITED
*(Incorporated in the British Virgin Islands
with limited liability)*

**TERMBRAY INDUSTRIES INTERNATIONAL
(HOLDINGS) LIMITED**
(Incorporated in Bermuda with limited liability)
(Stock Code: 0093)

**PROPOSED PRIVATISATION
BY WAY OF
VOLUNTARY CONDITIONAL OFFER BY PIPER JAFFRAY ASIA LIMITED
ON BEHALF OF NEW INSIGHT INVESTMENTS LIMITED
FOR ALL THE ISSUED SHARES IN
TERMBRAY INDUSTRIES INTERNATIONAL (HOLDINGS) LIMITED
(OTHER THAN THOSE ALREADY HELD BY NEW INSIGHT INVESTMENTS
LIMITED AND PARTIES ACTING IN CONCERT WITH IT)**

**Financial Advisor to
New Insight Investments Limited**

Piper Jaffray

Independent financial adviser to the Independent Board Committee



A letter from Piper Jaffray, containing amongst other things, the terms of the Offer, is set out on pages 8 to 18 of this Composite Document. A letter from the Termbray Board is set out on pages 19 to 25 of this Composite Document. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders in respect of the Offer is set out on pages 26 to 27 of this Composite Document. A letter from Quam Capital Limited containing its advice to the Independent Board Committee in respect of the Offer is set out on pages 28 to 51 of this Composite Document.

The procedures for acceptance and settlement of the Offer are set out in Appendix I to this Composite Document and in the accompanying Form of Acceptance and Transfer. Acceptances of the Offer contained herein should be received by the Registrar by no later than 4:00 p.m. on Wednesday, 31 March 2010 or such later time or date as the Offeror may determine and announce, with the consent of the Executive, in accordance with the Takeovers Code.

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this Composite Document.

10 March 2010

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DEFINITIONS

In this Composite Document, unless the context requires or expressly defined otherwise, the following expressions have the following meanings:

“Accepting Shareholder(s)”	Independent Shareholder(s) who accept the Offer
“acting in concert”	shall have the meaning set out in the Takeovers Code
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Business Day”	a day on which the Stock Exchange is open for the transaction of business
“Cash Alternative”	HK\$1.20 for each Termbray Share
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Closing Date”	31 March 2010, the first closing date of the Offer or any subsequent closing date as may be announced by the Offeror and approved by the Executive
“Companies Act”	the Companies Act 1981 of Bermuda
“Composite Document”	this composite offer and response document dated 10 March 2010 jointly issued and despatched by or on behalf of the Offeror and Termbray in connection with the Offer
“controlling shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Convertible Notes”	the convertible notes in an aggregate principal amount of HK\$133,692,000 issued by Termbray to King Shine pursuant to a subscription agreement dated 31 December 2007
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Form of Acceptance and Transfer”	the form of acceptance and transfer in respect of the Offer
“HKSCC”	Hong Kong Securities Clearing Company Limited

DEFINITIONS

“Independent Board Committee”	the independent committee of the board of directors of Termbray appointed to advise the Independent Shareholders in respect of the Offer (being all three independent non-executive directors of Termbray)
“Independent Shareholders”	Shareholders other than the Offeror and parties acting in concert with it
“Joint Announcement”	the joint announcement dated the Joint Announcement Date issued by Termbray and the Offeror relating to, inter alia, the Offer
“Joint Announcement Date”	3 February 2010, being the date of the Joint Announcement
“King Shine”	King Shine Group Limited, a company incorporated in the British Virgin Islands with limited liability and owned as to approximately 56.98% by Mr. Wang
“Last Trading Date”	28 January 2010, being the last full trading day prior to the suspension of trading in the Termbray Shares pending the issue of the Joint Announcement
“Latest Practicable Date”	5 March 2010, being the latest practicable date prior to the printing of this Composite Document for ascertaining certain information contained herein
“Lee & Leung”	Lee & Leung (B.V.I.) Limited, a company incorporated in the British Virgin Islands with limited liability
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Wang”	Mr. Wang Jinlong, an executive director of Termbray
“New Share(s)”	ordinary share(s) of US\$0.01 each in the share capital of the Offeror
“Offer”	the voluntary conditional offer made by Piper Jaffray on behalf of the Offeror to acquire all of the issued Termbray Shares other than those already held by the Offeror and parties acting in concert with it on the basis of one New Share for every Termbray Share or a cash alternative of HK\$1.20 for each Termbray Share

DEFINITIONS

“Offer Condition”	the condition of the Offer as set out in the paragraph headed “Condition of the Offer” in the “Letter from Piper Jaffray” of this Composite Document
“Offer Price”	the offer price of HK\$1.20 payable by the Offeror to the Shareholders for each Termbray Share accepted under the Cash Alternative of the Offer
“Offeror”	New Insight Investments Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of Lee & Leung
“Overseas Shareholders”	Shareholders whose registered addresses as shown on the Register are outside Hong Kong
“Piper Jaffray”	Piper Jaffray Asia Limited, a licensed corporation under the SFO permitted to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, financial advisor to the Offeror
“Petro-king Group”	Petro-king Holding and its subsidiaries
“Petro-king Holding”	Petro-king Holding Limited, a company incorporated in Hong Kong which is a non-wholly owned subsidiary of Termbray
“Quam Capital”	Quam Capital Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO, the independent financial adviser to the Independent Board Committee in relation to the Offer
“Register”	the register of members of Termbray
“Registrar”	Tricor Standard Ltd., the share registrar of Termbray, at 26/F, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong
“Relevant Period”	the period commencing six months preceding the Joint Announcement Date up to and including the Latest Practicable Date
“SFC”	the Securities and Futures Commission of Hong Kong

DEFINITIONS

“SFO”	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Share Alternative”	one New Share for each Termbray Share
“Share Option Scheme”	the share option scheme of Termbray adopted on 18 August 2006
“Shareholder(s)”	holder(s) of the Termbray Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Agreement”	a subscription agreement dated 28 January 2010 entered into between the Offeror and Lee & Leung in relation to the subscription of New Shares by Lee & Leung
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“Termbray”	Termbray Industries International (Holdings) Limited, a company incorporated in Bermuda the shares of which are listed on the Main Board of the Stock Exchange
“Termbray Board”	the board of directors of Termbray
“Termbray Directors”	the directors of Termbray
“Termbray Group”	Termbray and its subsidiaries
“Termbray Options”	all outstanding options granted by Termbray to subscribe for Termbray Shares comprising Termbray Options A and Termbray Options B
“Termbray Options A”	20,000,000 share options granted by Termbray to Mr. Wang to subscribe for Termbray Shares at an exercise price of HK\$1.20 per Termbray Share pursuant to a share option agreement dated 14 January 2008
“Termbray Options B”	17,000,000 share options granted by Termbray to Mr. Wang under the Share Option Scheme conferring on Mr. Wang the right to subscribe for Termbray Shares at an exercise price of HK\$1.25 per Termbray Share
“Termbray Share(s)”	shares of HK\$0.08 each in the share capital of Termbray

DEFINITIONS

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

EXPECTED TIMETABLE

The expected timetable set out below is indicative only and may be subject to change. Further announcement(s) will be made in the event that there is any such change.

2010

Despatch date of this Composite Document and
commencement date of the Offer (*Note 1*) Wednesday, 10 March

Latest time and date for acceptance
of the Offer (*Note 2*) 4:00 p.m. on Wednesday, 31 March

First Closing Date of the Offer (*Notes 2 and 3*) Wednesday, 31 March

Announcement of the results of the Offer not later than 7:00 p.m. on
Wednesday, 31 March

Latest date for posting of remittances for
the amounts due and/or certificate(s) for the
New Shares in respect of valid acceptances
received under the Offer on or before 4:00 p.m. on
the first Closing Date, assuming the Offer becomes,
or is declared, unconditional in all respects on
the first Closing Date (*Note 4*) Saturday, 10 April

Latest time and date of the Offer remaining
open for acceptance assuming the
Offer becomes or is declared unconditional
on the first Closing Date (*Note 5*) 4:00 p.m. on Wednesday, 14 April

Latest time and date by which the Offer
can become or be declared unconditional
as to acceptances (*Note 6*) 7:00 p.m. on Monday, 10 May

Latest time and date for the Offer to
remain open for acceptances (*Note 7*) 4:00 p.m. on Friday, 9 July

Notes:

1. The Offer is made on the date of posting of this Composite Document, and is capable of acceptance on and from that date until the Closing Date.
2. In accordance with the Takeovers Code, the Offer must initially be open for acceptance for at least 21 days following the date on which this Composite Document is posted. The latest time for acceptance of the Offer is 4:00 p.m. on Wednesday, 31 March 2010. See also note (5) below.

EXPECTED TIMETABLE

3. If there is (i) a tropical cyclone warning signal number 8 or above, or (ii) a “black” rainstorm warning signal in force between 9:00 a.m. and 4:00 p.m. on the Closing Date, the time and date of the close of the Offer will be adjourned to 4:00 p.m. on the next Business Day which does not have either of those warnings in force in Hong Kong or such other day as the Executive may approve.
4. Remittances in respect of the cash consideration or share certificates for the New Shares regarding the Termbray Shares tendered under the Offer will be posted as soon as practicable, but in any event within 10 days from the later of the date on which the Offer becomes, or is declared, unconditional and the date the Registrar receives a duly completed Form of Acceptance and Transfer from the Independent Shareholders accepting the Offer. Relevant documents of title must be received by the Registrar to render acceptance of the Offer complete and valid.

An Accepting Shareholder shall be entitled to withdraw his acceptance after 21 days from the first Closing Date on Wednesday, 31 March 2010, if the Offer has not by then become unconditional as to acceptances. However, this entitlement to withdraw shall only be exercisable until such time as the Offer becomes or is declared unconditional as to acceptances. For further details, please refer to Appendix I to this Composite Document.

5. If the Offer becomes or is declared unconditional, the Offer will remain open for acceptance for at least 14 days thereafter in accordance with the Takeovers Code.
6. Except with the consent of the Executive, the latest date on which the Offeror can declare the Offer unconditional as to acceptances is the date falling 60 days after the date of posting of this Composite Document. The Offer, unless it has previously become or been declared unconditional as to acceptance, may not be extended beyond, and will lapse, at 7:00 p.m. on Monday, 10 May 2010 except with the consent of the Executive.
7. The Offer may not remain open for acceptance for more than 4 months from the posting of this Composite Document, unless the Offeror has by that time become entitled to exercise such powers of compulsory acquisition, in which event it must do so without delay. To the extent applicable and pursuant to the compulsory acquisition power under the Companies Act, if the Offeror acquires not less than 90% of the Termbray Shares held by the Independent Shareholders (by virtue of the acceptances of the Offer or otherwise) within the period of four months after posting the initial Composite Document, the Offeror intends to exercise its rights under the provisions of the Companies Act and Rule 2.11 of the Takeovers Code to compulsorily acquire those Termbray Shares not acquired by the Offeror and parties acting in concert with it pursuant to the Offer, and following which an application will be made for the withdrawal of the listing of Termbray Shares from the Stock Exchange pursuant to Rule 6.15 of the Listing Rules.

All time references contained in this Composite Document and the Form of Acceptance and Transfer are references to Hong Kong time and dates.

LETTER FROM PIPER JAFFRAY

PiperJaffray

39th Floor, Tower 1
Lippo Centre
89 Queensway
Hong Kong

10 March 2010

To the Independent Shareholders

Dear Sir or Madam,

**PROPOSED PRIVATISATION
BY WAY OF
VOLUNTARY CONDITIONAL OFFER BY PIPER JAFFRAY ASIA LIMITED
ON BEHALF OF NEW INSIGHT INVESTMENTS LIMITED
FOR ALL THE ISSUED SHARES IN
TERMBRAY INDUSTRIES INTERNATIONAL (HOLDINGS) LIMITED
(OTHER THAN THOSE ALREADY HELD BY NEW INSIGHT INVESTMENTS
LIMITED AND PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

On 3 February 2010, the Offeror and Termbray jointly announced that on 28 January 2010 (after the trading hours of the Stock Exchange), the Offeror informed the Termbray Board that Piper Jaffray, on behalf of the Offeror, will make a voluntary conditional offer to acquire all of the issued Termbray Shares (other than those already held by the Offeror and parties acting in concert with it).

This letter sets out, among other things, the terms of the Offer, information on the Offeror and the intention of the Offeror regarding the Termbray Group. Further details of the terms of the Offer are set out in Appendix I to this Composite Document and in the accompanying Form of Acceptance and Transfer.

THE OFFER

Piper Jaffray, on behalf of the Offeror, hereby offers to acquire, on the terms and subject to the conditions set out in this Composite Document and in the Form of Acceptance and Transfer, all the issued Termbray Shares (other than those already held by the Offeror and parties acting in concert with it).

As at the Latest Practicable Date, the Offeror is not beneficially interested in any Termbray Shares and Lee & Leung, which is the holding company of the Offeror, is beneficially interested in 1,252,752,780 Termbray Shares, representing approximately 63.99% of the existing issued share capital of Termbray. Each of Mr. Lee Wing Sing Vincent and Mr. Lee Wing Keung is beneficially interested in 39,387,120 and 37,500,000 Termbray Shares respectively, representing approximately 2.01% and 1.92% of the existing issued share capital of Termbray as at the Latest Practicable Date. Mr. Lee Wing Sing Vincent (a non-executive

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director of Termbray) and Mr. Lee Wing Keung are the sons of Mr. Lee Lap and Mdm. Leung Lai Ping, both of whom are directors of the Offeror, Lee & Leung and Termbray. As such, Lee & Leung, Mr. Lee Wing Sing Vincent and Mr. Lee Wing Keung are all considered to be parties acting in concert with the Offeror. Therefore, as at the Latest Practicable Date, the Offeror and parties acting in concert with it are interested in an aggregate of 1,329,639,900 Termbray Shares, representing approximately 67.92% of the existing issued share capital of Termbray.

As at the Latest Practicable Date, Mr. Lee Lap was the registered holder of 7,970 Termbray Shares, all of which shares were allotted and issued to Mr. Lee Lap, as nominee and bare trustee, arising from the aggregation of fractional entitlements of shares in connection with the issues of bonus shares by Termbray in the past. Such Termbray Shares are held by Mr. Lee Lap on terms that they are to be sold and the proceeds of sale to be retained for the benefit of Termbray. However, such sale has not taken place due to inadvertent oversight. The number of these Termbray Shares is insignificant compared to the total number of Termbray Shares subject to the Offer; and it is considered to be more independent if these 7,970 Termbray Shares are excluded from the Offer. Accordingly, for these reasons, these 7,970 Termbray Shares are not subject to the Offer.

The 7,970 Termbray Shares as mentioned above were only revealed at the time of compiling this Composite Document. Therefore, the total number of Termbray Shares subject to the Offer as stated in the Joint Announcement (i.e. 628,003,150 Termbray Shares) should be adjusted to 627,995,180 Termbray Shares.

Shareholders who accept the Offer are entitled to choose between the Share Alternative or the Cash Alternative, as described below:

Share Alternative

For each Termbray Share 1 New Share

Cash Alternative

For each Termbray Share HK\$1.20 in cash

Holders of New Shares who would like to split or register their transfer of New Shares after completion of the Offer should deliver by post or by hand their requests together with the relevant certificate(s) for the New Shares to the Offeror for the attention of Mr. Lee Lap at Flat A, 8/F, Waylee Industrial Centre, 30-38 Tsuen King Circuit, Tsuen Wan, New Territories. The charge for splitting of New Share certificates are expected to be HK\$2.50 per new certificate issued. The charge for transfer of New Shares are expected to be HK\$2.50 per old share certificate cancelled or per new share certificate issued, whichever is the higher. Both charges shall be borne by the holder(s) of the New Shares or transferees who lodges the request with the Offeror. New certificates will be available for collection within 15 Business Days upon surrender of the old share certificates for the New Shares to the Offeror for splitting or lodgement of the transfer form and the related share certificates for the New Shares to the Offeror for registration of transfer. Holders or transferees of New Shares may contact the Offeror at (852) 2410 5505 for details in respect of splitting or registration of transfer of the New Shares.

LETTER FROM PIPER JAFFRAY

Nature of New Shares

The Offeror was incorporated in the British Virgin Islands on 4 January 2010 and its current sole activity is to make the Offer. Save for the expenses incurred as a result of the incorporation of the Offeror and the paid-up capital in the sum of US\$1.00, the Offeror does not have any assets or liabilities as at the Latest Practicable Date. There is no inherent value in the New Shares prior to the Offeror completing the Offer and acquiring the Termbray Shares. If Shareholders choose the Share Alternative, the New Shares that they will receive will be unlisted. In addition, there may be a limited market for the transfer of the New Shares and such transfer of New Shares is also subject to the memorandum and articles of association of the Offeror in force from time to time.

Upon satisfaction of the condition attaching to the Offer and the completion of the Offer and the compulsory acquisition process, Termbray will become a wholly-owned subsidiary of the Offeror.

Comparison of Value

The Offer Price of HK\$1.20 represents:

- (a) a premium of approximately 5.26% over the closing price of HK\$1.14 per Termbray Share as quoted on the Stock Exchange on the Last Trading Date;
- (b) a premium of approximately 8.11% over the average closing price of approximately HK\$1.11 per Termbray Share as quoted on the Stock Exchange for the last 10 trading days immediately prior to and including the Last Trading Date;
- (c) a premium of approximately 1.69% over the average closing price of approximately HK\$1.18 per Termbray Share as quoted on the Stock Exchange for the last 30 trading days immediately prior to and including the Last Trading Date;
- (d) a discount of approximately 0.83% to the closing price of HK\$1.21 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (e) a premium of approximately 106.90% to the unaudited consolidated equity attributable to owners of Termbray per Termbray Share of approximately HK\$0.58 as at 30 September 2009 (calculated based on the unaudited consolidated equity attributable to owners of Termbray of approximately HK\$1,142,577,000 as at 30 September 2009 and 1,957,643,050 Termbray Shares in issue as at 30 September 2009); and
- (f) a premium of approximately 81.82% to the adjusted unaudited consolidated equity attributable to owners of Termbray per Termbray Share of approximately HK\$0.66 as at 30 September 2009 (calculated based on the unaudited consolidated equity attributable to owners of Termbray of approximately HK\$1,142,577,000 as at 30

LETTER FROM PIPER JAFFRAY

September 2009, adjusted by the surplus of approximately HK\$158,602,000 over the net book value of the properties of the Termbray Group of approximately HK\$188,998,000 as at 30 September 2009 as a result of the revaluation of properties of the Termbray Group by Vigers Appraisal and Consulting Limited as at 31 January 2010, and 1,957,643,050 Termbray Shares in issue as at 30 September 2009).

Outstanding Termbray Options and Convertible Notes

As at the Latest Practicable Date, there are outstanding Termbray Options A and Termbray Options B entitling the holder thereof, namely Mr. Wang, to subscribe for 20,000,000 Termbray Shares at an exercise price of HK\$1.20 per Termbray Share and 17,000,000 Termbray Shares at an exercise price of HK\$1.25 per Termbray Share, respectively. Mr. Wang has given an irrevocable undertaking to the Offeror that conditional upon the Offer becoming unconditional, Mr. Wang will surrender the Termbray Options A and the Termbray Options B for nil consideration and release and discharge Termbray from its obligations under the share option agreement dated 14 January 2008, in each case with effect from the date on which the Offer becomes unconditional.

As at the Latest Practicable Date, Termbray has outstanding Convertible Notes in a principal amount of HK\$133,692,000 issued to King Shine, which is beneficially owned by Mr. Wang as to approximately 56.98%. King Shine has given an irrevocable undertaking to the Offeror that they will not transfer the Convertible Notes or exercise the conversion right attaching thereto before the close of the Offer. In addition, King Shine has irrevocably undertaken to the Offeror not to accept an offer comparable to the Offer in respect of the Convertible Notes.

Each of the irrevocable undertakings executed by Mr. Wang and King Shine shall cease to be of any effect upon the earlier of any of the following events taking place: (a) the making of a revised or an alternative offer for the Termbray Shares which results in an increase in the Offer Price above HK\$1.20 per Termbray Share; or (b) the lapse of the Offer; or (c) the Offer has not become unconditional by 30 September 2010.

Accordingly, no comparable offers are made for the outstanding Termbray Options and the Convertible Notes and the total number of Termbray Shares subject to the Offer is 627,995,180 Termbray Shares.

Save for the aforesaid, Termbray does not have any other outstanding options, derivatives, warrants or securities which are convertible or exchangeable into Termbray Shares and has not entered into any agreement for the issue of such options, derivatives, warrants or securities which are convertible or exchangeable into Termbray Shares.

Pursuant to the terms and conditions of the Convertible Notes, the proposed delisting of the Termbray Shares on the Stock Exchange (details of which are set out in the section headed "Compulsory Acquisition and Withdrawal of Listing" in this letter) will constitute an event of default after which the Convertible Notes will, upon the giving of notice by King Shine,

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immediately become due and payable by Termbray. At present, Termbray Group has bank balances and cash of not less than HK\$700 million. Upon receiving the demand notice from King Shine, Termbray will apply part of such bank balance and cash for repayment of the Convertible Notes.

TOTAL CONSIDERATION

On the basis of the Offer Price of HK\$1.20 per Termbray Share and 1,957,643,050 Termbray Shares in issue as at the Latest Practicable Date, the entire issued share capital of Termbray is valued at approximately HK\$2,349,171,660. On the basis of (i) the 1,329,639,900 Termbray Shares which the Offeror and parties acting in concert with it are interested in and are not subject to the Offer and (ii) the 7,970 Termbray Shares held by Mr. Lee Lap in trust and to be sold for the benefit of Termbray which are excluded from the Offer, the Offer is valued at approximately HK\$753,594,216 based on the Offer Price and 627,995,180 Termbray Shares being the subject of the Offer.

CONFIRMATION OF FINANCIAL RESOURCES

Piper Jaffray is satisfied that sufficient financial resources are available to the Offeror and Lee & Leung to satisfy full acceptance of the Offer. The Offeror will finance the Offer by subscription monies and other available funds from Lee & Leung in the manner as set out in the Subscription Agreement. Funds to be provided by Lee & Leung to the Offeror in connection with the Offer will be financed by the cash deposited into and the term loan facilities provided by Hang Seng Bank Limited. The directors of the Offeror confirm that the payment of the interest on, or the repayment of the aforesaid term loan facilities, or security for any liability under the aforesaid term loan facilities, would not be dependent to any significant extent on the business of Termbray. Details of the Subscription Agreement are set out in the section headed "Subscription Agreement" in this letter.

NO ELECTION

Shareholders who accept the Offer but do not indicate clearly their choice of either the Share Alternative or the Cash Alternative will be deemed to have elected the Cash Alternative in respect of their entire holding of Termbray Shares.

SETTLEMENT OF CONSIDERATION

Subject to the Offer becoming or being declared unconditional and provided that a valid Form of Acceptance and Transfer and the relevant Termbray share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are complete and in good order in all respects, a banker's draft/cheque for the amount due to the Accepting Shareholder and/or share certificates for the number of New Shares due to the Accepting Shareholder in respect of the Termbray Shares tendered by the Accepting Shareholder under the Offer will be despatched to the Accepting Shareholder by ordinary post at his/her own risk as soon as possible, but in any

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event within 10 days of the later of the date on which the Offer becomes or is declared unconditional and the date on which all relevant documents are received by the Registrar to tender such acceptance complete and valid.

The consideration to which any Accepting Shareholder is entitled under the Offer will be paid by the Offeror in full in accordance with the terms of the Offer set out in this Composite Document (including the appendices) and the accompanying Form of Acceptance and Transfer without regard to any other lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Accepting Shareholder.

STAMP DUTY

Lee & Leung will pay both the sellers' ad valorem stamp duty and the buyer's ad valorem stamp duty in respect of acceptances of the Offer.

CONDITION OF THE OFFER

The Offer will be conditional upon the Offeror having received valid acceptances of the Offer (which are not, where permitted, withdrawn) by 4:00 p.m. on the Closing Date (or such later time or date as the Offeror may, subject to the rules of the Takeovers Code, decide) in respect of the Termbray Shares which constitute not less than 90% of the Termbray Shares to which the Offer relates.

In addition to the condition set out above, the Offer shall also be subject to the terms that acceptance of the Offer by any person will constitute a warranty by such person or persons to the Offeror that the Termbray Shares acquired under the Offer are sold by such person or persons free from all third party rights, liens, charges, equities, adverse interests and encumbrances whatsoever and together with all rights attaching thereto as at the Joint Announcement Date or subsequently becoming attached to them, including the right to receive all dividends and distributions, if any, declared, made or paid on or after the Joint Announcement Date.

COMPLETION OF THE OFFER

If the Offer Condition, which is not waivable, is not satisfied on or before the Closing Date, the Offer will lapse and the Offeror will not proceed with the Offer. The latest time and date on which the Offeror can declare the Offer unconditional as to acceptances is 7:00 p.m. on the 60th day after posting of this Composite Document (or such later date to which the Executive may consent).

IRREVOCABLE UNDERTAKING

The Offer will not be extended to the parties acting in concert with the Offeror. As at the Latest Practicable Date, each of Lee & Leung, Mr. Lee Wing Sing Vincent and Mr. Lee Wing Keung is beneficially interested in 1,252,752,780, 39,387,120 and 37,500,000 Termbray Shares

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respectively, representing approximately 63.99%, 2.01% and 1.92% of the existing issued share capital of Termbray. Lee & Leung which is the holding company of the Offeror, and Mr. Lee Wing Sing Vincent (a non-executive director of Termbray) and Mr. Lee Wing Keung who are the sons of Mr. Lee Lap and Mdm. Leung Lai Ping, both of whom are directors of the Offeror, Lee & Leung and Termbray, are all considered to be parties acting in concert with the Offeror.

Notwithstanding the aforesaid, each of Lee & Leung, Mr. Lee Wing Sing Vincent and Mr. Lee Wing Keung has given an irrevocable undertaking to the Offeror to transfer all of the Termbray Shares respectively held by them to the Offeror within 60 days after the Offer becomes unconditional in return for the allotment and issue of the same number of New Shares by the Offeror, on the same terms as the Offer, subject to the Offer becoming or being declared unconditional save and except that such transfer is expected to be effected in the principal register of Termbray in Bermuda.

The 7,970 Termbray Shares, which are held by Mr. Lee Lap in trust and to be sold for the benefit of Termbray and are not subject to the Offer, will be acquired by the Offeror after completion of the Offer under the compulsory acquisition. Details of the compulsory acquisition are disclosed under the section headed “Compulsory Acquisition and Withdrawal of Listing” in this letter.

As at the Latest Practicable Date, the Offeror and parties acting in concert with it have not received any irrevocable commitment to accept the Offer.

SUBSCRIPTION AGREEMENT

The Offeror and Lee & Leung have entered into the Subscription Agreement pursuant to which Lee & Leung will subscribe for one New Share in the Offeror at the subscription price of HK\$1.20 in respect of each Termbray Share for which the Cash Alternative is elected. The Offeror will in turn apply the subscription monies received under the Subscription Agreement to satisfy the Offer Price payable to the relevant Shareholders who elect the Cash Alternative. In addition, all costs and expenses in relation to the Offer incurred by the Offeror, including but not limited to the stamp duty payable under the Offer, shall be borne by Lee & Leung. The Subscription Agreement is conditional only upon the Offer becoming or being declared unconditional and will terminate if the Offer does not become or is not declared unconditional on or before the 60th day after posting of this Composite Document (or such later date as the Offer may remain open to, as may be agreed between the parties and approved by the Executive).

Depending on the number of Shareholders who elect to receive the Cash Alternative, Lee & Leung and the parties acting in concert with it will be beneficially interested in approximately 67.92% to 100% of the issued share capital of the Offeror upon completion of the Offer.

LETTER FROM PIPER JAFFRAY

COMPULSORY ACQUISITION AND WITHDRAWAL OF LISTING

To the extent applicable and pursuant to the compulsory acquisition powers under the Companies Act, if the Offeror acquires not less than 90% of the Termbray Shares held by the Independent Shareholders (by virtue of the acceptances of the Offer or otherwise) within the period of four months after posting the initial Composite Document, the Offeror intends to exercise its rights under the provisions of the Companies Act and Rule 2.11 of the Takeovers Code to compulsorily acquire those Termbray Shares not acquired by the Offeror and parties acting in concert with it pursuant to the Offer, and following which an application will be made for the withdrawal of the listing of the Termbray Shares from the Stock Exchange pursuant to Rule 6.15 of the Listing Rules.

Pursuant to Section 103 of the Companies Act, holders of not less than 95% of the shares in a company may give notice to the remaining shareholders of the intention to acquire their shares. Upon completion of the Offer and acquisition of the Termbray Shares from parties acting in concert with the Offeror, the Offeror will hold not less than approximately 96.79% of the issued share capital of Termbray. In such circumstances, the Offeror would be entitled to exercise its compulsory acquisition powers pursuant to Section 103 of the Companies Act. Further announcement(s) will be made by the Offeror and Termbray in accordance with the Takeovers Code in such regard.

If the Offeror does not exercise the compulsory acquisition powers set out above upon the Offer becoming unconditional, the directors of the Offeror jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that there is sufficient public float for the Termbray Shares. However, the Offeror does not consider that this is likely to occur given the intention of the Offeror to privatise Termbray by exercising its compulsory acquisition powers upon the Offer becoming unconditional.

The Stock Exchange has stated that if, at the completion of the Offer, less than 25% of the Termbray Shares are held by the public, or if the Stock Exchange believes that there are insufficient Termbray Shares in public hands to maintain an orderly market, then it will consider exercising its discretion to suspend trading in the Termbray Shares.

RETURN OF SHARE CERTIFICATES IF THE OFFER LAPSES

If the Offer lapses, the Offeror will, as soon as possible but in any event within 10 days thereof, return by ordinary post, at the risk of the Accepting Shareholders, despatch the share certificates lodged with the Form of Acceptance and Transfer to, or make such share certificates available for collection by, those Independent Shareholders who have accepted the Offer and delivered such certificates to the Registrar.

TAXATION

You are recommended to consult your own professional advisers if you are in any doubt as to the taxation implications of your acceptance of the Offer. It is emphasised that none of the Offeror, Termbray, Piper Jaffray, any of their respective directors and any persons involved in the Offer accepts responsibility for any tax effects or liabilities of any person or persons as a result of their acceptance of the Offer.

LETTER FROM PIPER JAFFRAY

OVERSEAS SHAREHOLDERS

The making of the Offer to those Independent Shareholders whose registered addresses as shown on the Register are outside Hong Kong may be prohibited or affected by the laws of the relevant jurisdictions. The Overseas Shareholders should inform themselves about and observe any applicable legal requirements. It is the responsibility of each Overseas Shareholder wishing to accept the Offer to satisfy himself or herself or itself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required and the compliance with other necessary formalities or legal requirements. Any such Overseas Shareholder will be responsible for any such issue, transfer or other taxes by whomsoever payable. Acceptances of the Offer by any such person will constitute a warranty by such person that such person is permitted under all applicable laws to accept the Offer and any revision thereof, and such acceptance shall be valid and binding in accordance with all applicable laws.

INFORMATION ON THE OFFEROR

The Offeror is a company incorporated in the British Virgin Islands on 4 January 2010 with limited liabilities and its current sole activity is to make the Offer. Save for the expenses incurred as a result of the incorporation of the Offeror and the paid-up capital in the sum of US\$1.00, the Offeror does not have any assets or liabilities as at the Latest Practicable Date. The Offeror is a wholly-owned subsidiary of Lee & Leung, a company incorporated in the British Virgin Islands with limited liability and the controlling shareholder of Termbray. As at the Latest Practicable Date, Lee & Leung is wholly-owned by First Trend Management (PTC) 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, an executive director of Termbray, is the settlor of the Lee & Leung Family Trust whereas Mdm. Leung Lai Ping and Mr. Tommy Lee, both of whom are executive directors of Termbray, Mr. Lee Wing Sing Vincent who is a non-executive director of Termbray and Mr. Lee Wing Keung are the discretionary beneficiaries of the Lee & Leung Family Trust.

Upon satisfaction of the condition attaching to the Offer and the completion of the Offer and the compulsory acquisition process, Termbray will become a wholly-owned subsidiary of the Offeror.

REASONS FOR THE OFFER

The average daily traded volume of the Termbray Shares over the six-month period prior to the Last Trading Date was approximately 197,874 Termbray Shares, representing approximately 0.01% of the issued share capital of Termbray as at the Latest Practicable Date. Given the low trading volume of Termbray Shares traded on the Stock Exchange, the Offeror believes that access to the equity capital markets does not provide Termbray with an effective fund raising platform nor enhance its fund raising ability, and that the costs and management resources associated with the maintenance of Termbray's listing status may not be justified. If Termbray is to be delisted, it will be able to simplify its corporate structure, reduce administration time and costs and to save significant resources on listing compliance and investor relations in Hong Kong.

LETTER FROM PIPER JAFFRAY

Furthermore, the Offeror believes that in view of the low liquidity, Termbray Shares are in general thinly traded and there is currently limited opportunity for the Independent Shareholders to divest their investment in Termbray. The Offer represents an opportunity to the Independent Shareholders who wish to exit from their investment in Termbray and to invest such cash in other investment opportunities that they may consider more attractive.

INTENTION OF THE OFFEROR REGARDING THE TERMBRAY GROUP

The Offeror intends that the Termbray Group will carry on its current business and continue its business in the oilfield related industry through the Petro-king Group following completion of the Offer.

In this connection, the Offeror intends to reorganise the assets of the Termbray Group. In addition, in order to further develop its business the Offeror may consider taking various steps including but not limited to, merger and acquisition and divestiture of business and/or assets, corporate restructuring and separate listing of the Petro-king Group in an appropriate securities exchange at an appropriate time subject to the development of the Petro-king Group. The Offeror will assess the above upon completion of the Offer. No concrete plan has been formulated as at the Latest Practicable Date. Save for the above, there is no intention of the Offeror to introduce major changes to the existing operations, business (including in relation to any redeployment of fixed assets) and management of the Termbray Group or continued employment of the employees of the Termbray Group and Petro-king Group.

In view of the above, the Offeror believes that privitisation of Termbray will enable the Offeror to reorganise and further develop the different assets of the Termbray Group with an aim to optimise its value under an unlisted platform which allows greater flexibility at a more justifiable cost.

BENEFITS OF THE OFFER FOR THE INDEPENDENT SHAREHOLDERS

The Offer gives the Independent Shareholders who elect to receive the Cash Alternative an opportunity to realise their investments in Termbray at a price which is above both the market price of Termbray Shares on the Last Trading Date and the net asset value per Termbray Share. In addition, while the Offeror considers that the reorganization of assets and/or businesses of the Termbray Group would be better managed if it were not listed, it appreciates that some Independent Shareholders with a longer term investment perspective may wish to retain an interest in the Termbray Group. As such, the Offer also gives the Independent Shareholders who has trust in the management and business philosophy of Termbray an opportunity to retain their ownership interest in the Termbray Group by electing the Share Alternative, albeit indirectly and, therefore, participate in the Termbray Group's future development following the assets and/or business reorganization of the Termbray Group. However, there is no guarantee by the Offeror on any immediate benefit that can be brought to the Independent Shareholders or any concrete plan on the future development of Termbray Group that can be implemented immediately upon completion of the Offer.

LETTER FROM PIPER JAFFRAY

INFORMATION ON THE TERMBRAY GROUP

Information on Termbray is set out in the section headed “Information on the Termbray Group” on page 24 in the “Letter from the Termbray Board” of this Composite Document.

ESTIMATE OF VALUE OF NEW SHARES

In accordance with paragraph 30 of Schedule I of the Takeovers Code, subject to the full terms, conditions and all considerations set out in our letter in Appendix VI of this Composite Document, Piper Jaffray has advised the directors of the Offeror that if a New Share had been in issue as at the Latest Practicable Date an estimate of the value of a New Share would have been within a range of HK\$0.90 to HK\$1.20. This estimate of value does not represent a formal opinion of the value of a New Share or a Termbray Share by Piper Jaffray.

ADDITIONAL INFORMATION

Your attention is drawn to the accompanying Form of Acceptance and Transfer and the additional information set out in the appendices which form part of this Composite Document. Your attention is also drawn to the “Letter from the Termbray Board”, the “Letter from the Independent Board Committee” and the “Letter from Quam Capital” contained in this Composite Document.

Yours faithfully,
For and on behalf of
Piper Jaffray Asia Limited
Stacey Wong
Head of Investment Banking

LETTER FROM THE TERMBRAY BOARD



TERMBRAY INDUSTRIES INTERNATIONAL (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 0093)

Directors:

Executive Directors:

Lee Lap (*Chairman*)

Leung Lai Ping

Tommy Lee (*Vice Chairman*)

Wang Jinlong (*Chief Executive Officer*)

Wong Shiu Kee

Independent Non-Executive Directors:

Chan Siu Kang

Lo Yiu Hee

Tong Hin Wor

Non-Executive Directors:

Lee Ka Sze, Carmelo

Lee Wing Sing, Vincent

Registered Office:

Clarendon House

Church Street

Hamilton HM 11

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

10 March 2010

To the Independent Shareholders

Dear Sir or Madam,

**PROPOSED PRIVATISATION
BY WAY OF
VOLUNTARY CONDITIONAL OFFER BY PIPER JAFFRAY ASIA LIMITED
ON BEHALF OF NEW INSIGHT INVESTMENTS LIMITED
FOR ALL THE ISSUED SHARES IN
TERMBRAY INDUSTRIES INTERNATIONAL (HOLDINGS) LIMITED
(OTHER THAN THOSE ALREADY HELD BY NEW INSIGHT INVESTMENTS
LIMITED AND PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

On 3 February 2010, Termbray and the Offeror jointly announced that on 28 January 2010 (after the trading hours of the Stock Exchange), the Offeror informed the Termbray Board that Piper Jaffray, on behalf of the Offeror, will make a voluntary conditional offer to acquire all

LETTER FROM THE TERMBRAY BOARD

of the issued Termbray Shares (other than those already held by the Offeror and parties acting in concert with it). Following a meeting of the Termbray Board on 28 January 2010, the Termbray Board has agreed to put forward the Offer for consideration by the Independent Shareholders.

This letter aims to provide you with, inter alia, information on the Offer and the Termbray Group. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 26 to 27 of this Composite Document and a letter from Quam Capital containing its advice to the Independent Board Committee in respect of the Offer is set out on pages 28 to 51 of this Composite Document.

THE OFFER

Piper Jaffray, on behalf of the Offeror, offers to acquire, on the terms and subject to the conditions set out in this Composite Document and in the Form of Acceptance and Transfer, all the issued Termbray Shares (other than those already held by the Offeror and parties acting in concert with it).

As at the Latest Practicable Date, the Offeror is not beneficially interested in any Termbray Shares and Lee & Leung, which is the holding company of the Offeror, is beneficially interested in 1,252,752,780 Termbray Shares, representing approximately 63.99% of the existing issued share capital of Termbray. Each of Mr. Lee Wing Sing Vincent and Mr. Lee Wing Keung is beneficially interested in 39,387,120 and 37,500,000 Termbray Shares respectively, representing approximately 2.01% and 1.92% of the existing issued share capital of Termbray as at the Latest Practicable Date. Mr. Lee Wing Sing Vincent (a non-executive director of Termbray) and Mr. Lee Wing Keung are the sons of Mr. Lee Lap and Mdm. Leung Lai Ping, both of whom are directors of the Offeror, Lee & Leung and Termbray. As such, Lee & Leung, Mr. Lee Wing Sing Vincent and Mr. Lee Wing Keung are all considered to be parties acting in concert with the Offeror. Therefore, as at the Latest Practicable Date, the Offeror and parties acting in concert with it are interested in an aggregate of 1,329,639,900 Termbray Shares, representing approximately 67.92% of the existing issued share capital of Termbray.

As at the Latest Practicable Date, Mr. Lee Lap was the registered holder of 7,970 Termbray Shares, all of which shares were allotted and issued to Mr. Lee Lap, as nominee and bare trustee, arising from the aggregation of fractional entitlements of shares in connection with the issues of bonus shares by Termbray in the past. Such Termbray Shares are held by Mr. Lee Lap on terms that they are to be sold and the proceeds of sale to be retained for the benefit of Termbray. However, such sale has not taken place due to inadvertent oversight. The number of these Termbray Shares is insignificant compared to the total number of Termbray Shares subject to the Offer; and it is considered to be more independent if these 7,970 Termbray Shares are excluded from the Offer. Accordingly, for these reasons, these 7,970 Termbray Shares are not subject to the Offer.

The 7,970 Termbray Shares as mentioned above were only revealed at the time of compiling this Composite Document. Therefore, the total number of Termbray Shares subject to the Offer as stated in the Joint Announcement (i.e. 628,003,150 Termbray Shares) should be adjusted to 627,995,180 Termbray Shares.

LETTER FROM THE TERMBRAY BOARD

Shareholders who accept the Offer will be entitled to choose between the Share Alternative or the Cash Alternative, as described below:

Share Alternative

For each Termbray Share 1 New Share

Cash Alternative

For each Termbray Share HK\$1.20 in cash

Nature of New Shares

As set out in the section headed “Nature of New Shares” in the “Letter from Piper Jaffray” of this Composite Document, the Offeror was incorporated in the British Virgin Islands on 4 January 2010 and its current sole activity is to make the Offer and save for the expenses incurred as a result of the incorporation of the Offeror and the paid-up capital in the sum of US\$1.00, the Offeror does not have any assets or liabilities as at the Latest Practicable Date. There is no inherent value in the New Shares prior to the Offeror completing the Offer and acquiring the Termbray Shares. If Shareholders choose the Share Alternative, the New Shares that they will receive will be unlisted. In addition, there may be a limited market for the transfer of the New Shares and such transfer of New Shares is also subject to the memorandum and articles of association of the Offeror in force from time to time.

Upon satisfaction of the condition attaching to the Offer and the completion of the Offer and the compulsory acquisition process, Termbray will become a wholly-owned subsidiary of the Offeror.

Comparison of Value

The Offer Price of HK\$1.20 represents:

- (a) a premium of approximately 5.26% over the closing price of HK\$1.14 per Termbray Share as quoted on the Stock Exchange on the Last Trading Date;
- (b) a premium of approximately 8.11% over the average closing price of approximately HK\$1.11 per Termbray Share as quoted on the Stock Exchange for the last 10 trading days immediately prior to and including the Last Trading Date;
- (c) a premium of approximately 1.69% over the average closing price of approximately HK\$1.18 per Termbray Share as quoted on the Stock Exchange for the last 30 trading days immediately prior to and including the Last Trading Date;
- (d) a discount of approximately 0.83% to the closing price of HK\$1.21 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (e) a premium of approximately 106.90% to the unaudited consolidated equity attributable to owners of Termbray per Termbray Share of approximately HK\$0.58 as at 30 September 2009 (based on the unaudited consolidated equity attributable to

LETTER FROM THE TERMBRAY BOARD

owners of Termbray of approximately HK\$1,142,577,000 as at 30 September 2009 and 1,957,643,050 Termbray Shares in issue as at 30 September 2009); and

- (f) a premium of approximately 81.82% to the adjusted unaudited consolidated equity attributable to owners of Termbray per Termbray Share of approximately HK\$0.66 as at 30 September 2009 (based on the unaudited consolidated equity attributable to owners of Termbray of approximately HK\$1,142,577,000 as at 30 September 2009, adjusted by the surplus of approximately HK\$158,602,000 over the net book value of the properties of the Termbray Group of approximately HK\$188,998,000 as at 30 September 2009 as a result of the revaluation of properties of the Termbray Group by Vigers Appraisal and Consulting Limited as at 31 January 2010, and 1,957,643,050 Termbray Shares in issue as at 30 September 2009).

CONDITION OF THE OFFER

The Offer will be conditional upon the Offeror having received valid acceptances of the Offer (which are not, where permitted, withdrawn) by 4:00 p.m. on the Closing Date (or such later time or date as the Offeror may, subject to the rules of the Takeovers Code, decide) in respect of the Termbray Shares which constitute not less than 90% of the Termbray Shares to which the Offer relates.

In addition to the condition set out above, the Offer shall also be subject to the terms that acceptance of the Offer by any person will constitute a warranty by such person or persons to the Offeror that the Termbray Shares acquired under the Offer are sold by such person or persons free from all third party rights, liens, charges, equities, adverse interests and encumbrances whatsoever and together with all rights attaching thereto as at the Joint Announcement Date or subsequently becoming attached to them, including the right to receive all dividends and distributions, if any, declared, made or paid on or after the Joint Announcement Date.

Your attention is also drawn to the “Expected Timetable” as set out in this Composite Document.

COMPULSORY ACQUISITION AND WITHDRAWAL OF LISTING

As set out in the section headed “Compulsory Acquisition and Withdrawal of Listing” in the “Letter from Piper Jaffray” of this Composite Document, to the extent applicable and pursuant to the compulsory acquisition powers under the Companies Act, if the Offeror acquires not less than 90% of the Termbray Shares held by the Independent Shareholders (by virtue of the acceptances of the Offer or otherwise) within the period of four months after posting the initial Composite Document, the Offeror intends to exercise its rights under the provisions of the Companies Act and Rule 2.11 of the Takeovers Code to compulsorily acquire those Termbray Shares not acquired by the Offeror and parties acting in concert with it pursuant to the Offer, and following which an application will be made for the withdrawal of the listing of Termbray Shares from the Stock Exchange pursuant to Rule 6.15 of the Listing Rules.

LETTER FROM THE TERMBRAY BOARD

Pursuant to Section 103 of the Companies Act, holders of not less than 95% of the shares in a company may give notice to the remaining shareholders of the intention to acquire their shares. Upon completion of the Offer and acquisition of the Termbray Shares from parties acting in concert with the Offeror, the Offeror will hold not less than approximately 96.79% of the issued share capital of Termbray. In such circumstances, the Offeror would be entitled to exercise its compulsory acquisition powers pursuant to Section 103 of the Companies Act. Further announcement(s) will be made by the Offeror and Termbray in accordance with the Takeovers Code in such regard.

If the Offeror does not exercise the compulsory acquisition powers set out above upon the Offer becoming unconditional, the directors of the Offeror jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that there is sufficient public float for the Termbray Shares. However, the Offeror does not consider that this is likely to occur given the intention of the Offeror to privatise Termbray by exercising its compulsory acquisition power upon the Offer becoming unconditional.

The Stock Exchange has stated that if, at the completion of the Offer, less than 25% of the Termbray Shares are held by the public, or if the Stock Exchange believes that there are insufficient Termbray Shares in public hands to maintain an orderly market, then it will consider exercising its discretion to suspend trading in the Termbray Shares.

FURTHER DETAILS IN RESPECT OF THE OFFER

Further details of the Offer, including, among other things, the terms of the Offer, details of the procedures for acceptance and settlement of the Offer, are contained in the “Letter from Piper Jaffray” and in Appendix I to this Composite Document and in the accompanying Form of Acceptance and Transfer.

SHAREHOLDING STRUCTURE OF TERMBRAY

The table below sets out the shareholding structure of Termbray as at the Latest Practicable Date:

Shareholders	Number of Termbray Shares	Approximate % of the total issued Termbray Shares
Offeror and parties acting in concert with it (<i>Note 1</i>)	1,329,639,900	67.92
Mr. Lee Lap (<i>Note 2</i>)	7,970	–
Independent Shareholders	627,995,180	32.08
Total	<u>1,957,643,050</u>	<u>100</u>

Notes:

- Such interests were held as to 1,252,752,780 Termbray Shares by Lee & Leung, 39,387,120 Termbray Shares by Mr. Lee Wing Sing Vincent and 37,500,000 Termbray Shares by Mr. Lee Wing Keung.
- These 7,970 Termbray Shares are held by Mr. Lee Lap as nominee and bare trustee in trust and to be sold for the benefit of Termbray.

LETTER FROM THE TERMBRAY BOARD

INFORMATION ON THE TERMBRAY GROUP

Termbray is incorporated in Bermuda with limited liability and the Termbray Shares are listed on the Stock Exchange. The Termbray Group is principally engaged in property development, property investment, engineering projects (involving sale of tools and equipment) and provision of consultancy services on well drilling.

The unaudited consolidated profit attributable to owners of Termbray for the six months ended 30 September 2009 was approximately HK\$16,649,000. The audited consolidated loss attributable to equity holders of Termbray for the year ended 31 March 2009 was approximately HK\$6,629,000 and the audited consolidated loss attributable to equity holders of Termbray for the financial year ended 31 March 2008 was approximately HK\$20,848,000. The unaudited consolidated equity attributable to owners of Termbray was approximately HK\$1,142,577,000 as at 30 September 2009 and the audited consolidated equity attributable to equity holders of Termbray was approximately HK\$1,124,096,000 as at 31 March 2009.

INTENTION OF THE OFFEROR REGARDING THE TERMBRAY GROUP

Your attention is drawn to the section headed “Intention of the Offeror Regarding the Termbray Group” in the “Letter from Piper Jaffray” on pages 8 to 18 of this Composite Document.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising the three independent non-executive directors of Termbray, namely Mr. Chan Siu Kang, Mr. Lo Yiu Hee and Mr. Tong Hin Wor, has been established. Non-executive directors of Termbray include Mr. Lee Ka Sze, Carmelo and Mr. Lee Wing Sing Vincent and since (i) Mr. Lee Ka Sze, Carmelo is a practising solicitor and a partner of Woo, Kwan, Lee & Lo, which is currently acting as the legal advisor to Termbray in respect of the Offer; and (ii) Mr. Lee Wing Sing Vincent is a party acting in concert with the Offeror, Mr. Lee Ka Sze, Carmelo and Mr. Lee Wing Sing Vincent are therefore, not independent in respect of the Offer and will not be members of the Independent Board Committee. Quam Capital has been appointed, with the approval of the Independent Board Committee, as the independent financial adviser to advise the Independent Board Committee as to whether the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned and whether the Independent Shareholders should accept the Offer.

RECOMMENDATION

Your attention is drawn to the “Letter from the Independent Board Committee” on pages 26 to 27 of this Composite Document which sets out its recommendation in relation to the Offer.

LETTER FROM THE TERMBRAY BOARD

Your attention is also drawn to the “Letter from Quam Capital” on pages 28 to 51 of this Composite Document which sets out its recommendation in relation to the Offer and the principal factors considered by it in arriving at its recommendation.

ADDITIONAL INFORMATION

Your attention is also drawn to the “Letter from Piper Jaffray” on pages 8 to 18 of this Composite Document, the additional information contained in the appendices to this Composite Document and the accompanying Form of Acceptance and Transfer.

By Order of the Termbray 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)

10 March 2010

To the Independent Shareholders

Dear Sir or Madam,

**PROPOSED PRIVATISATION
BY WAY OF
VOLUNTARY CONDITIONAL OFFER BY PIPER JAFFRAY ASIA LIMITED
ON BEHALF OF NEW INSIGHT INVESTMENTS LIMITED
FOR ALL THE ISSUED SHARES IN
TERMBRAY INDUSTRIES INTERNATIONAL (HOLDINGS) LIMITED
(OTHER THAN THOSE ALREADY HELD BY NEW INSIGHT INVESTMENTS
LIMITED AND PARTIES ACTING IN CONCERT WITH IT)**

We refer to the composite offer and response document dated 10 March 2010 jointly issued by Termbray and the Offeror in relation to the Offer (the “Composite Document”) of which this letter forms part. Unless the context requires otherwise, capitalised terms used herein have the same meanings as defined in the Composite Document.

On 3 February 2010, Termbray and the Offeror jointly announced that on 28 January 2010 (after the trading hours of the Stock Exchange), the Offeror informed the Termbray Board that Piper Jaffray, on behalf of the Offeror, will make a voluntary conditional offer to acquire all of the issued Termbray Shares (other than those already held by the Offeror and parties acting in concert with it).

Details of the Offer are set out in the “Letter from the Termbray Board” on pages 19 to 25, the “Letter from Piper Jaffray” on pages 8 to 18 of the Composite Document and Appendix I to the Composite Document.

We have been appointed as members of the Independent Board Committee to make a recommendation to the Independent Shareholders in respect of the Offer. Quam Capital has been appointed as the independent financial adviser to advise us as to whether the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned and whether the Independent Shareholders should accept the Offer.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the terms of the Offer and taken into account the advice of Quam Capital, in particular, the factors, reasons and recommendations set out in the “Letter from Quam Capital” on pages 28 to 51 of the Composite Document, we consider that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to accept the Offer. We further recommend the Independent Shareholders to elect the Cash Alternative.

Yours faithfully,

For and on behalf of

Independent Board Committee

Siu Kang CHAN

*Independent
non-executive Director*

Yiu Hee LO

*Independent
non-executive Director*

Hin Wor TONG

*Independent
non-executive Director*

LETTER FROM QUAM CAPITAL

The following is the letter of advice from Quam Capital, the independent financial adviser to the Independent Board Committee, which has been prepared for the purpose of incorporation into this Composite Document.



Quam Capital Limited

A Member of The Quam Group

10 March 2010

To the Independent Board Committee

Dear Sir/Madam,

**PROPOSED PRIVATISATION
BY WAY OF
VOLUNTARY CONDITIONAL OFFER BY PIPER JAFFRAY ASIA LIMITED
ON BEHALF OF NEW INSIGHT INVESTMENTS LIMITED
FOR ALL THE ISSUED SHARES IN
TERMBRAY INDUSTRIES INTERNATIONAL (HOLDINGS) LIMITED
(OTHER THAN THOSE ALREADY HELD BY NEW INSIGHT INVESTMENTS
LIMITED AND PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee in relation to the Offer. Details of the Offer are set out in the composite offer and response document dated 10 March 2010 to be issued jointly by or on behalf of the Offeror and Termbray (the “Composite Document”) of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Composite Document unless the context otherwise requires.

The Independent Board Committee comprising Mr. Chan Siu Kang, Mr. Lo Yiu Hee and Mr. Tong Hin Wor, being independent non-executive Directors, has been formed to advise the Independent Shareholders on whether the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned and whether the Independent Shareholders should accept the Offer. We, Quam Capital, have been appointed, with the approval of the Independent Board Committee, as the independent financial adviser to give an independent opinion to the Independent Board Committee in this regard.

LETTER FROM QUAM CAPITAL

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the information and facts supplied by Termbray and its advisers, and the opinions expressed by and the representations of the Offeror, Directors and management of Termbray, which we have assumed to be true, accurate and complete. We have also assumed that all the information and representations contained or referred to in the Composite Document are true and accurate in all respects at the date thereof and may be relied upon, and continue to be true during the period the Offer remains open for acceptance. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Composite Document and that all information/representations regarding Termbray and the Offer provided to us by Termbray and/or its Directors and management are true, accurate, complete and not misleading in all aspects at the time they were made and continued to be so as at the date of the Composite Document and can be relied upon.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Composite Document so as to provide a reasonable basis for our recommendations. We have not, however, carried out any independent verification of the information, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of any member of the Termbray Group or any of their respective subsidiaries or associates.

We have not considered the tax implications on the Independent Shareholders of their acceptances or non-acceptances of the Offer since these are particular to their own individual circumstances. In particular, the Independent Shareholders who are resident outside Hong Kong or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax position with regard to the Offer and, if in any doubt, should consult their own professional advisers.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation and giving advice to the Independent Board Committee in respect of the Offer, we have taken into consideration the following principal factors and reasons:

1. Background and terms of the Offer

On 3 February 2010, the Offeror and Termbray jointly announced that on 28 January 2010 (after the trading hours of the Stock Exchange), the Offeror informed the Termbray Board that Piper Jaffray, on behalf of the Offeror, will make a voluntary conditional offer to acquire all of the issued Termbray Shares (other than those already held by the Offeror and parties acting in concert with it).

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As at the Latest Practicable Date, the Offeror is not interested in any Termbray Shares and Lee & Leung, which is the holding company of the Offeror, is interested in 1,252,752,780 Termbray Shares, representing approximately 63.99% of the existing issued share capital of Termbray. Each of Mr. Lee Wing Sing Vincent and Mr. Lee Wing Keung is interested in 39,387,120 and 37,500,000 Termbray Shares respectively, representing approximately 2.01% and 1.92% of the existing issued share capital of Termbray as at the Latest Practicable Date. Mr. Lee Wing Sing Vincent (a non-executive director of Termbray) and Mr. Lee Wing Keung are the sons of Mr. Lee Lap and Mdm. Leung Lai Ping, both of whom are directors of the Offeror, Lee & Leung and Termbray. As such, Lee & Leung, Mr. Lee Wing Sing Vincent and Mr. Lee Wing Keung are all considered to be parties acting in concert with the Offeror. Therefore as at the Latest Practicable Date, the Offeror and parties acting in concert with it are interested in an aggregate of 1,329,639,900 Termbray Shares, representing approximately 67.92% of the existing issued share capital of Termbray.

As at the Latest Practicable Date, Mr. Lee Lap was the registered holder of 7,970 Termbray Shares, all of which shares were allotted and issued to Mr. Lee Lap, as nominee and bare trustee, arising from the aggregation of fractional entitlements of shares in connection with the issues of bonus shares by Termbray in the past. Such Termbray Shares are held by Mr. Lee Lap on terms that they are to be sold and the proceeds of sale to be retained for the benefit of Termbray. As disclosed in the letter from Piper Jaffray in the Composite Document, such sale has not taken place due to inadvertent oversight, the number of these Termbray Shares is insignificant compared to the total number of Termbray Shares subject to the Offer, and it is considered to be more independent if these 7,970 Termbray Shares are excluded from the Offer. Accordingly, for these reasons, these 7,970 Termbray Shares are not subject to the Offer.

The 7,970 Termbray Shares as mentioned above were only revealed at the time of compiling the Composite Document. Therefore, the total number of Termbray Shares subject to the Offer as stated in the Joint Announcement (i.e. 628,003,150 Termbray Shares) should be adjusted to 627,995,180 Termbray Shares.

Each of Lee & Leung, Mr. Lee Wing Sing Vincent and Mr. Lee Wing Keung has given an irrevocable undertaking to the Offeror to transfer all of the Termbray Shares respectively held by them to the Offeror within 60 days after the Offer becomes unconditional in return for the allotment and issue of the same number of New Shares by the Offeror, on the same terms as the Offer, subject to the Offer becoming or being declared unconditional save and except that such transfer is expected to be effected in the principal register of Termbray in Bermuda.

Shareholders who accept the Offer will be entitled to choose between (i) the Share Alternative, pursuant to which 1 New Share will be issued as consideration for each Termbray Share tendered; or (ii) the Cash Alternative, pursuant to which HK\$1.20 in cash will be paid as consideration for each Termbray Share tendered.

The Offer is conditional upon the Offeror having received valid acceptances of the Offer in respect of the Termbray Shares which constitute not less than 90% of the Termbray Shares held by the Independent Shareholders. Details of the terms of the Offer are set out in the “Letter from Piper Jaffray” and Appendix I to the Composite Document.

2. Financial position and performance of the Termbray Group

Termbray is incorporated in Bermuda with limited liability and the Termbray Shares are listed on the Stock Exchange. The Termbray Group is principally engaged in property development, property investment, engineering projects (involving sale of tools and equipment) and provision of consultancy services on well drilling.

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Past results of the Termbray Group

The following table summarises the audited consolidated financial results of the Termbray Group for the three financial years ended 31 March 2007, 2008 and 2009, and the unaudited consolidated financial results of the Termbray Group for the six months ended 30 September 2008 and 2009. Further details of the results and other financial information of the Termbray Group are set out in Appendix II to the Composite Document.

	Financial year ended			Six months ended	
	31 March			30 September	
	2007	2008	2009	2008	2009
	(audited)	(audited and restated)	(audited)	(unaudited and restated)	(unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	6,576	43,290	218,809	92,719	193,301
Gross profit	4,612	14,111	112,255	44,770	105,013
Profit before taxation	14,505	(30,376)	32,899	2,835	63,054
Profit/(loss) for the year/period	14,375	(27,846)	21,858	(760)	43,333
Profit/(loss) attributable to equity holders of Termbray	14,375	(20,848)	(6,629)	(8,816)	16,649

As shown in the table above, the total revenue of the Termbray Group had been steadily increasing over the recent three financial years.

For the year ended 31 March 2008

For the year ended 31 March 2008, the Termbray Group achieved a turnover of approximately HK\$43.29 million, representing an improvement of approximately 5.58 times from the revenue for the financial year ended 31 March 2007. Such improvement was mainly attributable to consolidation of the revenue of the Petro-king Group since its date of acquisition. The new business segments of the Termbray Group as a result of the acquisition of the Petro-king Group in December 2007 (the "Petro-king Acquisition"), namely engineering projects and provision of consultancy service on well drilling, together contributed approximately HK\$37.09 million in revenue for the year ended 31 March 2008, representing approximately 85.68% of the Termbray Group's total revenue for the same year.

The Termbray Group was principally engaged in property development and investment business prior to the Petro-king Acquisition. Given that only rental outgoings were incurred directly for the revenue generated from the property development and investment business, the results of the Termbray Group reflected

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a relatively high gross profit margin of 70.13% for the financial year ended 31 March 2007. After the Petro-king Acquisition, the Termbray Group's gross profit margin for the year ended 31 March 2008 fell to approximately 32.60%. In particular, because the scale of the Petro-king Group was significantly larger than the Termbray Group's then property investment and development business, the effect of the Petro-king Acquisition to the Termbray Group's overall profit margin were significant.

The Termbray Group recorded administrative expenses of approximately HK\$49.01 million for the financial year ended 31 March 2008, representing an increase of approximately 2.83 times as compared to the previous financial year, mainly attributable to the consolidation of the expenses of the Petro-king Group into the Termbray Group. The Termbray Group began recording selling and distribution expenses in the financial year ended 31 March 2008, in the amount of approximately HK\$3.85 million, with the diversification of its principal business to that of the Petro-king Group. Other income mainly arising from short-term treasury activities including investments in securities and money market funds and the placement of bank deposits remained relatively stable at HK\$30.19 million for the year ended 31 March 2008 as compared to the preceding year.

Despite that no allowance on properties for sale is made in the year ended 31 March 2008 as compared to HK\$13 million made in the financial year ended 31 March 2007, the Termbray Group made a loss of approximately HK\$11.10 million for the year ended 31 March 2008 as compared to a profit of approximately HK\$14.38 million in the financial year ended 31 March 2007. Loss attributable to equity holders of Termbray amounted to approximately HK\$12.31 million in the financial year ended 31 March 2008 as compared to a profit attributable to equity holders of Termbray of approximately HK\$14.38 million in the previous financial year. As discussed with the management of Termbray, it was mainly attributable to the increase in expenses following the Petro-king Acquisition, the amortisation of intangible assets arising from the Petro-king Acquisition, and the due diligence expenses incurred on aborted acquisition.

For the year ended 31 March 2009

For the year ended 31 March 2009, revenue of the Termbray Group increased by approximately 4.05 times to reach approximately HK\$218.81 million. According to the Chairman's statement in the annual report of Termbray for the financial year ended 31 March 2009 (the "2009 Annual Report"), the improvement in revenue for 2009 was mainly attributable to the fact that the performance of the Petro-king Group for a complete financial year was reflected in the Termbray Group's accounts in such financial year, whereas only three months of the Petro-king Group's results was consolidated in the financial year ended 31 March 2008.

The Termbray Group recorded a gross profit of approximately HK\$112.26 million for the year ended 31 March 2009, representing an improvement of

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approximately 6.96 times from the previous year. The Termbray Group's gross profit margin increased from approximately 32.60% for the year ended 31 March 2008 to 51.30% for the year ended 31 March 2009. We noted from the 2009 Annual Report that most of its exploration tools are imported from overseas which have better quality and performance, thus enabled the Petro-king Group to maintain growth in the profit margin of its projects.

Selling and distribution expenses increased at a similar rate with the increase of revenue by approximately 4.13 times from approximately HK\$3.85 million for the year ended 31 March 2008 to approximately HK\$19.77 million for the year ended 31 March 2009. The Termbray Group managed to maintain its administrative expenses (as restated) to a relatively stable level which increased by only approximately 6.52% in 2009. Other income dropped by approximately HK\$9.06 million and finance costs increased by approximately HK\$4.80 million for the year ended 31 March 2009. Nevertheless, the substantial increase in revenue was able to offset the aforementioned increases in costs and expenses, the Termbray Group recorded a net profit of approximately HK\$21.86 million for the financial year ended 31 March 2009 as compared to a loss of approximately HK\$27.85 million for the financial year ended 31 March 2008 (as restated). Loss attributable to equity holders of Termbray amounted to approximately HK\$6.63 million in the financial year ended 31 March 2009, represented an improvement of approximately 68.20% as compared to that in the previous financial year of approximately HK\$20.85 million (as restated).

It should be noted that a large proportion of the substantial increase in revenue of the Termbray Group was attributable to the full year's consolidation of the Petro-king Group's results as compared to only three months in the previous year as mentioned above. Such one-off effect may not be carried forward to the next financial year and therefore the substantial increase in revenue may not be observed.

For the six months ended 30 September 2009

For the six months ended 30 September 2009, the Termbray Group's revenue increased by approximately 108.48% to approximately HK\$193.30 million from approximately HK\$92.72 million for the same period in the previous year. During the six month ended 30 September 2009, the property market in the Guangdong province in the PRC remained stagnant and the property investment and development segment recorded approximately HK\$3.12 million in revenue, representing a 13.18% drop from the same period in the previous year. The oilfield engineering and consultancy services segment continued to experience strong growth and achieved a turnover of approximately HK\$190.18 million, representing an increase of approximately 113.38% from the same period in the previous year. As discussed in the interim report of Termbray for the six months ended 30 September 2009 (the "2010 Interim Report"), the increase in financial performance of the oilfield engineering and consultancy services segment was mainly attributable to a combination of (i) lack of keen competition in the high-end oil exploration technology sector in the PRC; and (ii) the Petro-king Group expanding its business presence worldwide.

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The improved revenue combined with the significant reduction in administrative expenses from approximately HK\$36.79 million for the six months ended 30 September 2008 (as restated) to approximately HK\$19.87 million for the six months ended 30 September 2009, the Termbray Group returned to a profit attributable to equity holders of Termbray of approximately HK\$16.65 million from a loss of approximately HK\$8.82 million in the same period in the preceding year (as restated).

Financial position of the Termbray Group

The following table summarises the unaudited consolidated balance sheet of the Termbray Group as at 30 September 2009, details of which are set out in Appendix II to this Composite Document.

	<i>HK\$'000</i>
	(unaudited)
ASSETS	
Non-current assets	
Property, plant and equipment	19,385
Prepaid lease payments for leasehold land	65,780
Investment property	3,314
Pledged bank deposits	2,034
Goodwill	246,901
Intangible assets	6,720
	<hr/>
	344,134
	<hr/> <hr/>
Current assets	
Properties for sale	115,101
Inventories	35,849
Trade and other receivables	190,009
Deposits and prepayments	16,506
Prepaid lease payments for leasehold land	598
Available-for-sale investments	386
Pledged bank deposits	3,123
Bank balances and cash	766,166
	<hr/>
	1,127,738
	<hr/> <hr/>
Total assets	1,471,872
	<hr/> <hr/>

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HK\$'000
(unaudited)

LIABILITIES

Current liabilities

Trade and other payables and accrued charges	18,407
Deposits received	1,942
Provision	3,173
Amount due to a related company	2,945
Amount due to a director	23,412
Taxation payable	25,568
Secured bank borrowings	30,766

106,213

Non-current liabilities

Convertible note	125,510
Deferred tax liabilities	6,188

131,698

Total liabilities

237,911

Net assets as at 30 September 2009

1,233,961

As at 30 September 2009, the Termbray Group had a consolidated net asset value of approximately HK\$1,233.96 million. The Termbray Group's debt consists of approximately HK\$125.51 million of the carrying amount of the Convertible Notes and secured bank borrowings of approximately HK\$30.77 million. The Termbray Group's debt-to-equity ratio at 30 September 2009 (calculated as total debt divided by net asset value of the Termbray Group) was at a healthy level of 12.66%.

The goodwill in the book of the Termbray Group arose from the Petro-king Acquisition in 2007 and amounted to approximately HK\$246.90 million as at 30 September 2009.

The Termbray Group's bank balances and cash of approximately HK\$766.17 million, properties for sale of approximately HK\$115.10 million and trade and other receivables of approximately HK\$190.01 million combined together accounted for approximately 95% of the current assets of the Termbray Group as at 30 September 2009. We noted that the properties held by the Termbray Group has been revalued by Vigers Appraisal and Consulting Limited and the reassessed value of such

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properties as at 31 January 2010 was HK\$347.60 million which represents an increase of 83.92% from the book value as at 30 September 2009 (the “Revaluation”). Details of such revaluation are set out in the valuation report contained in Appendix III to the Composite Document.

Business prospects of the Termbray Group

As discussed in the 2009 Annual Report, the crude oil price has been fluctuating significantly which dropped from record high of US\$147 per barrel in July 2008 to US\$33 per barrel in December 2008. Crude oil price then rose back to above US\$70 per barrel as mentioned in the 2010 Interim Report. We further noted from the discussions in the 2009 Annual Report that the financial performance of the Petro-king Group’s customers depends on the the level of international oil price. In view of the volatile price trends of crude oil, it should be noted that the size and number of projects to be won by the Petro-king Group may also be affected which may in turn affect the revenue of the Termbray Group.

Furthermore, it is mentioned in the 2010 Interim Report that the Termbray Group’s ongoing strategy to gain a foothold and develop in the natural resources sector by way of cautiously exploring different kinds of investment opportunities. It was also highlighted in the interim report that underlying risk factors such as oil and commodity price volatility, interest rate movements, the impact of the global financial crisis, the recovery progress of the global economy, the global human swine flu and natural disasters are factors that may affect the Termbray Group’s business prospects.

We also noted from the Termbray Group’s annual reports for each of the three years ended 31 March 2009 and the 2010 Interim Report, that the property market in the Guangdong province, where the Termbray Group’s property projects are mainly located in, remained generally slack for each of the periods covered in the aforementioned financial statements of Termbray. It is also reflected in the segment results of the Termbray Group that there is no improvement in the performance of the said business so far.

We note that the revenue and net profit of Termbray for the year/period ended 31 March 2009 and 30 September 2009 shown improvement as compared with the respective previous year/period, and the net profit of Termbray for the half year ended 30 September 2009 has almost doubled the net profit for the full financial year ended 31 March 2009. As disclosed in the 2010 Interim Report, Petro-king Group has undertaken the initial design work for several massive overseas projects, the output of which are well-accepted by its customers and thus the Petro-king Group is expected to have more job opportunities in the coming years. Having considered the upward trend of the performance of the Petro-king Group as discussed above, and on balance the uncertainties surrounding the length and depth of the global financial crisis, the volatility of oil prices and the lack of activities in the property

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markets which that Termbray Group has invested in, we are of the view that the business prospects of the Termbray Group may be challenging and unpredictable in the near future but fairly optimistic in the long run.

3. The Offer Price

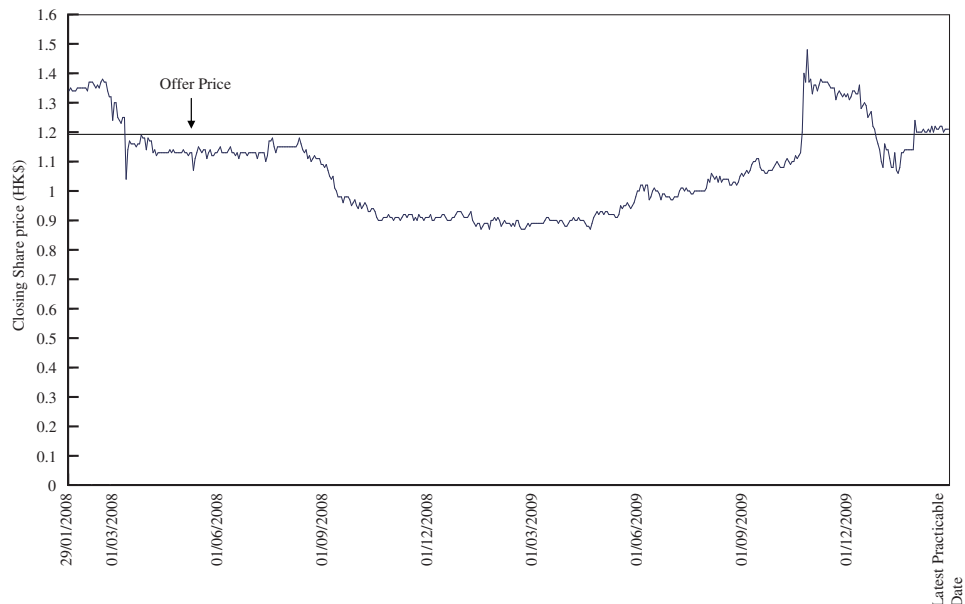
The Offer Price of HK\$1.20 per Termbray Share under the Cash Alternative represents:

- (a) a premium of approximately 5.26% over the closing price of HK\$1.14 per Termbray Share as quoted on the Stock Exchange on 28 January 2010, being the Last Trading Date;
- (b) a premium of approximately 8.11% over the average closing price of HK\$1.11 per Termbray Share over the 10 trading days immediately prior to and including the Last Trading Date;
- (c) a premium of approximately 1.69% over the average closing price of HK\$1.18 per Termbray Share over the 30 trading days immediately prior to and including the Last Trading Date;
- (d) a discount of approximately 0.83% over the closing price of HK\$1.21 per Termbray Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (e) a premium of approximately 106.9% to the unaudited consolidated equity attributable to owners of Termbray per Termbray Share of approximately HK\$0.58 as at 30 September 2009 (based on the unaudited consolidated equity attributable to owners of Termbray of approximately HK\$1,142,577,000 as at 30 September 2009 and 1,957,643,050 Termbray Shares in issue as at 30 September 2009); and
- (f) a premium of approximately 81.82% to the adjusted unaudited consolidated equity attributable to owners of Termbray per Termbray Share of approximately HK\$0.66 as at 30 September 2009 (“Adjusted NAV per Termbray Share”) (based on the unaudited consolidated equity attributable to owners of Termbray of approximately HK\$1,142,577,000 as at 30 September 2009, adjusted by the surplus of approximately HK\$158,602,000 over the net book value of the properties of the Termbray Group of approximately HK\$188,998,000 as at 30 September 2009 as a result of the Revaluation, and 1,957,643,050 Termbray Shares in issue as at 30 September 2009).

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Historical trading price of the Termbray Shares

The following chart shows the closing prices of the Termbray Shares as quoted on the Stock Exchange from 29 January 2008 up to and including the Last Trading Date (being a 24-month period ended on the Last Trading Date) (the “Pre-announcement Period”) and from 4 February 2010 (being the first trading date after the resumption of trading of the Termbray Shares upon the publication of the Announcement) up to and including the Latest Practicable Date (the “Post-announcement Period” together, the “Review Period”):



Source: the Stock Exchange website (www.hkex.com.hk)

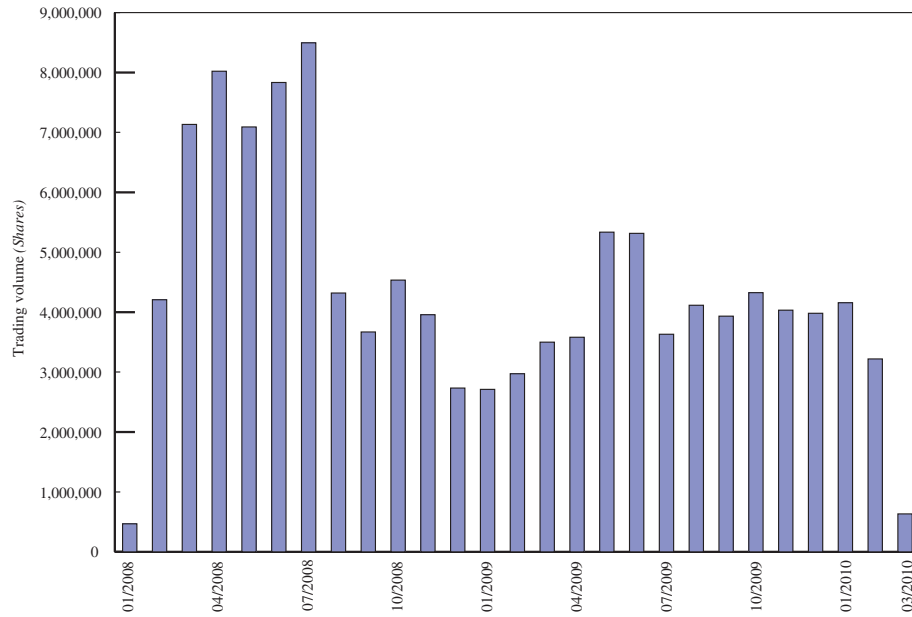
The closing prices of the Termbray Shares during the Pre-Announcement Period fluctuated within a range between HK\$0.87 and HK\$1.48 per Termbray Share. The closing prices of the Termbray Shares have been below the Offer Price during the period from 17 March 2008 to 29 October 2009. We noted that the closing price of the Termbray Shares rose sharply in a few trading days in early November 2009 from HK\$1.13 on 29 October 2009 to HK\$1.48 on 4 November 2009. Termbray has not made any public announcements that were price sensitive in nature that would cause such fluctuation in the closing price of the Termbray Shares during such period and the increase in price was not supported by trading volume. Since 4 January 2010 and up to the end of the Pre-Announcement Period, the Termbray Shares closed below the Offer Price.

During the Post-Announcement Period, the closing prices of the Termbray Shares fluctuated within a range between HK\$1.2 to HK\$1.24 per Termbray Share.

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Liquidity of the Termbray Shares

The chart and table set out below show (i) the daily trading volume of the Termbray Shares; and (ii) the monthly statistics on the trading volume of the Termbray Shares respectively, as quoted on the Stock Exchange in the Review Period:



Source: the Stock Exchange website (www.hkex.com.hk)

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Month	Total monthly trading volume <i>Termbray Shares</i>	Number of trading days	Average daily trading volume <i>Termbray Shares</i>	% of average daily trading volume to total number of issued Termbray Shares held by the Independent Shareholders as at the Latest Practicable Date <i>(Note 1)</i>	% of average daily trading volume to total number of issued Termbray Shares as at the Latest Practicable Date <i>(Note 2)</i>
2008					
January (Since 20 January 2008)	468,000	2	234,000	0.037%	0.012%
February	4,207,800	21	200,371	0.032%	0.010%
March	7,134,000	21	339,714	0.054%	0.017%
April	8,022,000	21	382,000	0.061%	0.020%
May	7,092,000	20	354,600	0.056%	0.018%
June	7,834,000	20	391,700	0.062%	0.020%
July	8,496,000	22	386,182	0.061%	0.020%
August	4,320,000	20	216,000	0.034%	0.011%
September	3,670,000	21	174,762	0.028%	0.009%
October	4,535,700	21	215,986	0.034%	0.011%
November	3,958,000	20	197,900	0.032%	0.010%
December	2,734,000	21	130,190	0.021%	0.007%
2009					
January	2,712,000	18	150,667	0.024%	0.008%
February	2,972,900	20	148,645	0.024%	0.008%
March	3,500,000	22	159,091	0.025%	0.008%
April	3,582,000	20	179,100	0.029%	0.009%
May	5,336,000	19	280,842	0.045%	0.014%
June	5,316,000	22	241,636	0.038%	0.012%
July	3,632,000	22	165,091	0.026%	0.008%
August	4,116,000	21	196,000	0.031%	0.010%
September	3,934,000	22	178,818	0.028%	0.009%
October	4,326,000	20	216,300	0.034%	0.011%
November	4,033,800	21	192,086	0.031%	0.010%
December	3,982,000	22	181,000	0.029%	0.009%
2010					
January (<i>Note 3</i>)	4,158,000	20	207,900	0.033%	0.011%
February (<i>Note 4</i>)	3,220,000	15	214,667	0.034%	0.011%
March (up to and including the Last Trading Date)	533,500	5	106,700	0.017%	0.005%

Notes:

1. Based on 627,995,180 Termbray Shares by the Independent Shareholders as at the Latest Practicable Date.
2. Based on 1,957,643,050 Termbray Shares in issue as at the Latest Practicable Date.
3. Trading in the Termbray Shares was suspended on 29 January 2010.
4. Trading in the Termbray Shares was suspended for 3 days from 1 February 2010 to 3 February 2010 (both days inclusive).

Source: the Stock Exchange website (www.hkex.com.hk)

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As illustrated in the chart above, the total number of Termbray Shares traded each month were less than 10,000,000 Termbray Shares, which represents approximately 0.51% and 1.59% of the total number of issued Termbray Shares and the total number of issued Termbray Shares held by the Independent Shareholders respectively as at the Latest Practicable Date.

In light of the low overall liquidity of the Termbray Shares and the thin trading activity during the Review Period, Independent Shareholders who wish to realise part or all of their investments in the Termbray Shares through disposal in the market should note that there may not be sufficient trading volume to absorb the amount of Termbray Shares intended to be sold without exerting significant downward pressure on the Termbray Share prices.

In view of the above, we concur with the Offeror's view, as stated in the "Letter from Piper Jaffray" in the Composite Document, that the Termbray Shares are in general thinly traded and the Offer represents an opportunity for Independent Shareholders to exit from their investment should they wish to do so.

In view of the thin liquidity, we consider that the current market price of the Termbray Shares may not be indicative of the financial performance and prospects of the Termbray Group. Accordingly, it is uncertain as to whether the price of the Termbray Shares may sustain at the current level should the Offer lapse.

Peer group comparison

To assess the fairness and reasonableness of the Offer Price, we have, in our research through public information including Bloomberg and the Stock Exchange's website, identified and reviewed an exhaustive list of three companies listed on the Stock Exchange which are principally engaged in the provision of oilfield services similar to the principal business of the Termbray Group (the "Comparable Companies"). Having taken into account that 98.39% and 97.02% of the Termbray Group's revenue is attributable to the oilfield engineering and consultancy services segment for the six months ended 30 September 2009 and the year ended 31 March 2009 respectively, we consider the oilfield engineering and consultancy services segment to be the principal business of the Termbray Group. As such, we have selected the Comparable Companies which are principally engaged in oilfield engineering and consultancy services.

Price to earnings ratio ("PER"), price to sales ratio ("PSR"), price to book ratio ("PBR") and dividend yield are common benchmarks for comparing the valuation of a company against its peers. It is noted that Termbray did not declare nor pay any dividend to its shareholders for the year ended 31 March 2009 and the six months ended 30 September 2009. As such, we do not consider the commonly used dividend yield to be applicable benchmark for the purpose of our analysis. We have instead selected the PER, PSR and the PBR as benchmarks for comparison with the Comparable Companies.

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The following table sets out the PER, PSR and the PBR of the Comparable Companies calculated based on (i) their respective closing prices as at the Latest Practicable Date; and (ii) the earnings per share or the sales per share as derived from the latest published audited financial reports of these companies or the net asset value per share as extracted from the latest published financial reports of these companies:

Stock code	Company name	Principal business	Market capitalisation (HK\$ million)	PER (times)	PSR (times)	PBR (times)
3337	Anton Oilfield Services Group	Provides onshore oilfield services and products. It provides oil field services and products in the areas of well, drilling, production and field services.	1,507.00	18.35	1.73	0.89
2883	China Oilfield Services Limited – H Shares	Provides drilling services, well services, marine support and transportation services, and geophysical services to the oil field industry in the offshore China market.	17,190.34	14.26	3.64	2.19
3303	Jutal Offshore Oil Services Limited	Provides technical support services in offshore oil and natural gas exploration and production. It also designs, fabricates and sells oil and natural gas processing skid equipment.	493.02	15.23	1.19	0.78
			minimum	14.26	1.19	0.78
			maximum	18.35	3.64	2.19
			mean	15.95	2.19	1.28
			median	15.23	1.73	0.89
				Implied PER	Implied PSR	Implied PBR
	Termbray (Note)			107.47	10.74	1.81

Source: the Stock Exchange website (www.hkex.com.hk) and Bloomberg

Note: For the purpose of our analysis, the Adjusted NAV per Termbray Share is used in the calculation of the implied PBR of Termbray.

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As illustrated in the table above, the PERs of the Comparable Companies averaged at approximately 15.95 times and the maximum PER was approximately 18.35 times. It is noted that for the year ended 31 March 2009, being the period covered by the latest published audited consolidated financial statements of Termbray, Termbray made a loss attributable to its equity holders. We have therefore adopted the net profit of Termbray of approximately HK\$21.86 million for the financial year ended 31 March 2009 and the net profit of the respective Comparable Companies to arrive at the PERs of Termbray and the Comparable Companies. The PER of Termbray implied by the Offer Price is approximately 107.47 which was substantially above the range of PERs of the Comparable Companies between 14.26 times and 18.35 times.

The PSRs of the Comparable Companies averaged at approximately 2.19 times and the maximum PSR was approximately 3.64 times. The PSR of Termbray implied by the Offer Price is approximately 10.74 which was substantially above the range of PSRs of the Comparable Companies between 1.19 times and 3.64 times.

The PBR of Termbray implied by the Offer Price is approximately 1.81 times which is within the range of the PBRs of the Comparable Companies between 0.78 times and 2.19 times and above the average PBR of the Comparable Companies of 1.28 times.

Based on the foregoing, the valuation of Termbray as implied by the Offer Price is higher than that of the Comparable Companies in terms of PER and PSR and is higher than the average PBR of the Comparable Companies.

We wish to highlight that certain characteristics of the Comparable Companies such as scale of operations, business activities and risk profile may not be entirely comparable to Termbray. As such, the above comparisons of PER, PSR and PBR with the Comparable Companies are for illustrative purpose only. In forming our opinion, we have considered the results of the above comparisons together with all other factors stated in this letter as a whole.

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Comparison with precedent privatisation offers

In order to further assess the fairness and reasonableness of the Offer Price, we have, to our best effort, identified and reviewed an exhaustive list of privatisation offers for 20 companies which are listed on the Stock Exchange of which the privatisation was first announced between 1 January 2008 and the Latest Practicable Date (the “Comparable Offers”). Details of the premium/discount of offer/cancellation price over/to the average share prices prior to announcement of the Comparable Offers are set out below:

Stock code	Company name	Date of announcement	Premium/(Discount) of offer/cancellation price over/(to) the average share prices prior to initial announcement of privatisation				
			Last Trading Date (%)	10 trading days (%)	30 trading days (%)	90 trading days (%)	180 trading days (%)
432	Pacific Century Premium Developments Limited	13 February 2008	26.1	26.6	19.1	14.5	14.5
1179	Mirabell International Holdings Limited	28 February 2008	15.2	13.1	17.7	14.7	36.8
96	Wing Lung Bank Limited	2 June 2008	6.2	4.2	9.7	35.8	58.0
906	China Netcom Group Corporation (Hong Kong) Limited (Note 2)	2 June 2008	(0.9)	8.7	12.8	13.8	17.6
183	CITIC International Financial Holdings Limited (Notes 1 & 4)	10 June 2008	33.3	40.4	46.1	71.3	51.1
1886	China Huiyuan Juice Group Limited	3 September 2008	194.7	208.4	197.7	141.3	108.5
8	PCCW Limited (Note 1)	4 November 2008	63.6	49.8	14.5	(1.0)	(3.0)
157	Natural Beauty Bio-Technology Limited	25 November 2008	(15.5)	5.1	(13.9)	(22.2)	(30.5)
416	GST Holdings Limited	3 December 2008	77.9	107.7	93.6	52.5	43.9
80	Shaw Brothers (Hong Kong) Limited	22 December 2008	64.2	70.2	70.0	19.6	(13.4)
122	Crocodile Garments Limited (Note 1)	17 February 2009	101.9	104.6	98.6	110.2	52.8

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Stock code	Company name	Date of announcement	Premium/(Discount) of offer/cancellation price over/(to) the average share prices prior to initial announcement of privatisation				
			Last Trading Date (%)	10 trading days (%)	30 trading days (%)	90 trading days (%)	180 trading days (%)
597	China Resources Microelectronics Limited (“CRM”)	23 February 2009	80.7	104.1	127.7	191.2	83.8
2633	Nam Tai Electronic & Electrical Products Limited	24 February 2009	2.0	3.5	6.3	68.2	62.6
722	Delta Networks, INC.	12 March 2009	43.8	62.7	80.7	95.8	32.7
409	Stone Group Holdings Limited	25 May 2009	39.1	43.9	48.1	69.5	68.9
18	Oriental Press Group Limited	1 June 2009	15.9	17.7	22.7	32.9	29.3
1389	The Ming An (Holdings) Company Limited	22 May 2009	44.4	48.6	55.1	60.8	64.1
3313	Meadville Holdings Limited (“Meadville”) (Note 3)	16 November 2009	61.4	35.3	51.6	83.8	139.8
2332	Hutchison Telecommunications International Limited	8 January 2010	36.6	38.9	38.5	37.2	32.4
647	Joyce Boutique Holdings Limited	5 February 2010	(11.1)	0.1	7.9	15.0	20.0
		minimum	(15.5)	0.1	(13.9)	(22.2)	(30.5)
		maximum	194.7	208.4	197.7	191.2	139.8
		mean	44.0	49.7	49.1	55.2	43.5
		median	37.9	39.7	36.5	44.9	40.4
	Termbray	3 February 2010	5.3	8.1	1.7	(0.8)	8.1

Source: the Stock Exchange website (www.hkex.com.hk) and Bloomberg

Notes:

- The offer price of the privatisation proposal of the respective companies were revised upwards after the respective initial announcements. The above calculations were based on the revised respective offer prices.
- The offer in the privatisation proposal of China Netcom Group Corporation (Hong Kong) Limited consisted of a share exchange offer. The above calculations for China Netcom Group Corporation (Hong Kong) Limited were based on the closing price of the shares to be exchanged before the initial announcement of its privatisation proposal.

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3. The dividend of approximately HK\$3.47 per share of Meadville to be distributed by Meadville in conjunction with a proposal to withdraw the listing of the shares of Meadville on the Stock Exchange as announced by Meadville on 16 November 2009 is, together with other relevant transactions and corporate actions of Meadville, considered by the Executive as a proposal to privatise Meadville. Accordingly, we have used HK\$3.47 as the implied offer/cancellation price for the purpose of our analysis.
4. The offer in the privatisation proposal of CITIC International Financial Holdings Limited consisted of cash plus share exchange offer. The above calculations for CITIC International Financial Holdings Limited were based on the closing price of the shares to be exchanged before the initial announcement of its privatisation proposal.

As shown in the table above, the premiums which the Offer Price represents over the Last Trading Date and 10 days, 30 days, 90 days and 180 days prior to the announcement of the Offer on 3 February 2010 are all within the range of the Comparable Offers. We note that, the aforesaid premiums are, however, below the respective median and mean of the Comparable Offers.

It should be noted that given the market conditions at the time which the Comparable Offers were made may differ from that of the current market conditions and that the companies which are subject of the Comparable Offers may be in different industries, the premiums/discounts for the Comparable Offers may vary. As such, the above analysis of the Comparable Offers should be used as reference only. Accordingly, we have considered the results of the above comparisons of the Comparable Offers together with all other factors stated in this letter as a whole when forming our opinion.

In view that (i) the Termbray Share price traded generally below the Offer Price during most trading days in the Review Period; (ii) the low liquidity of the Termbray Shares over the Review Period; (iii) the PER and PSR are substantially above the respective ranges of the PERs and PSRs of the Comparable Companies; (iv) the PBR is above the average of the Comparable Companies' PBRs; and (v) the premiums of the Offer Price over the closing price of the Termbray Shares on the Last Trading Date and the 10 days, 30 days, 90 days and 180 days average closing price of the Termbray Shares are within the range of the Comparable Offers, we are of the view that the Offer Price is fair and reasonable so far as the Independent Shareholders are concerned.

4. Reasons for the Offer

Save for the subscription of the Convertible Notes by King Shine and the subscription of Termbray Shares by Lee & Leung in December 2007 and January 2008 respectively and the issue of Termbray Shares as a result of exercise by the grantees of the share options under the share option schemes of Termbray from time to time, Termbray has not utilised its listing status to raise any funds from the equity capital markets for more than 10 years. Furthermore, access to the equity capital markets do not provide an efficient fund raising platform due to the low trading volume of the Termbray Shares as illustrated in the subsection headed "Liquidity of the Termbray Shares" in the section headed "The Offer Price" above.

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In view of the foregoing, we concur with the Offeror's view that the costs and management resources associated with the maintenance of Termbray's listing status may not be justified and therefore we are of the view that it is reasonable for the Termbray Board to put forward the Offer for consideration by the Independent Shareholders which, if successful, result in Termbray to be delisted.

5. Alternative proposals relating to the Termbray Shares

The Directors have confirmed to us that, save for the Offer, they have not received any formal proposals concerning the Termbray Shares subsequent to the Joint Announcement Date up to the Latest Practicable Date, nor are they aware of any potential proposals that may be made in the future.

6. The Offeror's intention relating to the Termbray Group

The Offeror is a company incorporated in the British Virgin Islands on 4 January 2010 with limited liabilities and its current sole activity is to make the Offer. The Offeror is a wholly-owned subsidiary of the controlling shareholder of Termbray, namely Lee & Leung, which its discretionary beneficiaries are Mr. Lee Wing Sing Vincent, Mdm. Leung Lai Ping and Mr. Tommy Lee, being directors of Termbray.

We note from the letter from Piper Jaffray in the Composite Document that the Offeror intends that the Termbray Group will carry on its current business and continue its business in the oilfield related industry through the Petro-king Group following completion of the Offer. In this connection, the Offeror intends to reorganise the assets of the Termbray Group. In addition, in order to further develop its business the Offeror may consider taking various steps including but not limited to, merger and acquisition and divestiture of business and/or assets, corporate restructuring and separate listing of the Petro-king Group in an appropriate securities exchange at an appropriate time subject to the development of the Petro-king Group. The Offeror will assess the above upon completion of the Offer. No concrete plan has been formulated as at the Latest Practicable Date.

It is also noted that, save for the above, there is no intention of the Offeror to introduce significant changes to the existing operations, business and management of the Termbray Group or continued employment of the employees of the Termbray Group and Petro-king Group.

Independent Shareholders should note that, to the extent applicable and pursuant to the compulsory acquisition power under the Companies Act, if the Offeror acquires not less than 90% of the Termbray Shares held by the Independent Shareholders (by virtue of the acceptances of the Offer or otherwise) within the period of four months after posting the initial Composite Document, the Offeror intends to exercise its rights under the provisions of the Companies Act and Rule 2.11 of the Takeovers Code to compulsorily acquire those Termbray Shares not acquired by the Offeror pursuant to the Offer, and

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following which an application will be made for the withdrawal of the listing of Termbray Shares from the Stock Exchange pursuant to Rule 6.15 of the Listing Rules. As at the Latest Practicable Date, the Offeror and parties acting in concert with it are interested in an aggregate of 1,329,639,900 Termbray Shares, representing approximately 67.92% of the existing issued share capital of Termbray. Furthermore, taking into account the 7,970 Termbray Shares which are excluded from the Offer as described in the paragraph headed “Background and terms of the Offer” contained in the section headed “Principal factors and reasons considered” in this letter, the Offeror will be required to acquire 565,195,662 more Termbray Shares in order to exercise the aforementioned rights of compulsory acquisition.

It is further stated in the letter from the Termbray Board that if the Offeror does not effect the compulsory acquisition set out above upon the Offer becoming unconditional, the directors of the Offeror will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that there is sufficient public float for the Termbray Shares. However, the Offeror does not consider that this is likely to occur given the intention of the Offeror to privatise Termbray by exercising its compulsory acquisition power upon the Offer becoming unconditional.

The Stock Exchange has stated that if, at the completion of the Offer, less than 25% of the Termbray Shares are held by the public, or if the Stock Exchange believes that there are insufficient Termbray Shares in public hands to maintain an orderly market, then it will consider exercising its discretion to suspend trading in the Termbray Shares.

For the information of the Independent Shareholders, except with the consent of the Executive, in any event that the Offer has not been declared unconditional, and has been withdrawn or has lapsed, neither the Offeror or parties acting in concert with it, may within 12 months from the date on which the Offer is withdrawn or lapsed, either (a) announce an offer or possible offer for the Termbray Shares; or (b) acquire any voting rights of Termbray if the Offeror and parties acting in concert with it would thereby become obliged under the Takeovers Code to make an offer.

7. The Cash Alternative and the Share Alternative

As thoroughly discussed in the section above headed “The Offer Price” through the various analyses of the Offer Price, we are of the view that the Offer Price pursuant to the Cash Alternative is fair and reasonable.

As stated in the letter from Piper Jaffray in the Composite Document, there is no inherent value in the New Shares prior to the Offeror completing the Offer and acquiring the Termbray Shares. If Termbray Shareholders choose the Share Alternative, the New Shares that they will receive will be unlisted. In addition, there may be a limited market for the transfer of the New Shares. Without an open market to generate liquidity of exchange, the New Shares may be underpriced due to the lack of market force in determining its fair value. Furthermore, since the Offeror is not a listed company, corporate actions and transactions of the Offeror are not governed by the Listing Rules, therefore the holders of the New Shares may not be able to enjoy the same level of transparency, corporate governance and minority shareholders’ protection as expected of a listed company.

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Although it is stated in the letter from Piper Jaffray in the Composite Document that the Offeror may consider taking various steps to further develop its business including a separate listing of the Petro-king Group in an appropriate securities exchange at an appropriate time subject to the development of the Petro-king Group, there is no guarantee whether and when such listing will proceed.

As set out in Appendix VI to the Composite Document in respect of the estimation of the value of the New Shares (“Estimate of Value”) performed by Piper Jaffray, the Share Alternative implies a value of approximately HK\$0.90 to HK\$1.20 for every Termbray Share. We note that in coming up with the top end of the range of the Estimate of Value, Piper Jaffray has considered the valuation benchmark established by the Subscription Agreement pursuant to which Lee & Leung will subscribe for one New Share in the Offeror at the subscription price of HK\$1.20 in respect of each Termbray Share for which the Cash Alternative is elected and the costs and expenses to be solely borne by Lee & Leung in connection with the Offer. We further note that in arriving at the bottom end of the range of the Estimate of Value, Piper Jaffray has assumed a discount of 25% to reflect the lack of marketability of the New Shares. While we concur with Piper Jaffray that it is not possible to give a precise measure of the discount to reflect the lack of marketability, on the basis that no published information of this kind is available, we have, to the best of our effort, reviewed the terms of the Comparable Offers and noted that only the offer for the shares of CRM announced on 23 February 2009 (“CRM Offer”) accompanied with a share alternative, which the proposed exchanging shares are also unlisted. We further note that the financial adviser to the offeror of the CRM Offer has also adopted a discount of 25% for the lack of marketability for the relevant unlisted shares. Based on the foregoing, we consider that the methodology adopted by Piper Jaffray to arrive at the Estimate of Value to be appropriate.

The Estimate of Value is (except for the upper limit of HK\$1.20) lower than the value of the Cash Alternative.

In view of the various constraints and uncertainties surrounding the Offeror and the New Shares to be exchanged for pursuant to the Share Alternative and the possible lower value as implied by the Share Alternative compared with the Cash Alternative, we consider the Share Alternative to be less attractive as compared to the Cash Alternative so far as the Independent Shareholders are concerned. However, the Share Alternative provides an opportunity for Independent Shareholders to continue their investments in the business of the Termbray Group should they wish to and in case the Offer becomes unconditional, which we consider to be fair and reasonable so far as the Independent Shareholders are concerned. For those Independent Shareholders who (i) have no immediate requirements for liquidity and have no better investment alternative for cash; (ii) would like to remain invested in the business of provision of oilfield services; (iii) have a positive view on the long term prospects of the Termbray Group; and (iv) understand and accept the risks pertinent to an investment in the New Shares, in particular, that the market for the transfer of the New Shares in the future may be limited and the protection to Termbray Shareholders currently available under the Listing Rules would not be available to shareholders holding New Shares in the future, may consider electing the Share Alternative.

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RECOMMENDATION

Having considered the principal factors and reasons discussed above, in particular the following (which should be read in conjunction with and interpreted in the full context of this letter):

- the Offer Price represents a premium ranging from approximately 1.69% to 8.11% over the Last Trading Date and the average closing prices per Termbray Share as quoted on the Stock Exchange for the 10 and 30 trading days up to and including the Last Trading Date;
- the PER and PSR as implied by the Offer Price were substantially above the respective ranges of the PERs and PSRs of the Comparable Companies;
- the PBR as implied by the Offer Price is above the average of PBRs of the Comparable Companies;
- that the costs and management resources associated with the maintenance of Termbray's listing status may not be justified due to Termbray's underutilisation of equity capital markets as fund raising platform;
- the potential difficulties that the Independent Shareholders may encounter in disposing their Termbray Shares in the market due to the lack of liquidity in Termbray Shares; and
- the Offer represents an opportunity for Independent Shareholders to exit from their investment should they wish to do so,

we are of the view that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to accept the Offer. We further recommend the Independent Board Committee, on the basis as set out in the paragraph headed "The Cash Alternative and the Share Alternative" above, to advise the Independent Shareholders to elect the Cash Alternative.

Independent Shareholders should closely monitor the market price of the Termbray Shares prior to the closing of the Offer. They should consider selling their Termbray Shares in the open market rather than accepting the Offer should the net proceeds from such sale after deducting transaction costs are more than the net amount to be received under the Offer. Independent Shareholders should however note that there may not be sufficient trading volume of the Termbray Shares in the open market for them to dispose of their Termbray Shares.

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If any Independent Shareholders are able to identify other potential purchasers to purchase their Termbray Shares at a price higher than the Offer Price, such Independent Shareholders should consider not accepting the Offer and should seek to sell their Termbray Shares if they are able to do so.

Yours faithfully,
For and on behalf of
Quam Capital Limited
Gary Mui
Executive Director

1. THE OFFER CONDITION

The Offer will be conditional upon the Offeror having received valid acceptances of the Offer (which are not, where permitted, withdrawn) by 4:00 p.m. on the Closing Date (or such later time or date as the Offeror may, subject to the rules of the Takeovers Code, decide) in respect of the Termbray Shares which constitute not less than 90% of the Termbray Shares to which the Offer relates.

2. FURTHER TERMS OF THE OFFER**2.1 Procedure for acceptance**

- (a) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title in respect of your Termbray Share(s) is/are in your name, and you wish to accept the Offer, you must send the duly completed Form of Acceptance and Transfer together with the relevant share certificate(s) and/or transfer receipt(s) or other document(s) of title to the Registrar.
- (b) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title in respect of your Termbray Shares is/are in the name of a nominee company (other than HKSCC Nominees Limited) or any name other than your own, and you wish to accept the Offer, you must either:
 - lodge your Termbray share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title with the nominee company, or other nominees, with instructions authorising it to accept the Offer on your behalf and requesting it to deliver the Form of Acceptance and Transfer duly completed, together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title to the Registrar; or
 - arrange for the Termbray Shares to be registered in your name by Termbray through the Registrar and send the relevant Form of Acceptance and Transfer duly completed, together with the relevant Termbray share certificate(s) and/or transfer receipt(s) and/or any other document(s) of the title to the Registrar.
- (c) If your Termbray Shares have been lodged with your licensed securities dealer/custodian bank through CCASS, you should instruct your licensed securities dealer/custodian bank to authorise HKSCC Nominees Limited to accept the Offer on your behalf on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/custodian bank as required by them.

- (d) If your Termbray Shares have been lodged with your Investor Participant Account with CCASS, you should authorise your instruction via the CCASS Phone System or CCASS Internet System not later than the deadline set by HKSCC Nominee Limited.
- (e) If you have lodged transfer(s) of Termbray Shares for registration in your name and have not yet received your Termbray share certificate(s) and you wish to accept the Offer, you should nevertheless complete the Form of Acceptance and Transfer and deliver it to the Registrar, together with the transfer receipt(s) duly signed by yourself. Such action will be deemed to be an authority to Piper Jaffray and the Offeror or their respective agent(s) to collect from Termbray or the Registrar, on your behalf, the relevant share certificate(s) when issued and to deliver such certificate(s) to the Registrar and to authorise and instruct the Registrar to hold such certificate(s), subject to the terms of the Offer, as if it was or they were delivered to the Registrar with the Form of Acceptance and Transfer.
- (f) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title in respect of your Termbray Shares is/are not readily available or are lost and you wish to accept the Offer, the Form of Acceptance and Transfer should nevertheless be completed and delivered to the Registrar (with a satisfactory indemnity required in respect of the loss of the share certificate, title receipts or other document of title) and the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title should be forwarded to the Registrar as soon as possible thereafter. If you have lost your share certificate(s), you should write to the Registrar for a form of letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Registrar.
- (g) Acceptances will be subject to validation before the Offer consideration will be despatched to the persons entitled thereto, provided that the consideration shall be despatched as soon as possible and in any event no later than the tenth day of the later of (i) the day on which the Offer becomes or is declared unconditional and (ii) the day on which all the relevant documents are received by the Registrar to render acceptance of the Offer complete and valid.
- (h) Shareholders who accept the Offer but who do not indicate clearly their choice of either the Share Alternative or the Cash Alternative in respect of the Termbray Shares to which the Form of Acceptance and Transfer relates, will be deemed to have elected to receive the Cash Alternative in respect of all the Termbray Shares to which such Form of Acceptance and Transfer relates.

- (i) An acceptance may not be counted towards fulfilling an acceptance condition unless:
- (i) it is received by the Registrar on or before the latest time for acceptance set out in this Composite Document or any relevant announcement of the Offeror and the Registrar has recorded that the acceptance and any relevant documents required by Note 1 to Rule 30.2 of the Takeovers Code have been so received; and
 - (ii) the Form of Acceptance and Transfer is duly completed and executed and is:
 - accompanied by share certificate(s) in respect of the relevant Termbray Shares and, if those certificates are not in the Accepting Shareholder's name, such other documents (e.g. a duly stamped transfer of the relevant share(s) in blank or in favour of the Accepting Shareholder executed by the registered holder) in order to establish the Accepting Shareholder's right to become the registered holder of the relevant Termbray Shares; or
 - from a registered holder or his personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to Termbray Shares which are not taken into account under another sub-paragraph of this paragraph (ii)); or
 - certified by the Registrar or the Stock Exchange.

If the Form of Acceptance and Transfer is executed by a person other than the registered holder, appropriate evidence of authority (e.g. grant of probate or certified copy of a power of attorney) must be produced.

- (j) Subject to the terms of the Takeovers Code, the Offeror reserves the right in its absolute discretion to treat as valid any acceptance of the Offer which is not entirely in order or which is not accompanied by the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title. However, such acceptances will not be counted towards fulfilling the acceptance condition unless Rule 30.2 of the Takeovers Code has been fully complied with.
- (k) No acknowledgement of receipt of any Forms of Acceptance and Transfer, Termbray share certificate(s), transfer receipt(s), or other document(s) of title and/or any indemnity or indemnities required in respect thereof will be given.

2.2 Acceptance period, revisions and extensions of the Offer

- (a) The Offer is made on 10 March 2010 and is capable of acceptance from and after this date.
- (b) Unless the Offer has previously been extended or revised, the Offer will close at 4:00 p.m. on Wednesday, 31 March 2010. The Offeror reserves the right, subject to the Takeovers Code, to extend or revise the Offer after the despatch of this Composite Document.
- (c) If the Offer is extended or revised, the announcement of such extension or revision will either state the next closing date or, if the Offer is then unconditional as to acceptances, state the Offer will remain open until further notice, in which case at least 14 days' notice will be given before the Offer is closed to those Shareholders who have not accepted the Offer. If the Offer is extended or revised, it will remain open for acceptance for a period of not less than 14 days and, unless previously extended or revised (or having become or been declared unconditional in all respects), shall be closed on the subsequent closing date. The latest time for acceptances on such closing date will be 4:00 p.m.
- (d) In any case where the Offer is revised, the benefit or any revision of the Offer will be available to all Shareholders who have previously accepted the Offer. The execution of any Form of Acceptance and Transfer by or on behalf of any Shareholder who has previously accepted the Offer shall be deemed to constitute acceptance of the revised Offer, unless such Shareholder becomes entitled to withdraw his or her acceptance and duly does so.
- (e) Except with the consent of the Executive, the Offer will not be capable of:
- becoming or being declared unconditional as to acceptance after 7:00 p.m. on the 60th day after the date of posting of this Composite Document; or
 - being kept open after that time, unless the Offer has previously become or been declared unconditional as to acceptance; or
 - remaining open for acceptance after four months from the date of this Composite Document unless by that time the Offeror has become entitled to exercise the rights of compulsory acquisition under the Companies Act.
- (f) No revision to the Offer shall be made less than 14 days before the last day on which the Offer is able to become unconditional as to acceptance.

- (g) If the closing date of the Offer is extended, any reference in this Composite Document and in the Form of Acceptance and Transfer to the closing date shall, except where the context otherwise requires, be deemed to refer to the closing date of the Offer as so extended.

2.3 Announcements

- (a) By 6:00 p.m. on the Closing Date, and any subsequent closing date (if any), or such later time as the Executive may in exceptional circumstances permit, the Offeror will inform the Executive and the Stock Exchange of its decision in relation to the revision, extension, expiry or unconditionality of the Offer. The Offeror will publish an announcement on the Stock Exchange's website by 7:00 p.m. on the Closing Date, and any subsequent closing date, if any, stating whether the Offer has been revised or extended, has lapsed or has become or been declared unconditional. The announcement will state the total number of Termbray Shares and rights over Termbray Shares:
- in respect of which acceptances of the Offer have been received;
 - held, controlled or directed by the Offeror or persons acting in concert with it before the offer period; and
 - acquired or agreed to be acquired during the offer period by the Offeror or any persons acting in concert with it.

The announcement must include details of any relevant securities in Termbray which the Offeror or any person acting in concert with it has borrowed or lent, save for any borrowed Termbray Shares which have been either on-lent or sold.

The announcement must specify the percentages of the relevant classes of share capital, and the percentages of voting rights, represented by these numbers.

- (b) The announcement will state the number of Termbray Shares representing respective valid acceptances of the Offer and acceptances which are not in all respects in order or are subject to verification, although such acceptances may not be counted towards fulfilling the Offer Condition set out in paragraph 1 of this Appendix I.
- (c) As required under the Takeovers Code, all announcements in relation to the Offer in respect of which the Executive and (if applicable) the Stock Exchange have confirmed that they have no further comments, will be in accordance with the Listing Rules.

2.4 Right of withdrawal

- (a) If the Offer has not become or been declared unconditional by Wednesday, 21 April 2010, being the day falling 21 days from Wednesday, 31 March 2010, being the first closing date of the Offer, an Accepting Shareholder will be entitled to withdraw his acceptance by delivery to the Registrar of a notice of such withdrawal in writing signed by the Accepting Shareholder or his agent duly appointed in writing, together with evidence of appointment of any such agent, but such entitlement to withdraw will be exercisable only until such time as the Offer has become or been declared unconditional as to acceptances. Save as aforesaid, acceptances shall be irrevocable and shall not be capable of being withdrawn.
- (b) If the Offeror is unable to comply with the requirements set out in paragraph 2.3 of this Appendix 1, the Executive may require that Accepting Shareholders be granted a right of withdrawal, on terms acceptable to the Executive, until the requirements set out in that paragraph are satisfied.

2.5 General

- (a) Acceptance of the Offer by any person will be deemed to constitute a warranty by such person or persons to the Offeror that the Termbray Shares acquired under the Offer are sold by such person or persons free from all third party rights, liens, charges, equities, adverse interests and encumbrances whatsoever and together with all rights attaching thereto as at the date of the Joint Announcement or subsequently becoming attached to them, including the right to receive all dividends and distributions, if any, declared, made or paid on or after the date of the Joint Announcement.
- (b) Acceptance of the Offer by any nominee will be deemed to constitute a warranty by such nominee to the Offeror that the number of Termbray Shares in respect of which it is indicated in the Form of Acceptance and Transfer is the aggregate number of Termbray Shares held by such nominee for such beneficial owners who are accepting the Offer.

- (c) Each Shareholder by whom, or on whose behalf, a Form of Acceptance and Transfer is executed irrevocably undertakes, represents, warrants and agrees to and with the Offeror and Piper Jaffray (so as to bind him, his personal representative, heirs, successors and assigns) that, subject to the Offer becoming or being declared unconditional in all respects (or in such other circumstances as the Offeror may request and the Executive may permit), in respect of Termbray Shares in respect of which the Offer has been accepted, or is deemed to have been accepted, which acceptance has not been validly withdrawn, and which have not been registered in the name of the Offeror or as it may direct:
- (i) the Offeror or its agents shall be entitled to direct the exercise of any votes and any or all other rights and privileges (including the right to requisition the convening of a general meeting of Termbray or any class of its shareholders) attaching to any such Termbray Shares;
 - (ii) the execution of the Form of Acceptance and Transfer by a Shareholder shall constitute with regard to such Termbray Shares comprised in such acceptance and in respect of which such acceptance has not been validly withdrawn:
 - (1) an authority to Termbray and/or its agents from such Shareholder to send any notice, circular, warrant or other document or communication which may be required to be sent to him/her as a member of Termbray (including any share certificate(s) and/or other document(s) of title issued as a result of conversion of such Termbray Shares into certificated form) to the Offeror at its registered office;
 - (2) an irrevocable authority to the Offeror or its agents to sign any consent to short notice of a general meeting on his/her behalf and/or to attend and/or to execute a form or proxy in respect of such Termbray Shares appointing any person nominated by the Offeror to attend general meetings of Termbray or its members or any of them (and any adjournments thereof) and to exercise the votes attaching to such Termbray Shares on his/her behalf, such votes to be cast in a manner to be determined at the sole discretion of the Offeror; and
 - (3) the agreement of such Shareholder not to exercise any of such rights without the consent of the Offeror and the irrevocable undertaking of such Shareholder not to appoint a proxy for or to attend any such general meeting and, subject as aforesaid, to the extent such Shareholder has previously appointed a proxy, other than the Offeror or its nominee or appointee, for or to attend general meetings, such Shareholder hereby expressly revokes such appointment.

- (d) All communications, notices, forms of acceptance, share certificates, transfer receipts, other documents of title (or indemnities in respect thereof) or remittances of any nature to be delivered by or sent to or from Shareholders shall be delivered by or sent to or from Shareholders, or their designated agents, at their own risk, and none of the Offeror, Piper Jaffray, Termbray or the Registrar accepts any liability for any loss or any other liabilities whatsoever which may arise as a result thereof.
- (e) If the Offer lapses, the share certificate(s) or transfer receipt(s) and/or document(s) of title (and any indemnity or indemnities required in respect thereof) lodged with the Form of Acceptance and Transfer will be returned by post as soon as possible but in any event within 10 days of the Offer lapsing, at the risk of the person entitled thereto, to the person or agent whose name and address is set forth in the Form of Acceptance and Transfer. If no such name is set forth, to the first-named holder at his or her registered address.
- (f) References to the Offer in this Composite Document and in the Form of Acceptance and Transfer shall include any extension and/or revision thereof and references to the Offer becoming unconditional shall include a reference to the Offer being declared unconditional.
- (g) The provisions set out in the Form of Acceptance and Transfer form part of the terms of the Offer.
- (h) The accidental omission to despatch this Composite Document and/or the Form of Acceptance and Transfer or any of them to any person to whom the Offer is made will not invalidate the Offer in any way.
- (i) The Offer and all acceptances of it, the Form of Acceptance and Transfer, all contracts made in accordance with the Offer, and all actions taken or made or deemed to be taken or made pursuant to the terms of the Offer, will be governed by and construed in all aspects in accordance with the laws of Hong Kong. Execution of a Form of Acceptance and Transfer by or on behalf of a Shareholder will constitute the submission by such Shareholder in relation to all matters arising out of or in connection with the Offer and Form of Acceptance and Transfer to the non-exclusive jurisdiction of the courts of Hong Kong.
- (j) Due execution of the Form of Acceptance and Transfer will constitute an authority to the Offeror, Piper Jaffray, any director of the Offeror or of Piper Jaffray or their respective agents to complete and execute on behalf of the Shareholders who accept the Offer, the accompanying Form of Acceptance and Transfer and any other document and to do any other act that may be necessary or expedient for the purpose of vesting in the Offeror, or such person or persons as the Offeror, or such person or persons as the Offeror shall direct, the Termbray Shares which are the subject of such acceptance.

- (k) In relation to any acceptance of the Offer in respect of Termbray Shares which are held through CCASS, the Offeror reserves the right to make such alterations, additions or modifications as may be necessary or desirable to give effect to any purported acceptance and transfer of the Offer, whether in order to comply with the facilities or requirements of CCASS or otherwise, provided that such alterations, additions or modifications are consistent with the requirements of the Takeovers Code or are otherwise made with the Executive's consent.
- (l) The settlement of the consideration to which Accepting Shareholders will be entitled under the Offer will be implemented in full in accordance with the terms of the Offer without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Shareholder.
- (m) In making their decision, Shareholders must rely on their own examination of the Offeror and Termbray and the terms of the Offer, including the merits and risks involved. The contents of this Composite Document, including any general advice or recommendations contained herein, and the Form of Acceptance and Transfer are not to be construed as legal or business advice. Shareholders could consult with their own professional advisers for professional advice.
- (n) If the Offer lapses for any reason, it shall cease to be capable of further acceptances and the Offeror and Piper Jaffray shall cease to be bound by any of the prior acceptances.
- (o) The Offer is being made by the issue and despatch of this Composite Document on 10 March 2010.
- (p) The Offer is made in accordance with the Takeovers Code.
- (q) The English text of this Composite Document and of the accompanying Form of Acceptance and Transfer shall prevail over the Chinese text.

2.6 Overseas Shareholders

- (a) The making of the Offer in, or to Shareholders in, any jurisdiction outside Hong Kong may be affected by the laws of the relevant jurisdictions. Shareholders who are not resident in Hong Kong should inform themselves about, and observe, all applicable legal and regulatory requirements of the relevant jurisdictions.
- (b) It is the responsibility of any Overseas Shareholder who wishes to accept the Offer to satisfy himself or herself as to the full observance of all the applicable laws and regulations of any relevant jurisdiction in connection therewith, including obtaining any government or other consent which may be required, complying with any other necessary formality and paying any issue, transfer or other taxes due in such jurisdiction.
- (c) In the event that a Shareholder elects for the Share Alternative and the allotment and issue of the New Shares to such Shareholder is prohibited by any relevant law or may only be effected after compliance with conditions or requirements that the directors of the Offeror regard as unduly onerous or burdensome, then such Shareholder will be deemed to have elected for the Cash Alternative instead in respect of his or her Termbray Shares.
- (d) The Offeror further reserves the right to notify any matter (including, without limitation, the making of the Offer) to Shareholders not resident in Hong Kong by announcement in newspapers which may not be circulated in the jurisdictions of which such Shareholders are resident. The notice being the subject matter of the announcement will be deemed to have been sufficiently given, notwithstanding any failure by such Shareholders to receive or read that announcement.
- (e) Acceptances of the Offer by any Overseas Shareholder will constitute a warranty by such person that such person is permitted under all applicable laws to receive and accept the Offer, and any revision thereof, and such acceptance shall be valid and binding in accordance with all applicable laws.

I. THREE-YEAR FINANCIAL SUMMARY

- (a) Set out below is a summary of the financial information of the Termbray Group for each of the three years ended 31 March 2009, 2008 and 2007, which are extracted from the audited consolidated financial statements of the Termbray Group for the years then ended. The auditor's reports issued by Deloitte Touche Tohmatsu in respect of the Termbray Group's audited consolidated financial statements for each of the three years ended 31 March 2009, 2008 and 2007 did not contain any qualifications. Terms used in this section have been modified to conform with the current presentation of the Composite Document.

	Audited		
	Year ended 31 March		
	2009	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	218,809	43,290	6,576
Profit (loss) before taxation	32,899	(30,376)	14,505
Taxation	(11,041)	2,530	(130)
Profit (loss) for the year	21,858	(27,846)	14,375
Attributable to:			
Equity holders of Termbray	(6,629)	(20,848)	14,375
Minority interests	28,487	(6,998)	–
Profit (loss) for the year	<u>21,858</u>	<u>(27,846)</u>	<u>14,375</u>
Loss per Termbray Share			
<i>(HK cents)</i>			
Basic	(0.34)	(1.17)	0.85
Diluted	N/A	N/A	0.84

Note: There was no payment of dividend in respect of each of the three years ended 31 March 2009, 2008 and 2007.

APPENDIX II FINANCIAL INFORMATION OF THE TERMBRAY GROUP

- (b) Set out below is a summary of the financial information of the Termbray Group for the six months ended 30 September 2009 and 2008, which are extracted from the unaudited consolidated financial statements of the Termbray Group for the six months ended 30 September 2009.

	Unaudited	
	Six months ended	
	30 September	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
		(restated)
Revenue	193,301	92,719
Profit before taxation	63,054	2,835
Taxation	(19,721)	(3,595)
Profit (loss) for the period	43,333	(760)
Other comprehensive income for the period		
Exchange differences arising from translation of financial statements of foreign operations	(137)	2,592
Total comprehensive income for the period	43,196	1,832
Profit (loss) for the period attributable to:		
Owners of Termbray	16,649	(8,816)
Minority interests	26,684	8,056
	<u>43,333</u>	<u>(760)</u>
Total comprehensive income attributable to:		
Owners of Termbray	16,512	(6,224)
Minority interests	26,684	8,056
	<u>43,196</u>	<u>1,832</u>
	<i>HK cents</i>	<i>HK cents</i>
	(unaudited)	(unaudited and restated)
Basic and diluted earnings (loss) per Termbray share	<u>0.85</u>	<u>(0.45)</u>

Note: There was no payment of interim dividend for the six months ended 30 September 2009 and 2008.

II. AUDITED FINANCIAL INFORMATION

Set out below are the audited financial statements together with the relevant notes thereto as extracted from the annual report of Termbray for the year ended 31 March 2009. Terms used in this section have been modified to conform with the current presentation of this Composite Document.

Consolidated Income Statement

For the year ended 31st March, 2009

	<i>Notes</i>	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i> (Restated)
REVENUE	7	218,809	43,290
Cost of goods sold and services rendered		<u>(106,554)</u>	<u>(29,179)</u>
Gross profit		112,255	14,111
Other income	8	21,130	30,185
Selling and distribution expenses		(19,765)	(3,853)
Administrative expenses		(73,880)	(69,357)
(Losses) gains arising from changes in fair value of investments held for trading		(573)	190
Share of result of an associate		–	(185)
Finance costs	9	<u>(6,268)</u>	<u>(1,467)</u>
PROFIT (LOSS) BEFORE TAXATION	<i>10</i>	32,899	(30,376)
Taxation	<i>12</i>	<u>(11,041)</u>	<u>2,530</u>
PROFIT (LOSS) FOR THE YEAR		<u><u>21,858</u></u>	<u><u>(27,846)</u></u>
ATTRIBUTABLE TO:			
EQUITY HOLDERS OF TERMBRAY		(6,629)	(20,848)
MINORITY INTERESTS		<u>28,487</u>	<u>(6,998)</u>
PROFIT (LOSS) FOR THE YEAR		<u><u>21,858</u></u>	<u><u>(27,846)</u></u>
		<i>HK cents</i>	<i>HK cents</i> (Restated)
LOSS PER SHARE	<i>13</i>		
Basic		<u>(0.34)</u>	<u>(1.17)</u>
Diluted		<u>N/A</u>	<u>N/A</u>

APPENDIX II FINANCIAL INFORMATION OF THE TERMBRAY GROUP

Consolidated Balance Sheet

At 31st March, 2009

	<i>Notes</i>	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i> (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	14	17,138	17,400
Prepaid lease payments for leasehold land	15	66,077	66,675
Investment property	16	3,370	3,478
Pledged bank deposits	24 & 36(b)	2,034	2,034
Goodwill	17	243,318	243,318
Intangible assets	17	8,213	16,500
		<u>340,150</u>	<u>349,405</u>
CURRENT ASSETS			
Properties for sale		114,812	109,995
Inventories	19	38,419	16,926
Trade and other receivables	20	149,524	92,599
Deposits and prepayments		3,345	3,293
Prepaid lease payments for leasehold land	15	598	598
Available-for-sale investments	21	6,886	633,247
Investments held for trading	22	–	103,839
Taxation recoverable		2,871	123
Amounts due from related parties	23	–	730
Pledged bank deposits	24 & 36(a)	3,121	–
Deposits with a financial institution		126	–
Bank balances and cash	24	744,961	40,904
		<u>1,064,663</u>	<u>1,002,254</u>
CURRENT LIABILITIES			
Trade and other payables and accrued charges	25	28,812	44,804
Deposits received		1,487	2,064
Provisions	26	3,173	3,173
Amount due to a related company	27 & 38(b)	2,092	405
Amount due to a director	27	23,967	6,465
Amounts due to minority shareholders	27	–	18,103
Taxation payable		7,691	10,151
Secured bank borrowings	28	21,705	–
		<u>88,927</u>	<u>85,165</u>
NET CURRENT ASSETS		<u>975,736</u>	<u>917,089</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,315,886</u>	<u>1,266,494</u>

APPENDIX II FINANCIAL INFORMATION OF THE TERMBRAY GROUP

	<i>Notes</i>	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i> (Restated)
NON-CURRENT LIABILITIES			
Convertible note	<i>29</i>	122,324	116,267
Deferred tax liabilities	<i>30</i>	<u>4,766</u>	<u>3,128</u>
		<u>127,090</u>	<u>119,395</u>
NET ASSETS		<u><u>1,188,796</u></u>	<u><u>1,147,099</u></u>
CAPITAL AND RESERVES			
Share capital	<i>31</i>	156,611	156,611
Reserves	<i>33</i>	<u>967,485</u>	<u>955,639</u>
Equity attributable to equity holders of Termbray		1,124,096	1,112,250
Minority interests		<u>64,700</u>	<u>34,849</u>
TOTAL EQUITY		<u><u>1,188,796</u></u>	<u><u>1,147,099</u></u>

APPENDIX II FINANCIAL INFORMATION OF THE TERMBRAY GROUP

Consolidated Statement of Changes in Equity

For the year ended 31st March, 2009

	Attributable to equity holders of Termbray								
	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Exchange translation reserve <i>HK\$'000</i>	Convertible note equity reserve <i>HK\$'000</i>	Share options reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>	Minority interests <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st April, 2007	137,971	143,410	8,058	–	–	532,624	822,063	416	822,479
Arising from translation of financial statements of foreign operations recognised directly in equity	–	–	5,934	–	–	–	5,934	–	5,934
Loss for the year (as restated)	–	–	–	–	–	(20,848)	(20,848)	(6,998)	(27,846)
Total recognised income and expense for the year (as restated)	–	–	5,934	–	–	(20,848)	(14,914)	(6,998)	(21,912)
Issue of shares	18,640	260,960	–	–	–	–	279,600	–	279,600
Recognition of equity component of convertible note	–	–	–	18,892	–	–	18,892	–	18,892
Recognition of share-based payments	–	–	–	–	6,609	–	6,609	–	6,609
Arising on acquisition of subsidiaries (as restated)	–	–	–	–	–	–	–	41,431	41,431
At 31st March, 2008 (as restated)	156,611	404,370	13,992	18,892	6,609	511,776	1,112,250	34,849	1,147,099
Arising from translation of financial statements of foreign operations recognised directly in equity	–	–	2,413	–	–	–	2,413	1,091	3,504
(Loss) profit for the year	–	–	–	–	–	(6,629)	(6,629)	28,487	21,858
Total recognised income and expense for the year	–	–	2,413	–	–	(6,629)	(4,216)	29,578	25,362
Recognition of share-based payments	–	–	–	–	16,062	–	16,062	–	16,062
Capital contribution by a minority shareholder	–	–	–	–	–	–	–	273	273
At 31st March, 2009	<u>156,611</u>	<u>404,370</u>	<u>16,405</u>	<u>18,892</u>	<u>22,671</u>	<u>505,147</u>	<u>1,124,096</u>	<u>64,700</u>	<u>1,188,796</u>

APPENDIX II FINANCIAL INFORMATION OF THE TERMBRAY GROUP

Consolidated Cash Flow Statement
For the year ended 31st March, 2009

	<i>Note</i>	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i> (Restated)
OPERATING ACTIVITIES			
Profit (loss) before taxation		32,899	(30,376)
Adjustments for:			
Depreciation of property, plant and equipment		3,195	1,440
Depreciation of investment property		108	107
Amortisation of prepaid lease payments for leasehold land		598	598
Amortisation of intangible assets		8,287	20,314
Finance costs		6,268	1,467
Share of result of an associate		–	185
Share-based payment expenses		16,062	6,609
Impairment losses recognised on trade and other receivables		1,966	3,674
Loss on disposal of property, plant and equipment		58	2
Interest income		(11,245)	(27,887)
Net exchange loss		20	–
		<hr/>	<hr/>
Operating cash flows before movements in working capital		58,216	(23,867)
Decrease in properties for sale		281	–
Increase in inventories		(21,245)	(2,189)
Increase in trade and other receivables		(58,891)	(2,030)
Increase in deposits and prepayments		(52)	(832)
Decrease in investments held for trading		103,839	84,138
Decrease (increase) in amounts due from related parties		730	(730)
Decrease in trade and other payables and accrued charges		(15,992)	(7,569)
(Decrease) increase in deposits received		(577)	899
Increase (decrease) in amount due to a related company		1,687	(311)
		<hr/>	<hr/>
Cash generated from operations		67,996	47,509
Income taxes paid		(14,611)	(5,163)
Interest paid		(211)	–
		<hr/>	<hr/>
NET CASH FROM OPERATING ACTIVITIES		53,174	42,346

APPENDIX II FINANCIAL INFORMATION OF THE TERMBRAY GROUP

	<i>Note</i>	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i> (Restated)
INVESTING ACTIVITIES			
Net cash outflow from acquisition of subsidiaries	34	–	(276,835)
Interest received		11,245	27,887
(Increase) decrease in pledged bank deposits		(3,121)	455
Purchase of property, plant and equipment		(2,908)	(8,021)
Proceeds on disposal of property, plant and equipment		87	–
Purchase of available-for-sale investments		(383,365)	(598,118)
Proceeds on disposal of available-for-sale investments		1,008,931	190,408
NET CASH FROM (USED IN) INVESTING ACTIVITIES		<u>630,869</u>	<u>(664,224)</u>
FINANCING ACTIVITIES			
Issue of shares		–	279,600
Issue of convertible note		–	133,692
Capital contribution by a minority shareholder		273	–
New secured bank borrowings raised		28,821	–
Repayments of secured bank borrowings		(7,116)	–
Increase in amount due to a director		17,502	6,465
(Decrease) increase in amounts due to minority shareholders		(18,103)	18,103
NET CASH FROM FINANCING ACTIVITIES		<u>21,377</u>	<u>437,860</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		<u>705,420</u>	<u>(184,018)</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		40,904	223,983
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		<u>(1,237)</u>	<u>939</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		<u><u>745,087</u></u>	<u><u>40,904</u></u>
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank balances and cash		744,961	40,904
Deposits with a financial institution		126	–
		<u><u>745,087</u></u>	<u><u>40,904</u></u>

Cash comprises cash on hand and demand deposits. Cash equivalents, including bank balances and deposits with a financial institution, are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2009

1. GENERAL

Termbray is a public company incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The addresses of the registered office and principal place of business of Termbray are disclosed in the section headed “Corporate information” of Termbray’s Annual Report.

The functional currency of Termbray is United States dollars (“USD”). The consolidated financial statements are presented in Hong Kong dollars (“HKD”) that is different from the functional currency of Termbray as the Termbray Directors manage and monitor the Termbray Group based on Hong Kong dollars.

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

The Termbray Directors consider Termbray’s ultimate and immediate holding company to be Lee & Leung (B.V.I.) Limited, a company incorporated in the British Virgin Islands.

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

In the current year, the Termbray Group has applied the following amendments and interpretations (“new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which are or have become effective.

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

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

The Termbray Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs ¹
HKFRSs (Amendments)	Improvements to HKFRSs 2009 ²
HKAS 1 (Revised)	Presentation of Financial Statements ³
HKAS 23 (Revised)	Borrowing Costs ³
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ⁴
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation ³
HKAS 39 (Amendment)	Eligible Hedged Items ⁴
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate ³
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations ³
HKFRS 3 (Revised)	Business Combinations ⁴
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments ³
HKFRS 8	Operating Segments ³
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives ⁵
HK(IFRIC) – Int 13	Customer Loyalty Programmes ⁶
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate ³
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation ⁷
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners ⁴
HK(IFRIC) – Int 18	Transfers of Assets from Customers ⁸

- ¹ Effective for annual periods beginning on or after 1st January, 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1st July, 2009
- ² Effective for annual periods beginning on or after 1st January, 2009, 1st July, 2009 and 1st January, 2010, as appropriate
- ³ Effective for annual periods beginning on or after 1st January, 2009
- ⁴ Effective for annual periods beginning on or after 1st July, 2009
- ⁵ Effective for annual periods ending on or after 30th June, 2009
- ⁶ Effective for annual periods beginning on or after 1st July, 2008
- ⁷ Effective for annual periods beginning on or after 1st October, 2008
- ⁸ Effective for transfers on or after 1st July, 2009

The application of HKFRS 3 (Revised) may affect the Termbray Group's accounting for business combination for which the acquisition date is on or after 1st April, 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Termbray Group's ownership interest in a subsidiary. The Termbray Directors anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Termbray Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of Termbray and entities controlled by Termbray (its subsidiaries). Control is achieved where Termbray has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Termbray Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Termbray Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Termbray Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Business combinations

The acquisition of businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Termbray Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 "Business Combinations" are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Termbray Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Termbray Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Goodwill

Goodwill arising on an acquisition of a business represents the excess of the cost of acquisition over the Termbray Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant business at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a business is presented separately in the consolidated balance sheet.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of the relevant cash-generating unit, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill when they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, these intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below). Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from sale of properties is recognised when the respective properties have been completed and delivered to the buyers.

Revenue from sale of tools and equipment is recognised when significant risks and rewards of ownership of the goods are transferred to buyers (generally on delivery, satisfactory installation and acceptance) and the amount of revenue and the costs incurred for the transaction can be measured reliably.

Revenue from provision of consultancy service on well drilling and commission income is recognised when services are provided.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the period in which the item is derecognised.

Leasehold interest in land

The land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are classified as prepaid lease payments for leasehold land under operating leases, which are carried at cost and amortised on a straight-line method over the lease term.

Investment property

Investment property is property held to earn rentals and/or for capital appreciation.

On initial recognition, investment property is measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment property is stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is charged to write off the cost of investment property over its estimated useful life using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the period in which the item is derecognised.

Properties for sale

Properties for sale are stated at the lower of cost and net realisable value. Cost comprises the cost of land, development expenditure, other attributable costs and borrowing costs capitalised in accordance with the Termbray Group's accounting policies.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first in, first out method.

Impairment of tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At each balance sheet date, the Termbray Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Termbray Group's financial assets are classified into financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Financial assets at fair value through profit or loss

Financial assets at FVTPL represent financial assets held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Termbray Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

At each balance sheet date subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from related parties, pledged bank deposits, deposits with a financial institution and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment loss (see accounting policy on impairment loss on financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL or loans and receivables.

At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial assets is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade and other receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Termbray Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade and other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Termbray Group after deducting all of its liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including trade and other payables and amounts due to a related company, a director and minority shareholders are subsequently measured at amortised cost, using the effective interest method.

Convertible note

Convertible note issued by Termbray that contain both the liability and conversion option components is classified separately into respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash for a fixed number of Termbray's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest rate of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible note and the fair value assigned to the liability component, representing the conversion option for the holder to convert the notes into equity, is included in equity (convertible note equity reserve).

In subsequent periods, the liability component of the convertible note is carried at amortised cost using the effective interest method. The equity component, represented by the option to convert the liability component into ordinary shares of Termbray, will remain in convertible note equity reserve until the embedded option is exercised (in which case the balance stated in convertible note equity reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible note equity reserve will be released to the retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible note are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible note using the effective interest method.

Equity instruments

Equity instruments issued by Termbray are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Termbray Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Provisions

Provisions are recognised when the Termbray Group has a present obligation as a result of a past event, and it is probable that the Termbray Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Termbray Group's foreign operations are translated into the presentation currency of the Termbray Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Borrowing costs

All borrowing costs are recognised as and included in finance costs in the consolidated income statement in the period in which they are incurred.

Leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessors are classified as operating leases.

The Termbray Group as lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease.

The Termbray Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Termbray Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Termbray Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Retirement benefit costs

Payments to defined contribution retirement benefit plans, the Mandatory Provident Fund Scheme and state-managed retirement pension schemes are charged as expenses when employees have rendered service entitling them to the contributions.

Equity-settled share-based payment transactions

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At each balance sheet date, the Termbray Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share options reserve.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the relevant cash-generating units to which goodwill has been allocated. The value in use calculation requires the Termbray Group to estimate the future cash flows expected to arise from cash-generated unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, no material impairment loss may arise. As at 31st March, 2009, the carrying amount of goodwill is HK\$243,318,000. Details of the recoverable amount calculation are disclosed in note 18.

Estimated impairment of trade receivables

The Termbray Group performs ongoing credit evaluations of its customers and adjust credit limits based on payment history and the customers' current credit-worthiness, as determined by the review of their current credit information. The Termbray Group continuously monitors collections and payments from its customers and the allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flow discounted at an effective interest rate computed at initial recognition. As at 31st March, 2009, the carrying amount of trade receivables is equal to HK\$130,047,000 (net of allowance of doubtful debts amounting to HK\$3,674,000).

5. CAPITAL RISK MANAGEMENT

The Termbray Group manages its capital to ensure that the Termbray Group will be able to continue as a going concern while maximising the return to shareholders through the optimization of the debt and equity balance. The Termbray Group's overall strategy remains unchanged from prior year.

The capital structure of the Termbray Group consists of debt, which includes the secured bank borrowings disclosed in note 28, convertible note and equity attributable to shareholders of Termbray, comprising issued share capital, retained profits and other reserves.

The management reviews the capital structure on a regular basis. As a part of this review, the management considers the cost of capital and the risks associated with each class of capital. The Termbray Group will balance its overall capital structure through the payment of dividends as well as the issue of new debt or the redemption of existing debt.

APPENDIX II FINANCIAL INFORMATION OF THE TERMBRAY GROUP

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Financial assets		
Loans and receivables (including cash and cash equivalents)	899,766	136,267
Investments held for trading	–	103,839
Available-for-sale investments	6,886	633,247
	195,590	175,184
Financial liabilities		
Liabilities at amortised cost	195,590	175,184
	195,590	175,184

(b) Financial risk management objectives and policies

The management of the Termbray Group has overall responsibility for the establishment and oversight of the Termbray Group's risk management framework. The Termbray Group's risk management policies are established to identify and analyse the risks faced by the Termbray Group, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Termbray Group's activities. The Termbray Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Termbray Group does not usually enter into or trade any derivative financial instruments for hedging or speculative purpose.

There has been no change to Termbray's exposure to market risks or the manner in which it manages and measures risks.

(i) Market risk

The Termbray Group's activities expose primarily to the foreign currency risk, the interest rates risk and the price risk.

Foreign currency risk management

Certain transactions of the Termbray Group are denominated in foreign currencies which are different from the functional currency of the relevant group entity and therefore the Termbray Group is exposed to foreign currency risk. The Termbray Group currently does not have a foreign currency hedging policy. However, the management of the Termbray Group monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arises. The carrying amounts of the Termbray Group's major foreign currency denominated monetary assets and liabilities at the reporting date are as follows:

	Assets		Liabilities	
	2009	2008	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
HKD	140,809	6,101	124,969	116,267
USD	6,799	5,911	3,544	–
Renminbi ("RMB")	–	7,797	2,322	1,059
	147,608	19,809	130,835	117,326

Sensitivity analysis

The following table details the Termbray Group’s sensitivity to a 5% increase and decrease in the functional currencies of the relevant group entities against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management’s assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rate.

In the opinion of the Termbray Directors, the foreign currency exposure in relation to the HKD and USD exchange rate fluctuation is not significant as HKD is pegged to USD. For this reason, the sensitivity analysis below does not reflect this.

The sensitivity analysis below shows the impact relates to monetary assets or liabilities that are denominated in HKD, USD or RMB against the functional currencies of relevant group entities, USD, HKD or RMB.

In relation to monetary assets, where the functional currency of the relevant group entity strengthens 5% against the currency in which the assets are denominated, there would be a decrease in the post-tax profit for the year. However, in relation to monetary liabilities, where the functional currency of the relevant group entity strengthens 5% against the currency in which the liabilities are denominated, there would be an increase in post-tax profit for the year. A 5% weakening of the functional currency would have an equal but opposite impact on the post-tax loss for the year.

	Increase (decrease) in the post-tax profit for the year	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
HKD Impact	515	–
USD Impact	163	–
RMB Impact	(116)	(337)
	<u> </u>	<u> </u>

In management’s opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

Interest rate risk management

The Termbray Group is exposed to cash flow interest rate risk in relation to its interest bearing financial assets which are mainly available-for-sale investments, pledged bank deposits and bank balances. The Termbray Group currently does not have an interest rate hedging policy. The management of the Termbray Group monitors interest rate risk exposure and will consider hedging significant interest rate exposure should the need arise.

The Termbray Group is also exposed to fair value interest rate risk in relation to fixed rate secured bank borrowings.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for available-for-sale investments and bank balances. The analysis is prepared assuming the financial instruments outstanding at the balance sheet date were outstanding for the whole year arranged at variable rate at the balance sheet date. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management’s assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Termbray Group's post-tax profit for the year ended 31st March, 2009 would increase/decrease by approximately HK\$3,785,000 (2008: post-tax loss decrease/increase approximately by HK\$3,381,000).

Price risk management

Other than the interest rate risk, the Termbray Group was also exposed to investment held for trading price risk during the year ended 31st March, 2008. Management monitored the price movements of these assets and makes appropriate investment decisions.

At 31st March, 2008, it was estimated that a 5% increase in the prices of investment held for trading, with all other variables held constant, would decrease the Termbray Group's loss for the year by approximately HK\$5,192,000.

At 31st March, 2009, the Termbray Group did not hold any investment held-for-trading. Accordingly, no price risk sensitivity analysis is performed.

The sensitivity analysis above has been determined assuming that the change in prices had occurred at the balance sheet date and had been applied to the exposure to price risk for the Termbray Group's investments held for trading at that date. The 5% increase in prices represents management's assessment of a reasonably possible change in the prices of those instruments.

(ii) Credit risk management

The management performs individual credit evaluations on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates.

The Termbray Group's maximum exposure to credit risk which will cause a financial loss to the Termbray Group due to failure to discharge an obligation by the counterparties and financial guarantee provided by the Termbray Group is arising from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet; and
- the amount of contingent liabilities in relation to financial guarantee issued by the Termbray Group as disclosed in note 36(b).

In order to minimise the credit risk, ongoing credit evaluation is performed on the financial condition of trade receivables. The management reviews the recoverable amount of each receivable at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management considers that the Termbray Group's credit risk is significantly reduced.

The Termbray Group has concentration of credit risk as 45% (2008: 50%) of total trade receivables represented an amount due from the largest customer of the Termbray Group engaged in oil extraction business in the People's Republic of China ("PRC").

The management is of the view that this major customer of the Termbray Group has good trade record without default history and consider that the trade receivable from this customer is recoverable.

The credit risk on liquid funds, including available-for-sale investments, investments held for trading, pledged bank deposits and bank balances, is limited because the majority of the counterparties are banks or financial institutions with high creditworthiness.

A subsidiary has provided guarantees to banks in respect of mortgage loans granted to property purchasers. These guarantees provided by the subsidiary to the banks would be released upon receiving the building ownership certificate of the respective property by the banks from the customers as a pledge for security to the mortgage loan granted. The directors considered that the credit risk involved was not significant.

APPENDIX II FINANCIAL INFORMATION OF THE TERMBRAY GROUP

(iii) Liquidity risk management

In the management of the liquidity risk, the Termbray Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Termbray Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of secured bank borrowings.

The following table details the Termbray Group's remaining contractual maturity for its financial liabilities. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Termbray Group can be required to pay.

	On demand or less than 1 month HK\$'000	1 – 3 months HK\$'000	3 months to 1 year HK\$'000	1 – 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
2009						
Trade and other payables	23,191	2,311	–	–	25,502	25,502
Amount due to a related party	2,092	–	–	–	2,092	2,092
Amount due to a director	23,967	–	–	–	23,967	23,967
Secured bank borrowings	7,803	87	13,981	–	21,871	21,705
Convertible note	–	–	–	133,692	133,692	122,324
	<u>57,053</u>	<u>2,398</u>	<u>13,981</u>	<u>133,692</u>	<u>207,124</u>	<u>195,590</u>

	On demand or less than 1 month HK\$'000	1 – 3 months HK\$'000	3 months to 1 year HK\$'000	1 – 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
2008						
Trade and other payables	10,909	18,466	4,569	–	33,944	33,944
Amount due to a related party	405	–	–	–	405	405
Amount due to a director	6,465	–	–	–	6,465	6,465
Amounts due to minority shareholders	18,103	–	–	–	18,103	18,103
Convertible note	–	–	–	133,692	133,692	116,267
	<u>35,882</u>	<u>18,466</u>	<u>4,569</u>	<u>133,692</u>	<u>192,609</u>	<u>175,184</u>

(c) Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of available-for-sale investments and listed equity securities classified as investments held for trading are determined with reference to quoted market bid prices;
- the fair value of unlisted debt securities classified as investment held for trading are determined with reference to price quoted by counterparty financial institutions; and
- the fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair value.

7. REVENUE AND SEGMENT INFORMATION

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

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

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

APPENDIX II FINANCIAL INFORMATION OF THE TERMBRAY GROUP

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

Business segment

	Property development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Engineering projects <i>HK\$'000</i>	Provision of consultancy service on well drilling <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
2009						
<i>Revenue</i>	4,240	2,280	146,597	65,692	–	218,809
<i>Result</i>						
Segment result	1,593	1,474	66,945	20,762	–	90,774
Unallocated other income (<i>note</i>)					13,018	13,018
Unallocated corporate expenses					(43,389)	(43,389)
Share option expense					(16,062)	(16,062)
Due diligence expense on aborted acquisitions					(5,174)	(5,174)
Finance costs					(6,268)	(6,268)
Profit before taxation						32,899
Taxation					(11,041)	(11,041)
<i>Profit for the year</i>						21,858
<i>Assets</i>						
Segment assets	116,672	31,211	330,114	89,816	–	567,813
Unallocated corporate assets					837,000	837,000
Total assets						1,404,813
<i>Liabilities</i>						
Segment liabilities	(2,202)	(1,463)	(18,759)	–	–	(22,424)
Unallocated corporate liabilities					(193,593)	(193,593)
Total liabilities						(216,017)
<i>Other information</i>						
Capital additions	–	–	1,725	740	443	2,908
Depreciation and amortisation	–	332	6,315	2,706	2,835	12,188
Allowance for doubtful debts	–	–	–	–	1,966	1,966
Loss on disposal of property, plant and equipment	–	–	41	17	–	58

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FINANCIAL INFORMATION OF THE TERMBRAY GROUP

	Property development HK\$'000	Property investment HK\$'000	Engineering projects HK\$'000 (Restated)	Provision of consultancy service on well drilling HK\$'000 (Restated)	Unallocated HK\$'000 (Restated)	Consolidated HK\$'000 (Restated)
2008						
<i>Revenue</i>	<u>4,724</u>	<u>1,475</u>	<u>31,931</u>	<u>5,160</u>	<u>-</u>	<u>43,290</u>
<i>Result</i>						
Segment result	<u>(2,051)</u>	<u>840</u>	<u>(13,460)</u>	<u>(4,203)</u>	<u>-</u>	<u>(18,874)</u>
Unallocated other income (<i>note</i>)					30,375	30,375
Unallocated corporate expenses					(17,464)	(17,464)
Share option expense					(6,609)	(6,609)
Due diligence expense on aborted acquisitions					(16,152)	(16,152)
Share of result of an associate					(185)	(185)
Finance costs					(1,467)	(1,467)
Loss before taxation						(30,376)
Taxation					2,530	2,530
<i>Loss for the year</i>						<u>(27,846)</u>
<i>Assets</i>						
Segment assets	112,045	31,505	269,874	86,655	-	500,079
Unallocated corporate assets					851,580	851,580
Total assets						<u>1,351,659</u>
<i>Liabilities</i>						
Segment liabilities	2,363	385	25,128	-	-	27,876
Unallocated corporate liabilities					176,684	176,684
Total liabilities						<u>204,560</u>
<i>Other information</i>						
Capital additions	-	-	-	-	8,021	8,021
Depreciation and amortisation	-	332	14,220	6,094	1,813	22,459
Allowance for doubtful debt	3,674	-	-	-	-	3,674
Loss on disposal of property, plant and equipment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2</u>	<u>2</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.

APPENDIX II FINANCIAL INFORMATION OF THE TERMBRAY GROUP

Geographical segments

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

	Revenue from geographical market	
	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Hong Kong	2,280	1,475
The PRC	139,991	41,815
Russia	47,237	–
Others	29,301	–
	218,809	43,290
	218,809	43,290

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment analysed by geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment	
	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i> (Restated)	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Hong Kong	137,010	114,192	–	2,476
The PRC	430,803	385,887	2,465	5,545
	567,813	500,079	2,465	8,021
	567,813	500,079	2,465	8,021

8. OTHER INCOME

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Interest income from		
– available-for-sale investments	4,111	22,336
– investments held for trading	4,193	5,363
– bank balances and deposits with a financial institution	2,941	188
	11,245	27,887
Net exchange gain	–	1,634
Commission income	8,112	–
Sundry income	1,773	664
	21,130	30,185
	21,130	30,185

APPENDIX II FINANCIAL INFORMATION OF THE TERMBRAY GROUP

9. FINANCE COSTS

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Effective interest expense on convertible note	6,057	1,467
Interest on secured bank borrowings wholly repayable within five years	211	–
	<u>6,268</u>	<u>1,467</u>

10. PROFIT (LOSS) BEFORE TAXATION

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i> (Restated)
Profit (loss) before taxation has been arrived at after charging (crediting):		
Auditor's remuneration	1,867	1,593
Amortisation of prepaid lease payments for leasehold land	598	598
Amortisation of intangible assets, included in administrative expenses	8,287	20,314
Allowance for doubtful debts	1,966	3,674
Cost of inventories sold	66,185	23,608
Depreciation of		
– property, plant and equipment	3,195	1,440
– investment property	108	107
Staff costs including directors' emoluments (<i>note</i>)	67,493	16,541
Due diligence expense on aborted acquisitions	5,174	16,152
Operating lease rentals in respect of land and buildings	2,933	240
Loss on disposal of property, plant and equipment	58	2
Impairment loss for club membership	–	461
Net exchange loss	20	–
Gross rental income from investment property	(2,280)	(1,475)
Less: direct operating expense from investment property that generated rental income during the year	806	635
	<u>(1,474)</u>	<u>(840)</u>

Note: The staff costs include share option expenses of HK\$16,062,000 (2008: HK\$6,609,000) but do not include the rental value of the Termbray Group's land and buildings provided as accommodation to certain Termbray Directors as set out in note 11.

APPENDIX II FINANCIAL INFORMATION OF THE TERMBRAY GROUP

11. EMOLUMENTS OF DIRECTORS AND SENIOR EMPLOYEES

(a) Directors' emoluments

The emoluments paid or payable for each of the directors are as follows:

	Year ended 31st March, 2009				
	Fees <i>HK\$'000</i>	Basic salaries, allowances and benefits- in-kind <i>HK\$'000</i>	Contributions to retirement benefit schemes <i>HK\$'000</i>	Share-based payment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Executive directors					
Mr. Lee Lap	–	3,140	7	–	3,147
Mdm. Leung Lai Ping	–	2,640	12	–	2,652
Mr. Wong Shiu Kee	–	1,500	75	–	1,575
Mr. Tommy Lee	–	1,037	51	–	1,088
Mr. Wang Jinlong	–	1,200	–	12,426	13,626
Independent non- executive directors					
Mr. Chan Siu Kang	100	–	–	–	100
Mr. Lo Yiu Hee	100	–	–	–	100
Mr. Tong Hin Wor	50	–	–	–	50
Non-executive director					
Mr. Lee Ka Sze, Carmelo	100	–	–	–	100
	<u>350</u>	<u>9,517</u>	<u>145</u>	<u>12,426</u>	<u>22,438</u>

Year ended 31st March, 2008

	Fees <i>HK\$'000</i>	Basic salaries, allowances and benefits- in-kind <i>HK\$'000</i>	Contributions to retirement benefit schemes <i>HK\$'000</i>	Share-based payment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Executive directors					
Mr. Lee Lap	–	3,140	12	–	3,152
Mdm. Leung Lai Ping	–	2,640	12	–	2,652
Mr. Wong Shiu Kee	–	1,080	54	–	1,134
Mr. Tommy Lee	–	206	10	–	216
Mr. Wang Jinlong	–	288	–	6,609	6,897
Independent non- executive directors					
Dr. Lee Tung Hai	100	–	–	–	100
Mr. Chan Siu Kang	100	–	–	–	100
Mr. Lo Yiu Hee	100	–	–	–	100
Mr. Tong Hin Wor	–	–	–	–	–
Non-executive director					
Mr. Lee Ka Sze, Carmelo	100	–	–	–	100
	<u>400</u>	<u>7,354</u>	<u>88</u>	<u>6,609</u>	<u>14,451</u>

During the year, the land and building of the Termbray Group with a rental value of HK\$2,280,000 (2008: HK\$2,280,000) were provided as accommodation to certain Termbray Directors which has been included in basic salaries, allowances and benefits-in-kind disclosed above.

(b) Senior employees' emoluments

Of the five individuals with the highest emoluments in the Termbray Group, four (2008: four) are Termbray Directors, whose emoluments have been included above. The emoluments of the remaining one (2008: one) individuals, whose emoluments are individually between HK\$4,500,001 to HK\$5,000,000 (2008: below HK\$1,000,000), are as follows:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Basic salaries, allowances and benefits-in-kind	963	347
Contributions to retirement benefit schemes	–	10
Share-based payment	3,636	–
	<u>4,599</u>	<u>357</u>

12. TAXATION

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i> (Restated)
Current tax:		
Hong Kong Profits Tax	185	290
PRC Enterprise Income Tax	13,228	747
Other jurisdiction	1,341	–
	<u>14,754</u>	<u>1,037</u>
Under (over) provision in prior years:		
Hong Kong Profits Tax	(5,636)	–
PRC Enterprise Income Tax	285	–
	<u>(5,351)</u>	<u>–</u>
Deferred tax (<i>note 30</i>)	<u>1,638</u>	<u>(3,567)</u>
	<u><u>11,041</u></u>	<u><u>(2,530)</u></u>

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

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

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

APPENDIX II FINANCIAL INFORMATION OF THE TERMBRAY GROUP

The tax charge (credit) for the year can be reconciled to the profit (loss) before taxation per the consolidated income statement as follows:

	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Restated)
Profit (loss) before taxation	32,899	(30,376)
Tax at the applicable income tax rate of 25% (2008: 33%)	8,225	(10,024)
Tax effect of expenses not deductible for tax purpose	14,790	10,776
Tax effect of income not taxable for tax purpose	(6,029)	(6,141)
Tax effect of deductible temporary differences not recognised	–	264
Tax effect of tax losses not recognised	968	670
Utilisation of tax losses previously not recognised	–	(205)
Overprovision in respect of prior years	(5,351)	–
Deferred tax on undistributed profits of a subsidiary established in the PRC	2,411	–
Effect of share of results of an associate	–	61
Income tax on concessionary rate	(3,788)	1,492
Effect of different tax rates of subsidiaries operating in other jurisdictions	(1,575)	726
Others	1,390	(149)
Tax charge (credit) for the year	11,041	(2,530)

Details of the deferred tax are set out in note 30.

13. LOSS PER SHARE

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

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

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

APPENDIX II FINANCIAL INFORMATION OF THE TERMBRAY GROUP

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings <i>HK\$'000</i>	Machinery, moulds and equipment <i>HK\$'000</i>	Furniture, fixtures, equipment and leasehold improvements <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
COST					
At 1st April, 2007	6,250	89	8,848	4,896	20,083
Additions	–	391	5,080	2,550	8,021
Acquisition of subsidiaries	–	1,403	–	1,227	2,630
Disposals	–	(5)	–	–	(5)
Exchange adjustment	–	66	–	52	118
At 31st March, 2008	6,250	1,944	13,928	8,725	30,847
Additions	–	2,465	91	352	2,908
Disposals	–	(248)	–	–	(248)
Exchange adjustment	–	37	135	26	198
At 31st March, 2009	6,250	4,198	14,154	9,103	33,705
DEPRECIATION					
At 1st April, 2007	1,691	89	6,170	4,026	11,976
Provided for the year	142	93	915	290	1,440
Disposals	–	(3)	–	–	(3)
Exchange adjustment	–	22	–	12	34
At 31st March, 2008	1,833	201	7,085	4,328	13,447
Provided for the year	142	733	1,380	940	3,195
Disposals	–	(103)	–	–	(103)
Exchange adjustment	–	12	10	6	28
At 31st March, 2009	1,975	843	8,475	5,274	16,567
CARRYING VALUES					
At 31st March, 2009	<u>4,275</u>	<u>3,355</u>	<u>5,679</u>	<u>3,829</u>	<u>17,138</u>
At 31st March, 2008	<u>4,417</u>	<u>1,743</u>	<u>6,843</u>	<u>4,397</u>	<u>17,400</u>

APPENDIX II FINANCIAL INFORMATION OF THE TERMBRAY GROUP

The above items of property, plant and equipment are depreciated on a straight line basis over their estimated useful lives, after taking into account of their estimated residual value, as follows:

Category of assets	Estimated useful lives
Buildings	25 to 40 years or over the remaining lease term of the land on which the building is situated, if shorter
Machinery, moulds and equipment	18% to 30%
Furniture, fixtures, equipment and leasehold improvements	10% to 20%
Motor vehicles	15% to 18%

The carrying value of the Termbray Group's buildings is analysed as follows:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Buildings situated on leasehold interest in land in Hong Kong on:		
Long lease	3,482	3,592
Medium-term leases	793	825
	<u>4,275</u>	<u>4,417</u>

15. PREPAID LEASE PAYMENTS FOR LEASEHOLD LAND

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
The Termbray Group's prepaid lease payments for leasehold land comprise:		
Leasehold land in Hong Kong on		
Long lease	63,422	63,935
Medium-term leases	3,253	3,338
	<u>66,675</u>	<u>67,273</u>

Analysed for reporting purposes as:

Non-current	66,077	66,675
Current	598	598
	<u>66,675</u>	<u>67,273</u>

16. INVESTMENT PROPERTY

	Building <i>HK\$'000</i>
COST	
At 1st April, 2007 and 31st March, 2008 and 2009	4,480
DEPRECIATION	
At 1st April, 2007	895
Provided for the year	107
At 31st March, 2008	1,002
Provided for the year	108
At 31st March, 2009	1,110
CARRYING VALUES	
At 31st March, 2009	3,370
At 31st March, 2008	3,478

The building is situated on land in Hong Kong on long lease. The Termbray Group's leasehold interest in land with the carrying amount of approximately HK\$27,803,000 at 31st March, 2009 (2008: HK\$28,028,000) has been included in prepaid lease payments for leasehold land as set out in note 15. The building is depreciated on a straight-line basis over its estimated useful lives of 40 years.

The fair value of the Termbray Group's investment property at 31st March, 2009, which comprise of leasehold interest in land and building, is HK\$60,000,000 (2008: HK\$82,000,000). The fair value has been arrived at on the basis of a valuation carried out on that date by DTZ Debenham Tie Leung Limited ("Debenham Tie Leung"), an independent qualified professional valuer not connected with the Termbray Group. Debenham Tie Leung is a member of the Institute of Valuers. The valuation was arrived at by reference to market evidence of transaction prices for similar properties in the same locations and conditions.

The Termbray Group's investment property is rented out under operating lease.

17. GOODWILL AND INTANGIBLE ASSETS

The goodwill arose from the acquisition of subsidiaries during the year ended 31st March, 2008 as set out in note 34. In the opinion of the Termbray Directors, the goodwill represents the future economic benefits arising from the potential growth in these businesses acquired. Particulars regarding impairment testing on goodwill are set out in note 18.

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

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

	As originally stated <i>HK\$'000</i>	Adjustment to fair value of assets acquired in prior periods <i>HK\$'000</i>	Amortisation and deferred tax credit for the year ended 31st March, 2008 <i>HK\$'000</i>	As restated <i>HK\$'000</i>
Goodwill	258,678	(15,360)	–	243,318
Intangible assets				
– Customer-related intangible assets	–	24,867	(19,567)	5,300
– Non-competition agreements	–	11,947	(747)	11,200
Deferred tax liabilities	–	(6,695)	3,567	(3,128)
Total effect on assets and liabilities		<u>14,759</u>	<u>(16,747)</u>	
Retained profits	520,317	–	(8,541)	511,776
Minority interests	28,296	<u>14,759</u>	<u>(8,206)</u>	34,849
Total effect on equity		<u><u>14,759</u></u>	<u><u>(16,747)</u></u>	

The customer-related intangible assets, comprising mainly incomplete contracts at the date of acquisitions, have finite useful lives. Such intangible assets are amortised on a straight-line basis over their estimated useful lives of four months. The intangible assets in relation to non-competition agreements represented contracts entered with the vendors of Petro-king International Company Limited (“Petro-king HK”) and Petro-king Oilfield Technology Limited (“Petro-king SZ”). The details of the acquired subsidiaries are as set out in note 34. Such intangible assets are amortised on a straight-line basis over their estimated useful lives of four years.

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The movements of these intangible assets are as follow:

	Customer -related intangible assets HK\$'000	Intangible assets in relation to non- competition agreements HK\$'000	Total HK\$'000
COST			
At 1st April, 2007	–	–	–
Adjustment to fair value of assets acquired in prior periods	24,867	11,947	36,814
At 31st March, 2008 (as restated) and 31st March, 2009	24,867	11,947	36,814
AMORTISATION			
At 1st April, 2007	–	–	–
Provided for the year (as restated)	19,567	747	20,314
At 31st March, 2008 (as restated)	19,567	747	20,314
Provided for the year	5,300	2,987	8,287
At 31st March, 2009	24,867	3,734	28,601
CARRYING VALUES			
At 31st March, 2009	–	8,213	8,213
At 31st March, 2008 (as restated)	5,300	11,200	16,500

18. IMPAIRMENT TEST ON GOODWILL

The Termbray Group uses business segments as its primary segment for reporting segment information. For the purposes of impairment testing, goodwill has been allocated to the relevant cash generating units including units relating to engineering projects and provision of consultancy service on well drilling.

During the year ended 31st March, 2009, the management of the Termbray Group determines that there is no impairment of the CGU containing goodwill.

The recoverable amount of this unit has been determined based on a business valuation report on the acquired subsidiaries prepared by Vigers. The income approach was adopted to determine the recoverable amount. The cash flow projections was prepared based on financial budgets approved by management and the cash flows beyond 6-year period are extrapolated using a steady growth rate of 2%. A discount rate of 12.2% is used. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the CGU's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the CGU to exceed the aggregate recoverable amount of the CGU.

19. INVENTORIES

The inventories represent merchandise for engineering projects held by the Termbray Group at the balance sheet date.

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20. TRADE AND OTHER RECEIVABLES

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

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

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

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

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

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

APPENDIX II FINANCIAL INFORMATION OF THE TERMBRAY GROUP

Ageing of trade receivables which are past due but not impaired

	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
1 – 90 days	15,175	33,781
91 – 180 days	3,533	2,397
181 – 365 days	2,878	1,259
1 to 2 years	1,286	–
Total	22,872	37,437

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

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 for specific components with uncertainty on the recoverability during the year is as follows:

	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance at the beginning of the year	3,674	–
Impairment losses recognised on trade and other receivables	1,966	3,674
Balance at the end of the year	5,640	3,674

21. AVAILABLE-FOR-SALE INVESTMENTS

The available-for-sale investments represented deposits in money market accounts which are managed by international financial institutions and are redeemable on demand. Such money market funds are carried at their fair value at respective balance sheet dates. The fair value is determined based on valuation provided by the counterparty financial institutions. The money market funds carry interest at variable rates and the average effective interest rate at 31st March, 2009 is approximately 1.56% (2008: 4.6%).

22. INVESTMENTS HELD FOR TRADING

Investments held for trading represent unlisted debt securities and listed equity securities in which are fully disposed of during the year.

The debt securities, which mainly represented investments in corporations in either United States of America or European countries with good credit rating, were substantially carried interest at fixed interest rates and denominated in United States dollars. The average effective interest rate in respect of the debt securities at 31st March, 2009 was approximately 4.22% (2008: 4.22%).

The fair value of unlisted securities was based on prices quoted by financial institutions by reference to transactions and those of the listed equity securities was based on bid prices quoted in the relevant stock exchange.

APPENDIX II FINANCIAL INFORMATION OF THE TERMBRAY GROUP

23. AMOUNTS DUE FROM RELATED PARTIES

The Termbray Group had the following outstanding balances due from related parties:

Name of related party	Balance at 31.3.2009 HK\$'000	Balance at 31.3.2008 HK\$'000	Maximum amount outstanding during the year HK\$'000
Zhao Jindong 趙錦棟	–	107	107
Zhang Xiaorui 張曉瑞	–	623	623
	–	730	

Mr. Zhao Jindong is a director of Termbray's subsidiary. Ms. Zhang Xiaorui is a minority shareholder of Termbray's subsidiary. The amounts due from related parties were unsecured, interest-free and fully repaid during the year.

24. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

Pledged bank deposits and bank balances and cash, which comprise short-term bank deposits, carry interest at effective interest rates ranging from 0.10% to 2.80% (2008: 0.01% to 2.65%) per annum.

Details of the pledged bank deposits are set out in note 36.

25. TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

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

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

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

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

26. PROVISIONS

The provision represents management's best estimate of the costs and expenses required to discharge the Termbray Group's obligations and liabilities under the warranties and undertakings given in connection with the disposal of subsidiaries in prior years as set out in note 36(c). The timing of payment for such costs and expenses is dependent upon finalisation of certain matters requiring the approval of the local authorities of the PRC, therefore it is not practicable to estimate with certainty the timing of payment at this stage.

27. AMOUNTS DUE TO A RELATED COMPANY/A DIRECTOR/MINORITY SHAREHOLDERS

The amounts due to a related company/a director/minority shareholders are unsecured, interest-free and repayable on demand.

Certain Termbray Directors have beneficial interests in the related company.

28. SECURED BANK BORROWINGS

Secured bank borrowings are repayable within one year and carry fixed-rate interest ranging from 3.28% to 4.54% (2008: nil) per annum.

The Termbray Group's secured bank borrowings are denominated in US\$, a currency other than the functional currency of a relevant group entity.

29. CONVERTIBLE NOTE

On 31st December, 2007, the date of completion of the acquisition of Petro-king HK and Petro-king PRC, (details of the acquisitions are more fully disclosed in note 34) Termbray and King Shine Group Limited ("King Shine"), a company which was set up by the PRC vendors, entered into a convertible note subscription agreement, pursuant to which Termbray agreed to issue and King Shine agreed to subscribe for the convertible notes in the principal amount of HK\$133,692,000 at conversion price of HK\$1.20 per conversion share. The convertible note is interest free and shall be redeemed on the date falling on the third anniversary of the date of issue of the convertible note.

The convertible note, being a compound financial instrument (that contains both financial liability and equity components), was split between the equity component of HK\$18,892,000 and the liability component of HK\$114,800,000. The valuation was based on the valuation report issued by Vigers dated 18th April, 2008. The effective interest rate of the liability component is 5.21% per annum.

On the maturity date, King Shine shall be entitled to demand from Termbray the full repayment of the outstanding principal amount of any outstanding and unconverted convertible note (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 note into shares or (ii) part thereof into shares together with the full repayment of the remaining principal balance thereof in cash.

King Shine agrees not to exercise the conversion right nor transfer the convertible note during the period from the date of issue of the convertible note to 30th June, 2009. However, if the profit guarantee in respect of Petro-king HK and Petro-king PRC for the year ended 31st December, 2007 is met, King Shine will be entitled to exercise the conversion right or transfer up to 30% of the convertible note. Provided that if the separate listing of the Petro-king Group on a recognised stock exchange to be decided shall occur before 30th June, 2009, the lock-up period will cease to have effect on the date of the listing of the Petro-king Group.

The movement of the liability component of the convertible note for the year is set out below:

	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Carrying amount at the beginning of the year/date of issue	116,267	114,800
Interest charge	6,057	1,467
	<hr/>	<hr/>
Carrying amount at the end of the year	<u>122,324</u>	<u>116,267</u>

APPENDIX II FINANCIAL INFORMATION OF THE TERMBRAY GROUP

30. DEFERRED TAX LIABILITIES

	Accelerated tax depreciation <i>HK\$'000</i>	Undistributed profits of a subsidiary established in the PRC <i>HK\$'000</i>	Intangible assets <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st April, 2007	–	–	–	–
Acquisition of subsidiaries	–	–	6,695	6,695
Credit to consolidated income statement for the year	–	–	(3,567)	(3,567)
At 31st March, 2008 (as restated)	–	–	3,128	3,128
Charge (credit) to consolidated income statement for the year	673	2,411	(1,446)	1,638
At 31st March, 2009	<u>673</u>	<u>2,411</u>	<u>1,682</u>	<u>4,766</u>

At the balance sheet date, the Termbray Group has unused tax losses of HK\$94,219,000 (2008: HK\$93,548,000) available for offset against future profit as analysed as follows:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Carried forward to		
December 2008	–	3,339
December 2009	2,708	2,669
December 2010	2,608	2,570
December 2011	1,378	1,358
December 2012	2,898	2,856
December 2013	3,871	–
Carried forward indefinitely	<u>80,756</u>	<u>80,756</u>
	<u>94,219</u>	<u>93,548</u>

No deferred tax asset had been recognised in respect of the unused tax losses as at 31st March, 2009 as it was uncertain whether sufficient taxable profits would be available to allow utilization of the carrying forward tax losses.

At the balance sheet date, deferred tax liabilities on temporary differences associated with the undistributed profits of a subsidiary established in the PRC derived on or after 1st January, 2008 amounting to HK\$2,411,000 (2008: Nil) has been recognised.

31. SHARE CAPITAL

	2009 & 2008	
	Number of shares	Nominal value
	<i>'000</i>	<i>HK\$'000</i>
Ordinary shares of HK\$0.08 each		
Authorised	<u>2,800,000</u>	<u>224,000</u>
Issued and fully paid		
At 1st April, 2007	1,724,643	137,971
Shares issued	<u>233,000</u>	<u>18,640</u>
At 31st March, 2008 and 2009	<u>1,957,643</u>	<u>156,611</u>

In January 2008, 233,000,000 ordinary shares of Termbray were placed to the ultimate holding company of Termbray at a price of HK\$1.20 per share. The proceeds from placement of shares of Termbray were used for the acquisition set out in note 34. All the new shares issued rank pari passu in all respects with the existing shares.

32. SHARE OPTIONS

Pursuant to an ordinary resolution passed at an annual general meeting of Termbray held on 18th August, 2006, Termbray adopted a new share option scheme (“2006 ESOP”) to replace the scheme adopted in 2001 which was terminated on that date.

On 25th February, 2008, Termbray under the share option agreement entered into with Mr. Wang Jinlong, as a capacity of chief executive officer of Termbray, granted 20,000,000 options to him, at an exercise price of HK\$1.20 per share and are exercisable during the periods from 25th February, 2008 to 24th February, 2011 for 10,000,000 share options and from 25th February, 2009 to 24th February, 2011 for the remaining 10,000,000 share options, with estimated fair values per share amounting to HK\$0.59 and HK\$0.65 respectively.

On 28th March, 2008, Termbray granted 17,000,000 options under the 2006 ESOP to its director, Mr. Wang Jinlong, at an exercise price of HK\$1.25 per share and are exercisable during the periods from 28th March, 2009 for 5,666,666 share options, from 28th March, 2010 for 5,666,667 share options and from 28th March, 2011 for 5,666,667 share options, until 27th March, 2018 with estimated fair values of HK\$0.60, HK\$0.66 and HK\$0.71 respectively.

On 29th May, 2008, Termbray granted 16,500,000 options under the 2006 ESOP to an employee of the Termbray Group, at an exercisable price of HK\$1.14 per share and are exercisable during the periods from 29th May, 2009 for 6,666,666 share options, from 29th May, 2010 for 6,666,667 share options and from 29th May, 2011 for 3,166,667 share options, until 28th May, 2018 with estimated fair values of HK\$0.65, HK\$0.71 and HK\$0.75 respectively. Subsequent to the balance sheet date, the employee resigned and those unvested share options were forfeited accordingly.

APPENDIX II FINANCIAL INFORMATION OF THE TERMBRAY GROUP

The fair values were calculated using the binominal option pricing model. The inputs into the model were as follows:

Grant date	25th February, 2008	28th March, 2008	29th May, 2008
Share price at grant date	HK\$1.37 per share	HK\$1.15 per share	HK\$1.14 per share
Exercise price	HK\$1.20 per share	HK\$1.25 per share	HK\$1.14 per share
Volatility	73%	73%	75%
Risk free rate	1.99%	2.58%	3.20%
Dividend yield	0% per annum	0% per annum	0% per annum

The following table discloses movements of Termbray's share options during the year:

Date granted	Outstanding at 1.4.2007	Granted during the year	Outstanding at 31.3.2008	Granted during the year	Outstanding at 31.3.2009
Mr. Wang Jinlong					
25th February, 2008	–	20,000,000	20,000,000	–	20,000,000
28th March, 2008	–	17,000,000	17,000,000	–	17,000,000
	–	37,000,000	37,000,000	–	37,000,000
An employee					
29th May, 2008	–	–	–	16,500,000	16,500,000
	–	37,000,000	37,000,000	16,500,000	53,500,000
Exercisable at the end of the year					<u>25,666,666</u>
Weighted average exercise price	–	HK\$1.22	HK\$1.22	HK\$1.14	HK\$1.20

33. RESERVES

Details of the reserves of the Termbray Group are disclosed in the consolidated statement of changes in equity on page 43.

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

APPENDIX II FINANCIAL INFORMATION OF THE TERMBRAY GROUP

34. ACQUISITION OF SUBSIDIARIES

On 10th October, 2007, the Termbray Group entered into various agreements, pursuant to which the Termbray Group acquired 51% of the equity interests of Petro-king HK and Petro-king PRC at an aggregate consideration of RMB255,000,000 (equivalent to about HK\$274,890,000) which was satisfied in cash. Legal and professional charge associated with the acquisition is HK\$11,097,000, which was capitalised as part of the investment cost.

Termbray has obtained profit guarantee from the vendors whereby Termbray would be reimbursed part of the consideration paid on the acquisition if the aggregated amount of the audited consolidated net profits of Petro-king HK and Petro-king PRC for the two years ended 31st December, 2008 was less than RMB100 million. The profit guarantee amounts have been met.

The above transactions were approved by the members of Termbray on the special general meeting held on 28th December, 2007 and the details of the above transactions were set out in Termbray's circular dated 12th December, 2007. The effective date of the acquisition was 31st December, 2007.

The net assets acquired in the transaction, and the goodwill arising, are as follows:

	Acquiree's company carrying amount and provisional fair value at acquisition date <i>HK\$'000</i>	Acquiree's company restated fair value at acquisition date <i>HK\$'000</i>
Net assets acquired:		
Property, plant and equipment	2,558	2,558
Interest in an associate	550	550
Intangible assets (<i>note 17</i>)	–	36,814
Inventories	13,496	13,496
Trade and other receivables	84,082	84,082
Amounts due from related parties	24,135	24,135
Amount due from an associate	2,646	2,646
Bank balances and cash	8,147	8,147
Trade and other payables and accrued charges	(46,252)	(46,252)
Amounts due to related parties	(24,854)	(24,854)
Taxation payable	(10,877)	(10,877)
Deferred tax liabilities	–	(6,695)
	53,631	83,750
Minority interest	(26,279)	(41,038)
Goodwill	258,635	243,275
Total consideration	285,987	285,987
Satisfied by:		
Cash	285,987	285,987
Net cash outflow arising on acquisition:		
Cash consideration paid	285,987	285,987
Bank balances and cash acquired	(8,147)	(8,147)
	277,840	277,840

APPENDIX II FINANCIAL INFORMATION OF THE TERMBRAY GROUP

Goodwill arising on the acquisition of Petro-king HK and Petro-king PRC during the prior year was determined on a provisional basis as the nature and fair value of the identifiable assets acquired could be determined on a provisional value only. Termbray obtained independent valuation to assess the fair value during the year and the provisional goodwill was adjusted accordingly upon the completion of the initial accounting as set out in note 17.

On 30th March, 2008, Petro-king PRC had further acquired additional interest of 3% in the associate, Beijing Petroking-Enruida Oilfield Technology Co., Ltd. 北京百勤恩瑞達石油技術有限公司 (“Petro-king BJ”). After the acquisition, Petro-king BJ became an indirect subsidiary of Termbray. Before the acquisition of additional interest in Petro-king BJ, Petro-king PRC had 48% interest in Petro-king BJ. Petro-king BJ is a limited liability company established in the PRC on 3rd April, 2006 with a registered capital of RMB2,000,000.

	Acquiree’s company carrying amount and fair value at acquisition date <i>HK\$’000</i>
Net assets acquired:	
Property, plant and equipment	72
Inventories	790
Trade and other receivables	1,748
Taxation recoverable	153
Amounts due from related parties	623
Bank balances and cash	1,454
Trade and other payables and accrued charges	(1,774)
Amounts due to related parties	(2,267)
	799
Minority interests	(393)
Goodwill	43
	449
Total consideration	449
Satisfied by:	
Cash	67
Transfer from interest in an associate	382
	449
	449
Net cash inflow arising on acquisition:	
Cash consideration paid	449
Bank balances and cash acquired	(1,454)
	(1,005)
	(1,005)

35. OPERATING LEASE COMMITMENTS

The Termbray Group as lessor

At the balance sheet date, the Termbray Group’s investment property (comprising leasehold interest in land and building) and properties held for sale with carrying amounts of HK\$31,173,000 (2008: HK\$31,505,000) and HK\$85,156,000 (2008: HK\$70,034,000) respectively were let out under operating leases, some of which contain rent free periods and rental escalation over the lease terms. All of the properties leased out have committed tenants for the next one to three years without termination options.

APPENDIX II FINANCIAL INFORMATION OF THE TERMBRAY GROUP

At the balance sheet date, the Termbray Group had contracted with tenants for the following future minimum lease payments:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Within one year	3,030	2,816
In the second to fifth years inclusive	2,182	2,319
Over five years	–	1,186
	<u>5,212</u>	<u>6,321</u>

The Termbray Group as lessee

At the balance sheet date, the Termbray Group had commitments for future minimum lease payments under non-cancellable operating lease which fall due as follows:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Within one year	3,270	862
In the second to fifth years inclusive	6,081	2,986
	<u>9,351</u>	<u>3,848</u>

Operating lease payments represent rentals payable by the Termbray Group for office premises and warehouses. These are negotiated and rentals are fixed for a period of 1 to 5 years (2008: 1 to 5 years).

36. PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

Details of assets pledged and contingent liabilities of the Termbray Group outstanding at the balance sheet date are as follows:

- (a) Bank deposits of HK\$3,121,000 (2008: Nil) were pledged to secure the credit facilities granted to the Termbray Group. Such bank deposits have been pledged to secure short-term bank borrowings and are therefore classified as current assets.
- (b) Guarantees were issued to banks by a subsidiary in respect of mortgage loans granted to property purchasers by banks amounted to approximately HK\$119,000 (2008: HK\$140,000) and, in this connection, the Termbray Group's bank deposits of HK\$2,034,000 (2008: HK\$2,034,000) were pledged to the banks as security. These guarantees provided by the subsidiary to the banks would be released upon receiving the building ownership certificate of the respective property by the banks from the customers as a pledge for security to the mortgage loan granted. The directors considered that the fair value of such guarantee on initial recognition was insignificant.
- (c) In connection with the disposal in 1999 of the subsidiaries engaged in the business of manufacture and sale of printed circuit boards, the Termbray Group has given warranties and undertakings to the purchaser as specified in the agreement for the disposal of these subsidiaries. During the year ended 31st March, 2001, the Termbray Group received notification from the purchaser raising claims against the Termbray Group arising from the warranties and undertakings. It is the intention of the management to contest the claims vigorously. No legal proceedings have yet been instituted against the Termbray Group for these claims. Based upon legal advice obtained, management is of the opinion that such claims, if materialised, would not result in any material liabilities to the Termbray Group in excess of the amounts already provided for in the consolidated financial statements.

37. RETIREMENT BENEFIT PLANS

The Termbray Group operates a Mandatory Provident Fund Scheme for all qualifying employees. The assets of the scheme are held separately from those of the Termbray Group in funds under the control of trustees. The Termbray Group contributes 5% of relevant payroll costs to the scheme, which contribution is matched by employees.

The employees of Termbray's subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by the PRC government. The subsidiary is required to contribute certain percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Termbray Group with respect to this retirement benefit scheme is to make the specified contributions.

The contributions payable to the schemes by the Termbray Group in respect of the year which were charged to the consolidated income statement amounted to HK\$837,000 (2008: HK\$206,000).

38. RELATED PARTY TRANSACTIONS

During the year, the Termbray Group had the following transactions with related parties:

- (a) Pursuant to the tenancy agreements entered into between Panda Investment Company Limited ("Panda Investment") and a wholly-owned subsidiary, Termbray Electronics Company Limited ("Termbray Electronics"), Termbray Electronics leased certain office premises and warehouses from Panda Investment during the year at the agreed rental of HK\$240,000 (2008: HK\$240,000). Certain Termbray Directors held beneficial interests in Panda Investment.
- (b) At 31st March, 2009, the Termbray Group had an amount of approximately HK\$2,092,000 (2008: HK\$405,000) due to Panda Investment which is unsecured, interest-free and repayable on demand.
- (c) Pursuant to a tenancy agreement entered into between Mr. Lee Wing Keung, a son of Mr. Lee Lap, and a wholly-owned subsidiary, Termbray (Fujian) Land Development Company Limited ("Termbray Fujian"), Termbray Fujian leased its land and building to Mr. Lee Wing Keung for a period of 3 years commencing from 16th March, 2008 at the monthly rental of HK\$190,000 determined by reference to the market rental value of the property as valued by a property valuer. The rental income recognised in the consolidated income statement for the year is HK\$2,280,000 (2008: HK\$1,475,000).
- (d) A director and a minority shareholder of a non-wholly owned subsidiary, Petro-king Holding Limited, act as guarantors of the secured bank borrowing of the Termbray Group for US\$1,617,000 (equivalent to approximately HK\$12,533,000) each.
- (e) The compensation of key management personnel paid or payable by the Termbray Group in respect of the year, substantially all of which comprised of short term benefits attributable to the Termbray Directors, amounted to HK\$22,438,000 (2008: HK\$14,451,000), details of which are set out in note 11(a).

The remuneration of key management personnel is determined by the remuneration committee having regard to the performance of individuals and market trends.

APPENDIX II FINANCIAL INFORMATION OF THE TERMBRAY GROUP

39. PARTICULARS OF SUBSIDIARIES

The following list contains only the particulars of the subsidiaries at 31st March, 2009 which principally affect the results, assets or liabilities of the Termbray Group as the directors are of the opinion that a full list of all the subsidiaries would be of excessive length. All the principal subsidiaries are wholly owned subsidiaries and, unless otherwise specified, and are operating in their place of incorporation/establishment, unless otherwise specified. None of the subsidiaries had any loan capital outstanding at 31st March, 2009 and 2008 or at any time during the year.

Name of company	Place of incorporation/ establishment	Paid up issued share capital/registered capital	Principal activities
<i>Direct subsidiary:</i>			
Termbray Electronics (B.V.I.) Limited (i)	British Virgin Islands	100 ordinary shares of US\$1 each	Investment holding
<i>Indirect subsidiary:</i>			
Ever Success Properties Limited (ii)	Hong Kong	100 ordinary shares of HK\$1 each	Investment holding
Termbray (China) Land Development Company Limited	Hong Kong	10,000 ordinary shares of HK\$1 each	Investment holding
Termbray (Fujian) Land Development Company Limited	Hong Kong	10,000 ordinary shares of HK\$1 each	Property holding
Termbray (Guangzhou) Land Development Company Limited	Hong Kong	10,000 ordinary shares of HK\$1 each	Property holding
Termbray Electronics Company Limited	Hong Kong	2 ordinary shares of HK\$100 each and 10,000 non-voting deferred shares of HK\$100 each	Investment holding and treasury activities
# Petro-king Holding Limited	Hong Kong	10,000 ordinary shares of HK\$1 each	Investment holding
# Petro-king International Co., Limited	Hong Kong	100 ordinary shares of HK\$1 each	Trading of tools and equipment and provision for consultancy services on well drilling
# Petro-king Oilfield Technology Limited (iii)	The People's Republic of China	Registered capital of RMB5,000,000	Trading of tools and equipment and provision for consultancy services on well drilling
* Beijing Petroking-Enruida Oilfield Technology Co., Ltd. (iii)	The People's Republic of China	Registered capital of RMB2,000,000	Trading of tools and equipment and provision for consultancy services on well drilling
Zhongshan Ever Success Properties Limited (iii)	The People's Republic of China	Registered capital of RMB1,500,000	Property development

(i) Operating in Hong Kong

(ii) Operating in the PRC

(iii) A limited liability company established in the People's Republic of China.

Non-wholly owned subsidiary, percentage of effective interests held by the Termbray Group is 51%.

* Non-wholly owned subsidiary, percentage of effective interests held by the Termbray Group is 26%.

40. POST BALANCE SHEET EVENT

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

The net assets acquired in the transaction, and the goodwill arising, are as follows:

	Acquiree's company carrying amount and provisional fair value at acquisition date
	<i>HK\$'000</i>
Net assets acquired:	
Property, plant and equipment	2,439
Inventories	1,319
Trade and other receivables	338
Bank balances and cash	164
Trade and other payables and accrued charges	(891)
	<hr/>
	3,369
Goodwill	3,414
	<hr/>
Total consideration	6,783
	<hr/>
Satisfied by:	
Cash	6,783
	<hr/>
Net cash outflow arising on acquisition:	
Cash consideration paid	6,783
Bank balances and cash acquired	(164)
	<hr/>
	<hr/> <hr/>
	6,619

III. UNAUDITED FINANCIAL INFORMATION

Set out below are the unaudited consolidated financial statements together with the relevant notes thereto as extracted from the interim report of Termbray for the six months ended 30 September 2009. Terms used in this section have been modified to conform with the current presentation of this Composite Document.

Condensed Consolidated Statement of Comprehensive Income (Unaudited)

For the six months ended 30th September, 2009

	Notes	Six months ended	
		30/9/2009 HK\$'000 (unaudited)	30/9/2008 HK\$'000 (unaudited and restated)
Revenue	3	193,301	92,719
Cost of goods sold and services rendered		<u>(88,288)</u>	<u>(47,949)</u>
Gross profit		105,013	44,770
Other income	4	3,596	9,261
Selling and distribution expenses		(21,657)	(8,232)
Administrative expenses		(19,867)	(36,792)
Losses arising from changes in fair value of investments held for trading		–	(3,143)
Finance costs	5	<u>(4,031)</u>	<u>(3,029)</u>
Profit before taxation		63,054	2,835
Taxation	6	<u>(19,721)</u>	<u>(3,595)</u>
Profit (loss) for the period	7	<u>43,333</u>	<u>(760)</u>
Other comprehensive income for the period			
Exchange differences arising from translation of financial statements of foreign operations		<u>(137)</u>	<u>2,592</u>
Total comprehensive income for the period		<u>43,196</u>	<u>1,832</u>
Profit (loss) for the period attributable to:			
Owners of Termbray		16,649	(8,816)
Minority interests		<u>26,684</u>	<u>8,056</u>
		<u>43,333</u>	<u>(760)</u>

	<i>Notes</i>	Six months ended	
		30/9/2009	30/9/2008
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(unaudited and restated)
Total comprehensive income attributable to:			
Owners of Termbray		16,512	(6,224)
Minority interests		26,684	8,056
		<u>43,196</u>	<u>1,832</u>
		<i>HK cents</i>	<i>HK cents</i>
		(unaudited)	(unaudited and restated)
Basic and diluted earnings (loss) per share	8	<u>0.85</u>	<u>(0.45)</u>

APPENDIX II FINANCIAL INFORMATION OF THE TERMBRAY GROUP

Condensed Consolidated Statement of Financial Position

At 30th September, 2009

	<i>Notes</i>	30/9/2009 <i>HK\$'000</i> (unaudited)	31/3/2009 <i>HK\$'000</i> (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		19,385	17,138
Prepaid lease payments for leasehold land		65,780	66,077
Investment property		3,314	3,370
Pledged bank deposits	<i>15(b)</i>	2,034	2,034
Goodwill	<i>9</i>	246,901	243,318
Intangible assets		6,720	8,213
		<u>344,134</u>	<u>340,150</u>
CURRENT ASSETS			
Properties for sale		115,101	114,812
Inventories		35,849	38,419
Trade and other receivables	<i>10 & 15(a)</i>	190,009	149,524
Deposits and prepayments		16,506	3,345
Prepaid lease payments for leasehold land		598	598
Available-for-sale investments		386	7,012
Taxation recoverable		–	2,871
Pledged bank deposits	<i>15(a)</i>	3,123	3,121
Bank balances and cash		766,166	744,961
		<u>1,127,738</u>	<u>1,064,663</u>
CURRENT LIABILITIES			
Trade and other payables and accrued charges	<i>11</i>	18,407	28,812
Deposits received		1,942	1,487
Provision	<i>12</i>	3,173	3,173
Amount due to a related company	<i>16(b)</i>	2,945	2,092
Amount due to a director		23,412	23,967
Taxation payable		25,568	7,691
Secured bank borrowings		30,766	21,705
		<u>106,213</u>	<u>88,927</u>
NET CURRENT ASSETS		<u>1,021,525</u>	<u>975,736</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,365,659</u>	<u>1,315,886</u>

APPENDIX II FINANCIAL INFORMATION OF THE TERMBRAY GROUP

	<i>Notes</i>	30/9/2009 <i>HK\$'000</i> (unaudited)	31/3/2009 <i>HK\$'000</i> (audited)
NON-CURRENT LIABILITIES			
Convertible note		125,510	122,324
Deferred tax liabilities		<u>6,188</u>	<u>4,766</u>
		<u>131,698</u>	<u>127,090</u>
NET ASSETS		<u><u>1,233,961</u></u>	<u><u>1,188,796</u></u>
CAPITAL AND RESERVES			
Share capital	<i>13</i>	156,611	156,611
Reserves		<u>985,966</u>	<u>967,485</u>
Equity attributable to owners of Termbray		1,142,577	1,124,096
Minority interests		<u>91,384</u>	<u>64,700</u>
TOTAL EQUITY		<u><u>1,233,961</u></u>	<u><u>1,188,796</u></u>

APPENDIX II FINANCIAL INFORMATION OF THE TERMBRAY GROUP

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th September, 2009

	Attributable to owners of Termbray								
	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Exchange translation reserve <i>HK\$'000</i>	Convertible note equity reserve <i>HK\$'000</i>	Share option reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>	Minority interests <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 st April, 2008 (audited)	156,611	404,370	13,992	18,892	6,609	511,776	1,112,250	34,849	1,147,099
(Loss) profit for the period	-	-	-	-	-	(8,816)	(8,816)	8,056	(760)
Exchange differences arising from translation of financial statements of foreign operations	-	-	2,592	-	-	-	2,592	-	2,592
Total comprehensive income for the period	-	-	2,592	-	-	(8,816)	(6,224)	8,056	1,832
Recognition of share-based payments	-	-	-	-	9,160	-	9,160	-	9,160
Capital contribution by a minority shareholder	-	-	-	-	-	-	-	273	273
At 30th September, 2008 (unaudited and restated)	<u>156,611</u>	<u>404,370</u>	<u>16,584</u>	<u>18,892</u>	<u>15,769</u>	<u>502,960</u>	<u>1,115,186</u>	<u>43,178</u>	<u>1,158,364</u>
At 1st April, 2009 (audited)	156,611	404,370	16,405	18,892	22,671	505,147	1,124,096	64,700	1,188,796
Profit for the period	-	-	-	-	-	16,649	16,649	26,684	43,333
Exchange differences arising from translation of financial statements of foreign operations	-	-	(137)	-	-	-	(137)	-	(137)
Total comprehensive income for the period	-	-	(137)	-	-	16,649	16,512	26,684	43,196
Recognition of share-based payments	-	-	-	-	1,969	-	1,969	-	1,969
Effects of vested share options forfeited under share options scheme	-	-	-	-	(3,991)	3,991	-	-	-
At 30th September, 2009 (unaudited)	<u>156,611</u>	<u>404,370</u>	<u>16,268</u>	<u>18,892</u>	<u>20,649</u>	<u>525,787</u>	<u>1,142,577</u>	<u>91,384</u>	<u>1,233,961</u>

APPENDIX II FINANCIAL INFORMATION OF THE TERMBRAY GROUP

Condensed Consolidated Statement of Cash Flows (Unaudited)

For the six months ended 30th September, 2009

	Six months ended	
	30/9/2009	30/9/2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
NET CASH FROM OPERATING ACTIVITIES	13,456	16,221
INVESTING ACTIVITIES		
Net cash outflow from acquisition of a subsidiary <i>(note 14)</i>	(6,110)	–
Interest received	1,131	8,508
Purchase of available-for-sale investments	–	(54,767)
Proceeds from disposal of available-for-sale investments	6,626	474,275
Other investing activities	(1,680)	(2,193)
	<u>(33)</u>	<u>425,823</u>
NET CASH (USED IN) FROM INVESTING ACTIVITIES		
FINANCING ACTIVITIES		
New secured bank borrowings raised	34,614	–
Repayments of secured bank borrowings	(25,547)	–
Other financing activities	(741)	17,646
	<u>8,326</u>	<u>17,646</u>
NET CASH FROM FINANCING ACTIVITIES		
NET INCREASE IN CASH AND CASH EQUIVALENTS	21,749	459,690
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	744,961	40,904
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(544)	493
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u><u>766,166</u></u>	<u><u>501,087</u></u>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	766,166	371,459
Deposits with a financial institution	–	129,628
	<u><u>766,166</u></u>	<u><u>501,087</u></u>

Cash comprises cash on hand and demand deposits. Cash equivalents, including bank balances and deposits with a financial institution, are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2009

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting”.

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Termbray Group’s annual financial statements for the year ended 31st March, 2009.

In the current interim period, the Termbray Group has applied, for the first time, the following new and revised standards, amendments and interpretations (“new and revised HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants, which are effective for the Termbray Group’s financial year beginning on 1st April, 2009.

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC)-Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC)-Int 13	Customer Loyalty Programmes
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC)-Int 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

HKAS 1 (Revised 2007) has introduced a number of terminology changes, including revised titles for the condensed consolidated financial statements, and has resulted in a number of changes in presentation and disclosure.

HKFRS 8 is a disclosure standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally to the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. The predecessor standard, HKAS 14 “Segment Reporting”, required the identification of two sets of segments (business and geographical) using a risks and returns approach, with the entity’s “system of internal financial reporting to key management personnel” serving only as the starting point for the identification of such segments. In prior periods, the Termbray Group’s primary reporting format was business segments. The application of HKFRS 8 has resulted in a redesignation of the Termbray Group’s reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14 (see note 3).

APPENDIX II FINANCIAL INFORMATION OF THE TERMBRAY GROUP

The adoption of the new and revised HKFRSs has had no material effect on the reported results and financial position of the Termbray Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Termbray Group has not early applied new and revised standards, amendments or interpretations that have been issued but are not yet effective.

The adoption of HKFRS 3 (Revised 2008) “Business Combinations” may affect the Termbray Group’s accounting for business combinations for which the acquisition dates are on or after 1st April, 2010. HKAS 27 (Revised 2008) “Consolidated and Separate Financial Statements” will affect the accounting treatment for changes in the Termbray Group’s ownership interest in a subsidiary that do not result in loss of control of the subsidiary. Changes in the Termbray Group’s ownership interest that do not result in loss of control of the subsidiary will be accounted for as equity transactions.

The Termbray Directors anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Termbray Group.

3. REVENUE AND SEGMENT INFORMATION

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

	Six months ended	
	30/9/2009	30/9/2008
	HK\$'000	HK\$'000
Sale of goods	132,935	81,163
Sale of properties	386	367
Rental income	2,731	3,223
Service income	57,249	7,966
	<u>193,301</u>	<u>92,719</u>

As set out in Note 2, the Termbray Group has adopted HKFRS 8 with effect from 1st April, 2009. In prior periods, primary segment information was analysed on the basis of the types of goods and services identified on a risks and returns approach, and the business segments reported were property development, property investment, engineering projects and provision of consultancy service on well drilling. However, information reported to the chief operating decision maker, the executive Termbray Directors, for the purposes of resource allocation and performance assessment focuses more specifically on the two principal operating segments of the Termbray Group, namely property investment and development, and oilfield engineering and consultancy services. These operating segments represent the Termbray Group’s reportable segments under HKFRS 8.

Information regarding the above segments is reported below. Amounts reported for the prior period have been restated to conform to the requirements of HKFRS 8.

APPENDIX II FINANCIAL INFORMATION OF THE TERMBRAY GROUP

Segment information is presented below:

	Revenue		Segment profit	
	Six months ended		Six months ended	
	30/9/2009	30/9/2008	30/9/2009	30/9/2008
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(restated)
Property investment and development	3,117	3,590	1,711	1,228
Oilfield engineering and consultancy services	190,184	89,129	54,855	16,778
	193,301	92,719		
			56,566	18,006
Unallocated other income			928	8,397
Unallocated corporate expenses			(9,006)	(11,831)
Share option expense			(1,969)	(9,160)
Losses arising from changes in fair value of investments held for trading			–	(3,143)
Effective interest expense on convertible note			(3,186)	(3,029)
Profit (loss) for the period			43,333	(760)

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

Segment profit represents the profit earned by each segment without allocation of unallocated other income, unallocated corporate expenses, share option expense, losses arising from changes in fair value of investments held for trading and effective interest expense on convertible note. This is the measure reported to the chief operating decision maker of the Termbay Group for the purposes of resource allocation and performance assessment.

4. OTHER INCOME

	Six months ended	
	30/9/2009	30/9/2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest income from		
– available-for-sale investments	3	6,943
– investments held for trading	–	787
– bank balances and deposits with a financial institution	1,128	778
Net exchange gain	1,119	–
Sundry income	1,346	753
	3,596	9,261

APPENDIX II FINANCIAL INFORMATION OF THE TERMBRAY GROUP

5. FINANCE COSTS

	Six months ended	
	30/9/2009	30/9/2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Effective interest expense on convertible note	3,186	3,029
Interest on secured bank borrowings wholly repayable within five years	845	–
	<u>4,031</u>	<u>3,029</u>

6. TAXATION

	Six months ended	
	30/9/2009	30/9/2008
	<i>HK\$'000</i>	<i>HK\$'000</i> (restated)
Current tax:		
Hong Kong Profits Tax	5,505	2,302
People's Republic of China ("PRC") Enterprise Income Tax	7,908	2,160
	<u>13,413</u>	<u>4,462</u>
Underprovision in prior years:		
Hong Kong Profits Tax	4,747	–
PRC Enterprise Income Tax	139	306
	<u>4,886</u>	<u>306</u>
Deferred tax	1,422	(1,173)
	<u>19,721</u>	<u>3,595</u>

Hong Kong Profits Tax and PRC Enterprise Income Tax are recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for Hong Kong Profits Tax and PRC Enterprise Income Tax for the six months ended 30th September, 2009 are 16.5% (2008: 16.5%) and 25% (2008: 25%), respectively.

APPENDIX II FINANCIAL INFORMATION OF THE TERMBRAY GROUP

7. PROFIT (LOSS) FOR THE PERIOD

	Six months ended	
	30/9/2009	30/9/2008
	<i>HK\$'000</i>	<i>HK\$'000</i> (restated)
Profit (loss) for the period has been arrived at after charging:		
Amortisation of		
– prepaid lease payments for leasehold land	297	297
– intangible assets, included in administrative expenses	1,493	6,793
Cost of inventories sold	70,645	38,406
Depreciation of		
– property, plant and equipment	1,818	1,555
– investment property	56	56
Net exchange loss	–	84
Share option expense	1,969	9,160
	1,969	9,160

8. BASIC AND DILUTED EARNINGS (LOSS) PER SHARE

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

	Six months ended	
	30/9/2009	30/9/2008
	<i>HK\$'000</i>	<i>HK\$'000</i> (restated)
Earnings (loss) for the period attributable to owners of Termbray for the purpose of basic and diluted earnings (loss) per share	16,649	(8,816)
	Number of shares	
	<i>'000</i>	<i>'000</i>
Number of ordinary shares for the purpose of basic and diluted earnings (loss) per share	1,957,643	1,957,643

For the six months ended 30th September, 2009 and 2008, the computation of diluted earnings (loss) per share does not assume the conversion of Termbray's outstanding convertible note and the exercise of Termbray's outstanding share options since the exercise of convertible note would result in an increase in earnings per share/a decrease in loss per share and the exercise prices of Termbray's share options were higher than the average market price for shares.

9. GOODWILL

	<i>HK\$'000</i>
Carrying values	
At 1st April, 2009	243,318
Arising from acquisition of a subsidiary (<i>note 14</i>)	3,583
At 30th September, 2009	246,901

APPENDIX II FINANCIAL INFORMATION OF THE TERMBRAY GROUP

The goodwill as at 1st April, 2009 which amounted to HK\$243,318,000 arose from the acquisition of subsidiaries during the year ended 31st March, 2008 in which the goodwill was determined on a provisional basis for the six months ended 30th September, 2008.

A valuation report, prepared by an independent qualified professional valuer, Vigers Appraisal & Consulting Limited received during the year ended 31st March, 2009 showing that the fair values of customer-related intangible assets and intangible assets in relation to non-competition agreements of the acquired subsidiaries at the date of acquisition, determined based on the income-based method, were approximately HK\$24,867,000 and HK\$11,947,000 respectively. The comparative figures of 2008 have been restated as if the initial accounting had been completed from the acquisition date:

	Six months ended 30/9/2008 <i>HK\$'000</i>
Increase in administrative expenses	6,793
Decrease in taxation	(1,173)
	6,620
Increase in loss for the period	5,620

During the six months ended 30th September, 2009, goodwill amounting to HK\$3,583,000 which arose from an acquisition of a subsidiary was determined on a provisional basis as the nature and fair value of the identifiable assets acquired have been determined on a provisional basis only. The Termbray Directors are in the process of assessing the fair value. It may be adjusted upon the completion of the initial accounting. The details of the acquisition are set out in note 14.

10. TRADE AND OTHER RECEIVABLES

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

The following is an analysis of trade receivables by age, presented based on the payment due date, net of allowance for doubtful debts:

	30/9/2009 <i>HK\$'000</i>	31/3/2009 <i>HK\$'000</i>
Current	142,915	107,175
1-90 days	5,279	15,175
91-180 days	22,015	3,533
181-365 days	8,901	2,878
1-2 years	2,520	1,286
Over 2 years	1,038	-
	182,668	130,047
Other receivables	7,341	19,477
	190,009	149,524
	190,009	149,524

APPENDIX II FINANCIAL INFORMATION OF THE TERMBRAY GROUP

11. TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

The following is an analysis of trade payables by age, presented based on the invoice date:

	30/9/2009	31/3/2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
1-90 days	9,547	9,477
Over 90 days	5,775	16,025
Trade and other payables	15,322	25,502
Accrued charges	3,085	3,310
	18,407	28,812

12. PROVISION

The provision represents management's best estimate of the costs and expenses required to discharge the Termbray Group's obligations and liabilities under the warranties and undertakings given in connection with the disposal of subsidiaries in prior years as set out in note 15(c). The timing of payment of such costs and expenses is dependent upon finalisation of certain matters requiring the approval of the local authorities of PRC, therefore it is not practicable to estimate with certainty the timing of payment at this stage.

13. SHARE CAPITAL

Ordinary shares of HK\$0.08 each, issued and fully paid

	Number of shares	Share capital
	<i>'000</i>	<i>HK\$'000</i>
At 1st April and 30th September, 2009	1,957,643	156,611

14. ACQUISITION OF A SUBSIDIARY

Pursuant to an agreement entered into between Petro-king Oilfield Technology Limited ("Petro-king SZ"), a 51% indirect subsidiary of Termbray and third parties on 2nd April, 2009, Petro-king SZ acquired 100% equity interest of 德州嘉誠石油裝備有限公司 at a total consideration of RMB6,150,000 (equivalent to approximately HK\$6,952,000). The acquisition was completed on 1st May, 2009.

APPENDIX II FINANCIAL INFORMATION OF THE TERMBRAY GROUP

The net assets acquired in the transaction, and the goodwill arising, are as follows:

	Acquiree's company carrying amount and provisional fair value at acquisition date <i>HK\$'000</i>
Net assets acquired:	
Property, plant and equipment	2,439
Inventories	1,319
Trade and other receivables	338
Bank balances and cash	164
Trade and other payables and accrued charges	(891)
	3,369
Goodwill	3,583
	6,952
Total consideration	
	6,952
Satisfied by:	
Cash	6,105
Consideration payable	678
Directly attributable costs	169
	6,952
	6,952
Net cash outflow arising on acquisition	
Cash consideration paid	6,105
Directly attributable costs paid	169
Bank balances and cash acquired	(164)
	6,110
	6,110

15. PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

Details of assets pledged and contingent liabilities of the Termbray Group outstanding at the end of the reporting period are as follows:

- (a) Bank deposits of HK\$3,123,000 (31/3/2009: HK\$3,121,000) were pledged and floating charge over trade receivables of certain customers of the Termbray Group not exceeding RMB37,500,000 (equivalent to approximately HK\$42,619,000) (31/3/2009: Nil) were arranged to secure the credit facilities granted to the Termbray Group. Such bank deposits and trade receivables have been charged to secure short-term bank borrowings and are therefore classified as current assets.

- (b) Guarantees were issued to banks by a subsidiary in respect of mortgage loans granted to property purchasers by banks amounted to approximately HK\$107,000 (31/3/2009: HK\$119,000) and, in this connection, the Termbray Group's bank deposits of HK\$2,034,000 (31/3/2009: HK\$2,034,000) were pledged to the banks as security. These guarantees provided by the subsidiary to the banks would be released upon receiving the building ownership certificate of the respective property by the banks from the customers as a pledge for security to the mortgage loan granted. The directors considered that the fair value of such guarantee on initial recognition was insignificant.

- (c) In connection with the disposal in 1999 of the subsidiaries engaged in the business of manufacture and sale of printed circuit boards, the Termbray Group has given warranties and undertakings to the purchaser as specified in the agreement for the disposal of these subsidiaries. During the year ended 31st March, 2001, the Termbray Group received notification from the purchaser raising claims against the Termbray Group arising from the warranties and undertakings. It is the intention of the management to contest the claims vigorously. No legal proceedings have yet been instituted against the Termbray Group for these claims. Based upon legal advice obtained, management is of the opinion that such claims, if materialised, would not result in any material liabilities to the Termbray Group in excess of the amounts already provided for in the condensed consolidated financial statements.

16. RELATED PARTY TRANSACTIONS

During the period, the Termbray Group had the following transactions with related parties:

- (a) Pursuant to the tenancy agreements entered into between Panda Investment Company Limited (“Panda Investment”) and a wholly-owned subsidiary, Termbray Electronics Company Limited (“Termbray Electronics”), Termbray Electronics leased certain office premises and warehouses from Panda Investment during the period at the agreed rental of HK\$120,000 (six months ended 30/9/2008: HK\$120,000). Certain Termbray Directors held beneficial interests in Panda Investment.
- (b) At 30th September, 2009, the Termbray Group had an amount of approximately HK\$2,945,000 (31/3/2009: HK\$2,092,000) due to Panda Investment which is unsecured, interest-free and repayable on demand.
- (c) Pursuant to a tenancy agreement entered into between Mr. Lee Wing Keung, a son of certain Termbray Directors, and a wholly owned subsidiary, Tembray (Fujian) Land Development Company Limited (“Tembray Fujian”), Termbray Fujian leased its land and building to Mr. Lee Wing Keung for a period of 3 years commencing from 16th March, 2008 at the monthly rental of HK\$190,000. The rental income recognised during the period is HK\$1,140,000 (six months ended 30/9/2008: HK\$1,140,000).
- (d) A director and a minority shareholder of a non-wholly owned subsidiary, Petro-king Holding Limited, act as guarantors of the secured bank borrowing of the Termbray Group for US\$1,617,000 (31/3/2009: US\$1,617,000) (equivalent to approximately HK\$12,535,000 (31/3/2009: HK\$12,533,000)) each.
- (e) The compensation of key management personnel paid or payable by the Termbray Group in respect of the period, substantially all of which comprised of short term benefits attributable to the Termbray Directors, amounted to HK\$4,988,000 (six months ended 30/9/2008: HK\$4,636,000) and share-based payments attributable to a director of Termbray, amounted to HK\$1,614,000 (six months ended 30/9/2008: 6,560,000).

The remuneration of key management personnel is determined by the remuneration committee having regard to the performance of individuals and market trends.

IV. STATEMENT OF INDEBTEDNESS**Borrowings**

As at the close of business on 31 January 2010, being the latest practicable date prior to the printing of this Composite Document for the purpose of this indebtedness statement, the Termbray Group had outstanding indebtedness of approximately HK\$144,023,000, comprising bank borrowings of approximately HK\$16,389,000, and interest free convertible note with carrying amount of approximately HK\$127,634,000 (principal amount of approximately HK\$133,692,000). The bank borrowings were interest bearing and secured by bank deposits of approximately HK\$3,125,000 and trade receivables of certain customers of the Termbray Group not exceeding approximately HK\$42,750,000.

Contingent liabilities

As at 31 January 2010, the Termbray Group has executed guarantees to banks in respect of mortgage loans granted to property purchasers by banks. Such facilities utilised as at 31 January 2010 amounted to approximately HK\$99,000 and, in this connection, the bank deposits of the Termbray Group of approximately HK\$2,103,000 were pledged to banks as security.

In connection with the disposal in 1999 of the certain subsidiaries engaged in the business of manufacture and sale of printed circuit boards, the Termbray Group has given warranties and undertakings to the purchaser as specified in the agreement for the disposal of these subsidiaries. During the year ended 31 March 2001, the Termbray Group received notification from the purchaser raising claims against the Termbray Group arising from the warranties and undertakings. It is the intention of the management to contest the claims vigorously. No legal proceedings have yet been instituted against the Termbray Group for these claims. Based upon legal advice obtained, management is of the opinion that such claims, if materialised, would not result in any material liabilities to the Termbray Group in excess of HK\$3,173,000.

Save as aforesaid or as otherwise disclosed herein and apart from intra-group liabilities, the Termbray Group did not have outstanding at the close of business on 31 January 2010, any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, hire purchase commitments, guarantees, or other material contingent liabilities.

V. MATERIAL CHANGE

Save for (i) the information as disclosed in the interim report of Termbray for the six months ended 30 September 2009 (“2009/10 Interim Report”), including, in particular, the improvement in the net profit of the Termbray Group for the six months ended 30 September 2009, the management discussion and analysis on the performance and financial and trading position of the Termbray Group as disclosed in page 3 – 5 of the 2009/10 Interim Report and the outlook of the Termbray Group as described in page 6 of the 2009/10 Interim Report; and (ii) the revaluation of properties of the Termbray Group by Vigers Appraisal and Consulting Limited as at 31 January 2010 as disclosed in Appendix III to this Composite Document, the Directors confirm that there have been no material change in the financial or trading position or outlook of Termbray Group since 31 March 2009, being the date to which the latest published audited financial statements of Termbray Group were made up, up to and including the Latest Practicable Date.

The following are the text of letter, summary of valuation and valuation certificates from independent valuers, in connection with their valuations of the properties held by the Termbray Group as at 10 March 2010, prepared for inclusion in this Composite Document.

Vigers Appraisal & Consulting Limited
International Assets Appraisal Consultants

10th Floor, The Grande Building
398 Kwun Tong Road
Kowloon
Hong Kong



10 March 2010

The Directors
Termbray Industries International (Holdings) Limited
Flat B, 8th Floor
Waylee Industrial Centre
Nos. 30-38 Tsuen King Circuit
Tsuen Wan
New Territories
Hong Kong

Dear Sirs,

In accordance with your instructions for us to value the property interests held by Termbray Industries International (Holdings) Limited (“Termbray”) and its subsidiaries (together referred to as the “Termbray Group”) in the People’s Republic of China (“the PRC”) and the Hong Kong Special Administrative Region of the PRC (“Hong Kong”), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of such property interests as at the 31 January 2010 (“date of valuation”) for the purpose of incorporation into this Composite Document.

Our valuation is our opinion of the market value of the property interest which we would define market value as intended to mean “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.

In valuing the property interests in Groups I and II, we have valued the properties by the direct comparison approach assuming sale of the properties in their existing states with the benefit of vacant possession and by making reference to comparable sales transactions as available in the relevant market.

Our valuation has been made on the assumption that the owner sells the property interests on the open market in its existing state without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to increase the value of the property interests. In addition, no forced sale situation in any manner is assumed in our valuation.

We have not caused title searches to be made for the property interest at the relevant government bureau in the PRC. For the property interests in Hong Kong, we have caused searches to be made at the Land Registry. We have been provided with certain extracts of title documents relating to the property interest in the PRC. However, we have not inspected the original documents to verify the ownership, encumbrances or the existence of any subsequent amendments which may not appear on the copies handed to us. In undertaking our valuation for the property interest, we have relied on the legal opinion (“the PRC legal opinion”) provided by the Termbray’s PRC legal adviser, Guangdong Xiangshan Law Firm.

We have relied to a considerable extent on information provided by the Termbray Group and have accepted advice given to us by the Termbray Group on such matters as planning approvals or statutory notices, easements, tenure, occupation, lettings, site and floor areas and in the identification of the property and other relevant matter. We have also been advised by the Termbray Group that no material facts had been concealed or omitted in the information provided to us. All documents have been used for reference only.

All dimensions, measurements and areas included in the valuation certificates are based on information contained in the documents provided to us by the Termbray Group and are approximations only. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out a structural survey nor have we inspected woodwork or other parts of the structures which are covered, unexposed or inaccessible and we are therefore unable to report that any such parts of the properties are free from defect. No tests were carried out on any of the services.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property interest nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

Our valuation is prepared in accordance with the HKIS Valuation Standards on Properties (First Edition 2005) published by The Hong Kong Institute of Surveyors (HKIS) and the requirements set out in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited.

Unless otherwise stated, all money amounts stated are in Hong Kong Dollars (HK\$). The exchange rate used in valuing the property in the PRC as at 31 January 2010 was HK\$1=RMB0.879. There has been no significant fluctuation in the exchange rate for Renminbi (RMB) against Hong Kong Dollars between that date and the date of this letter.

The potential tax liability which would arise on the disposal of the property interest held by the Termbray Group in the PRC mainly includes PRC sales tax (5% of sales revenue), PRC land appreciation tax (30%-60% of the net appreciation amount) and PRC corporate income tax (25%). It is likely that such tax liability will be crystallized when the Termbray Group disposes of the relevant property interest. According to our established practice, in the course of our valuation, we have neither verified nor taken into account such tax liability.

We enclose herewith a summary of valuation and the valuation certificates.

Yours faithfully,
For and on behalf of
Vigers Appraisal & Consulting Limited
Raymond Ho Kai Kwong
Registered Professional Surveyor
MRICS MHKIS MSc(e-com)
Managing Director

Note: Mr. Raymond Ho Kai Kwong, Chartered Surveyor, MRICS MHKIS MSc(e-com), has over twenty-four years' experiences in undertaking valuations of properties in Hong Kong and has over sixteen years' experiences in valuations of properties in the PRC.

SUMMARY OF VALUATION

Group I – Property interest owned and occupied by the Termbray Group in
Hong Kong

Property	Market Value in existing state as at 31 January 2010	Interest attributable to the Termbray Group	Market Value in existing state attributable to the Termbray Group as at 31 January 2010
1. No. 33 Black's Link, Mid-Levels East, Hong Kong	HK\$95,000,000	100%	HK\$95,000,000
2. House No. 17, Manderly Garden, No. 48 Deep Water Bay Road, Island South, Hong Kong	HK\$83,000,000	100%	HK\$83,000,000
3. House No. 24, Beaulieu Peninsula, No. 2 Yu Chui Street, Tuen Mun, New Territories, Hong Kong	HK\$30,000,000	100%	HK\$30,000,000
Sub-total:	HK\$208,000,000		HK\$208,000,000

Group II – Property interest owned by the Termbray Group for sale in the PRC

Property	Market Value in existing state as at 31 January 2010	Interest attributable to the Termbray Group	Market Value in existing state attributable to the Termbray Group as at 31 January 2010
4. 233 residential units, a shopping arcade in Levels 1-4 and 66 car parking spaces in basement carport, Ever Success Plaza, No. 92 Anlan Road, Shiqi District, Zhongshan City, Guangdong Province, the PRC	RMB122,700,000 (equivalent to approximately HK\$139,600,000)	100%	RMB122,700,000 (equivalent to approximately HK\$139,600,000)
Sub-total:	RMB122,700,000 (equivalent to approximately HK\$139,600,000)		RMB122,700,000 (equivalent to approximately HK\$139,600,000)
Grand total:	HK\$347,600,000		HK\$347,600,000

VALUATION CERTIFICATES

Group I – Property interests owned and occupied by the Termbray Group in
Hong Kong

Property	Description and Tenure	Particulars of occupancy	Market Value in existing state as at 31 January 2010
1. No. 33 Black's Link, Mid-Levels East, Hong Kong	The property comprises a 4-storey detached house with 2 car parking spaces completed in 1987.	The property is currently occupied by the Termbray Group for residential use.	HK\$95,000,000 Interest attributable to the Termbray Group
92/740th equal undivided shares of and in Rural Building Lot No. 934	The property has a gross floor area of approximately 4,300 sq.ft. (399.48 sq.m.) and terrace and flat roof area of approximately 1,098 sq.ft. (102.01 sq.m.). The property is held under Conditions of Sale No. 11605 for a term of 75 years commencing from 17 May 1982 with the right of renewal for a further term of 75 years. The current Government rent payable for the subject lot is HK\$1,000 per annum.		100% Market Value in existing state attributable to the Termbray Group as at 31 January 2010 HK\$95,000,000

Notes:

1. According to the Land Registry record, the current registered owner of the property is Termbray (Guangzhou) Land Development Company Limited.
2. Termbray (Guangzhou) Land Development Company Limited is an indirect wholly-owned subsidiary of Termbray.

Property	Description and Tenure	Particulars of occupancy	Market Value in existing state as at 31 January 2010
2. House No. 17, Manderly Garden, No. 48 Deep Water Bay Road, Island South, Hong Kong	The property comprises a 3-storey semi-detached house with a garage completed in 1986.	The property is currently let to a connected person of Termbray for a term of 3 years from 16 March 2008 to 15 March 2011 at a monthly rent of HK\$190,000, inclusive of rates, management fees and utility charges, for residential use.	HK\$83,000,000
125/7,266th equal undivided shares of and in Rural Building Lot No. 1052 and the extension thereto	The property has a gross floor area of approximately 3,594 sq.ft. (333.89 sq.m.) and court yard and flat roof area of approximately 1,608 sq.ft. (149.39 sq.m.). The property is held under Conditions of Sale No. UB11594 for a term of 75 years commencing from 20 January 1982 with the right of renewal for a further term of 75 years. The current Government rent payable for the subject lot is HK\$2,000 per annum.		Interest attributable to the Termbray Group 100% Market Value in existing state attributable to the Termbray Group as at 31 January 2010 HK\$83,000,000

Notes:

1. According to the Land Registry record, the current registered owner of the property is Termbray (Fujian) Land Development Company Limited.
2. Termbray (Fujian) Land Development Company Limited is an indirect wholly-owned subsidiary of Termbray.

Property	Description and Tenure	Particulars of occupancy	Market Value in existing state as at 31 January 2010
3. House No. 24, Beaulieu Peninsula, No. 2 Yu Chui Street, Tuen Mun, New Territories, Hong Kong 72/5,200th equal undivided shares of and in Lot No. 758 in Demarcation District No. 379	The property comprises a 3-storey detached house with a garage completed in 1982. The property has a gross floor area of approximately 2,722 sq.ft. (252.88 sq.m.) and garden area of approximately 2,583 sq.ft. (239.97 sq.m.). The property is held under New Grant No. 2254 for a term extended to 30 June 2047. The current government rent payable for the property is 3% of the rateable value of the property per annum.	The property is currently occupied by the Termbray Group for residential use.	HK\$30,000,000 Interest attributable to the Termbray Group 100% Market Value in existing state attributable to the Termbray Group as at 31 January 2010 HK\$30,000,000

Notes:

1. According to the Land Registry record, the current registered owner of the property is Termbray Electronics Company Limited.
2. Termbray Electronics Company Limited is an indirect wholly-owned subsidiary of Termbray.

Group II – Property interest owned by the Termbray Group for sale in the PRC

Property	Description and Tenure	Particulars of occupancy	Market Value in existing state as at 31 January 2010										
4. 233 residential units, a shopping arcade in Levels 1-4 and 66 car parking spaces in basement carport, Ever Success Plaza, No. 92 Anlan Road, Shiqi District, Zhongshan City, Guangdong Province, the PRC	<p>The property comprises 233 residential units, a shopping arcade in Levels 1-4 and 66 car parking spaces in basement carport of a 34-storey composite commercial and residential building erected on a 2-level of basement carport completed in 1997.</p> <p>The property has a total gross floor area of approximately 41,458.54 sq.m. Details are as follows:</p> <table border="1"> <thead> <tr> <th></th> <th>Approximate Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Residential units</td> <td>26,306.37</td> </tr> <tr> <td>Shopping arcade</td> <td>10,847.49</td> </tr> <tr> <td>Basement carport</td> <td>4,304.68</td> </tr> <tr> <td>Total:</td> <td>41,458.54</td> </tr> </tbody> </table>		Approximate Gross Floor Area (sq.m.)	Residential units	26,306.37	Shopping arcade	10,847.49	Basement carport	4,304.68	Total:	41,458.54	<p>Portion of the residential units has been leased to various tenants for various terms with the latest expiry date on 9 June 2011.</p> <p>The remaining portion of the property is currently vacant.</p>	<p>RMB122,700,000</p> <p>(equivalent to approximately HK\$139,600,000)</p> <p>Interest attributable to the Termbray Group</p> <p>100%</p> <p>Market Value in existing state attributable to the Termbray Group as at 31 January 2010</p> <p>RMB122,700,000</p> <p>(equivalent to approximately HK\$139,600,000)</p>
	Approximate Gross Floor Area (sq.m.)												
Residential units	26,306.37												
Shopping arcade	10,847.49												
Basement carport	4,304.68												
Total:	41,458.54												
	<p>The property is held with the land use right for a term expiring on 27 January 2062 for residential and commercial uses.</p>												

Notes:

- According to the State-owned Land Use Rights Certificate (Document No.: Zhong Fu Guo Yong Zi (89) Di No. 2201775), the land use right of the property having a site area of approximately 5,672 sq.m. has been granted to Zhongshan Ever Success Properties Limited for a term expiring on 27 January 2062 for residential and commercial uses.
- According to 3 Ownership Confirmation Certificates (Document Nos.: 97-576, 97-577 and 97-578) the building ownership right of the property having a total gross floor area of approximately 68,436.89 sq.m. is owned by Zhongshan Ever Success Properties Limited.
- Zhongshan Ever Success Properties Limited is an indirect wholly-owned subsidiary of Termbray.
- The PRC legal opinion states, inter alia, the following:
 - Zhongshan Ever Success Properties Limited is the legal owner of the property.
 - Zhongshan Ever Success Properties Limited is entitled to occupy, use, transfer, lease, mortgage or dispose of the property by other means.
 - The property is free from any mortgages and charges imposed by judicial authorities.

1. RESPONSIBILITY STATEMENT

The directors of Offeror jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than those relating to the Termbray Group) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the Termbray Group) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statements in this Composite Document misleading.

2. SHARE CAPITAL

2.1 Share Capital

As at the Latest Practicable Date, the authorised and issued share capital of the Offeror were as follows:

<i>Authorised:</i>		<i>US\$</i>
<u>2,800,000,000</u>	ordinary shares of US\$0.01 each	<u>28,000,000</u>
<i>Issued and fully paid:</i>		
<u>100</u>	ordinary shares of US\$0.01 each	<u>1</u>

All New Shares rank pari passu in all aspects as to dividends, voting rights and capital. The New Shares to be issued as consideration under the Offer will rank pari passu as to dividends, voting rights and capital with the existing issued New Shares.

No part of the issued share capital of the Offeror is listed on or dealt with on any stock exchange.

2.2 Options, warrants and conversion rights

As at the Latest Practicable Date, there were no outstanding options, warrants or conversion rights affecting the New Shares.

2.3 Reorganisation of Capital

The Offeror was incorporated in British Virgin Islands on 4 January 2010 with an authorised share capital of 50,000 shares of US\$1.00 each. On incorporation, one share of US\$1.00 was issued.

On 20 January 2010, the authorised share capital of the Offeror was increased to US\$28,000,000 and the shares were subdivided in the ratio of 100 shares of US\$0.01 each for every one existing share of US\$1.00 each.

Save as disclosed, no New Shares have been issued or repurchased since incorporation.

3. DISCLOSURE OF INTEREST

3.1 Interest in the Termbray Shares

- (a) As at the Latest Practicable Date, the shareholdings of the parties acting in concert with the Offeror in Termbray were as follows:

Parties acting in concert with the Offeror	Number of Termbray Shares held	Approximate % of shareholding
Lee & Leung (<i>Note 1</i>)	1,252,752,780	63.99
Mr. Lee Wing Sing Vincent (<i>Note 2</i>)	39,387,120	2.01
Mr. Lee Wing Keung (<i>Note 2</i>)	37,500,000	1.92
	<u>1,329,639,900</u>	<u>67.92</u>

Notes:

- Lee & Leung is the holding company of the Offeror.
- Mr. Lee Wing Sing Vincent (a non-executive director of Termbray) and Mr. Lee Wing Keung are the sons of Mr. Lee Lap and Mdm. Leung Lai Ping, both of whom are the directors of the Offeror, Lee & Leung and Termbray.

- (b) (i) As at the Latest Practicable Date, the directors of the Offeror owned, controlled or were interested in the following Termbray Shares:

Name of the directors of the Offeror	Number of Termbray Shares	Approximate % of shareholding
Mr. Lee Lap (<i>Note</i>)	1,329,639,900	67.92
Mdm. Leung Lai Ping (<i>Note</i>)	1,329,639,900	67.92

Note: These 1,329,639,900 Termbray Shares in which each of Mr. Lee Lap and Mdm. Leung Lai Ping is deemed to be interested comprise 1,252,752,780, 39,387,120 and 37,500,000 Termbray Shares to be transferred to the Offeror, a wholly-owned subsidiary of Lee & Leung, after the Offer becomes unconditional, by Lee & Leung, Mr. Lee Wing Sing Vincent and Mr. Lee Wing Keung respectively pursuant to their respective irrevocable undertakings given to the Offeror. Lee & Leung is wholly owned by First Trend Management (PTC) 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 (including Mr. Tommy Lee, Mr. Lee Wing Keung and Mr. Lee Wing Sing Vincent) and the offspring of such children.

- (ii) As at the Latest Practicable Date, Mr. Lee Lap was the registered holder of 7,970 Termbray Shares. Mr. Lee Lap had been holding these Termbray Shares as nominee and bare trustee in trust and to be sold for the benefit of Termbray as a result of the fractional entitlements arisen under certain bonus issues conducted by Termbray in the past.
- (c) As at the Latest Practicable Date, each of the following persons has given an irrecoverable undertaking to the Offeror to transfer all of the Termbray Shares respectively held by them to the Offeror within 60 days after the Offer becomes unconditional in return for the allotment and issue of the same number of New Shares by the Offeror, on the same terms as the Offer, subject to the Offer becoming or being declared unconditional save and except that such transfer is expected to be effected in the principal register of Termbray in Bermuda:

Shareholders	Number of Termbray Shares held	Approximate % of shareholding
Lee & Leung	1,252,752,780	63.99
Mr. Lee Wing Sing Vincent	39,387,120	2.01
Mr. Lee Wing Keung	37,500,000	1.92
	<u>1,329,639,900</u>	<u>67.92</u>

- (d) As at the Latest Practicable Date, Mr. Wang has also given an irrevocable undertaking to the Offeror that conditional upon the Offer becoming unconditional, Mr. Wang will surrender the following options for nil consideration and release and discharge Termbray from its obligations under the share option agreement dated 14 January 2008, in each case with effect from the date on which the Offer becomes unconditional:

	Number of underlying Termbray Shares in respect of share options granted	Exercise Period	Exercise Price
Termbray Options A	10,000,000	25 February 2008 to 24 February 2011	HK\$1.20
	10,000,000	25 February 2009 to 24 February 2011	
Termbray Options B	5,666,666	28 March 2009 to 27 March 2018	HK\$1.25
	5,666,667	28 March 2010 to 27 March 2018	
	5,666,667	28 March 2011 to 27 March 2018	

- (e) As at the Latest Practicable Date, King Shine has given an irrevocable undertaking to the Offeror that they will not transfer the Convertible Notes in a principal amount of HK\$133,692,000 or exercise the conversion right attaching thereto before the close of the Offer. In addition, King Shine has irrevocably undertaken to the Offeror not to accept an offer comparable to the Offer in respect of the Convertible Notes.

3.2 Interest in the New Shares

- (a) As at the Latest Practicable Date, the parties acting in concert with the Offeror owned, controlled or were interested in the following New Shares:

Name	Number of New Shares	Approximate % of shareholding
Lee & Leung (<i>Note</i>)	100	100

Note: Lee & Leung is the holding company of the Offeror.

- (b) As at the Latest Practicable Date, the directors of the Offeror owned, controlled or were interested in the following New Shares:

Name of the directors of the Offeror	Number of New Shares	Approximate % of shareholding
Mr. Lee Lap (<i>Note</i>)	100	100
Mdm. Leung Lai Ping (<i>Note</i>)	100	100

Note: The 100 New Shares are held by Lee & Leung which is wholly owned by First Trend Management (PTC) 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 (including Mr. Tommy Lee, Mr. Lee Wing Keung and Mr. Lee Wing Sing Vincent) and the offspring of such children.

3.3 Save as disclosed in paragraphs 3.1 and 3.2 above:

- (i) neither the Offeror nor any parties acting in concert with it owns, controls;
- (ii) none of the directors of the Offeror (including their respective spouses, children under the age of 18, related trusts and companies controlled by any of them) is beneficially interested in;
- (iii) none of the persons with whom the Offeror or any parties acting in concert with it has any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code is beneficially interested in;

directly or indirectly, any Termbray Shares or New Shares, convertible securities, warrants, options or derivatives in respect of Termbray Shares or New Shares as at the Latest Practicable Date and no such persons has dealt for value in any Termbray Shares or New Shares, convertible securities, warrants, options or derivatives in respect of Termbray Shares or New Shares during the Relevant Period.

As at the Latest Practicable Date, there was no shareholding in the Offeror or in Termbray which the Offeror or any persons acting in concert with it had borrowed or lent.

4. DIRECTORS OF THE OFFEROR

As at the Latest Practicable Date, the board of the Offeror comprises Mr. Lee Lap and Mdm. Leung Lai Ping only, both of whom are the directors of Lee & Leung and First Trend Management (PTC) Limited, the respective holding companies of the Offeror and Lee & Leung.

5. LITIGATION

The Offeror is not engaged in any material litigation or arbitration of material importance and no material litigation or claim is known to the directors of the Offeror to be pending or threatened against the Offeror.

6. MATERIAL CONTRACT

Save for the Subscription Agreement, the Offeror had not entered into any material contracts (not being the contracts in the ordinary course of business) from 4 January 2010, the date of its incorporation up to the Latest Practicable Date.

7. INDEBTEDNESS

The Offeror did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptances credits, debentures, mortgages, charges, hire purchase or finance lease commitments, guarantees or other material contingent liabilities as at the Latest Practicable Date.

8. CONSENTS AND QUALIFICATIONS

Name	Qualifications
Piper Jaffray	a licensed corporation under the SFO to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, financial advisor to the Offeror

Piper Jaffray has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of its letters and reference to its name in the form and context in which they appear herein.

As at the Latest Practicable Date, Piper Jaffray does not have any shareholdings in the Offeror or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in the Offeror.

9. GENERAL

- 9.1 The Offeror was incorporated in the British Virgin Islands on 4 January 2010. Its registered office is at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands. The correspondence address of the Offeror in Hong Kong is Flat A, 8/F, Waylee Industrial Centre, 30-38 Tsuen King Circuit, Tsuen Wan, New Territories.
- 9.2 The registered office of Lee & Leung is at P.O. Box 71, Craigmuir Chambers, Road Town, Tortola, British Virgin Islands and the directors of Lee & Leung are Mr. Lee Lap and Mdm. Leung Lai Ping.
- 9.3 No agreement, arrangement or understanding has been entered into by the Offeror for transfer, charge or pledge to any other persons of any Termbray Shares acquired pursuant to the Offer.
- 9.4 As at the Latest Practicable Date, save for normal professional fees in connection with the Offer payable to Woo, Kwan, Lee & Lo (the Hong Kong legal adviser of Termbray in relation to the Offer), of which Mr. Lee Ka Sze, Carmelo, one of the Termbray Directors, is a partner, no benefit (other than statutory compensation) was or would be given to any Termbray Director as compensation for loss of office or otherwise in connection with the Offer.
- 9.5 Save for the undertakings given by Mr. Wang and King Shine, details of which are disclosed in the sub-section headed “Outstanding Termbray Options and Convertible Notes” in the Letter from Piper Jaffray, no agreement, arrangement or understanding (including compensation arrangement) exists between the Offeror or any parties acting in concert with it and any directors or recent directors of Termbray, Shareholders or recent Shareholders which has any connection with or dependence upon the Offer.
- 9.6 Save for the undertakings given by Mr. Wang and King Shine, details of which are disclosed in the sub-section headed “Outstanding Termbray Options and Convertible Notes” in the Letter from Piper Jaffray, there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code between the Offeror or any persons acting in concert with it and any other person.
- 9.7 None of the directors of the Offeror will be affected in terms of their emoluments by the acquisition of Termbray or by any other associated transaction.
- 9.8 As at the Latest Practicable Date, there are no agreements or arrangements to which the Offeror is party which relate to circumstances in which it may or may not invoke or seek to invoke the Offer Condition.
- 9.9 As at the Latest Practicable Date, no person has irrevocably committed to accept or reject the Offer.

9.10 The Offeror is a recently incorporated company whose current sole activity is to make the Offer. Upon completion of the Offer and acquisition of the Termbray Shares from Lee & Leung, Mr. Lee Wing Sing Vincent and Mr. Lee Wing Keung, the Offeror's assets will comprise not less than approximately 96.79% of the share capital of Termbray. Considering that the Offer Price under the Cash Alternative is to be satisfied by the subscription monies received from Lee & Leung under the Subscription Agreement and that all other costs and expenses in relation to the Offer incurred by the Offeror will be borne by Lee & Leung, it is expected that full acceptance of the Offer would not have any effect upon the Offeror's liabilities and profits.

In the event that the Offeror exercises its compulsory acquisition powers pursuant to the Companies Act and the Takeovers Code after completion of the Offer, it is contemplated that Lee & Leung will subscribe for the New Shares in such number equal to the number of Termbray Shares under such compulsory acquisition and at the consideration equal to the total purchase price payable for such Termbray Shares under the compulsory acquisition and the Offeror will then apply the above subscription monies from Lee & Leung to satisfy the total consideration payable by the Offeror for acquiring those remaining Termbray Shares under the compulsory acquisition. In addition, all other costs and expenses in relation to the compulsory acquisition shall be borne by Lee & Leung. In such circumstances, the Offeror's assets will comprise the entire issued share capital of Termbray upon completion of the compulsory acquisition and the exercise of the compulsory acquisition by the Offeror should not have any effect upon the Offeror's liabilities and profits.

9.11 The shares of the Offeror and Lee & Leung are not listed on any stock exchange. The Offeror is a company recently incorporated on 4 January 2010 whose sole purpose is to make the Offer. Accordingly, the Offeror's sole business will be that of a holding company for Termbray Shares upon completion of the Offer. Neither the Offeror nor Lee & Leung has published their respective audited financial statements, interim statements or preliminary announcements for the last three years.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Tung & Co., the legal advisers to the Offeror, 19/F, No.8 Wyndham Street, Central, Hong Kong during 9:30 a.m. to 5:00 p.m. on any weekday, except Saturdays, Sundays and public holidays for so long as the Offer remains open for acceptance:

- (a) the memorandum and articles of association of the Offeror;
- (b) the letter from Piper Jaffray dated 10 March 2010, the text of which is set out on pages 8 to 18 of this Composite Document;
- (c) the material contract referred to in paragraph 6 in this Appendix IV;

- (d) the irrevocable undertakings given by each of the persons referred to in paragraph 3 in this Appendix IV;
- (e) the letter of consent from Piper Jaffray;
- (f) the estimate of value of New Shares set out in Appendix VI; and
- (g) the letter from Hang Seng Bank Limited confirming the availability of funding of the Offer for the sole purpose of financing the Offer.

The above documents will be available for viewing at the website of the SFC at www.sfc.hk and Termbray's website at www.termbray.com.hk from the date of this Composite Document up to so long as the Offer remains open for acceptance in accordance with Note 1 to Rule 8 of the Takeovers Code.

1. RESPONSIBILITY STATEMENT

This Composite Document includes particulars given in compliance with the Takeovers Code for the purposes of giving information with regard to Termbray.

The Termbray Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document relating to the Termbray Group and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Composite Document by the Termbray Group have been arrived at after due and careful consideration and there are no facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document relating to the Termbray Group misleading.

2. SHARE CAPITAL

As at the Latest Practicable Date, the authorised and issued share capital of Termbray were as follows:

<i>Authorised:</i>	<i>HK\$</i>
<u>2,800,000,000</u> shares of HK\$0.08 each	<u>224,000,000</u>
<i>Issued and fully paid:</i>	
<u>1,957,643,050</u> shares of HK\$0.08 each	<u>156,611,444</u>

All Termbray Shares rank pari passu in all respects, including all rights as to dividends, voting and capital.

The Termbray Shares are listed and traded on the main board of the Stock Exchange. No part of the issued share capital of Termbray is listed or dealt in any other stock exchange. Subsequent to 31 March 2009, the end of the last financial year of Termbray, and up to the Latest Practicable Date, Termbray had not issued any Termbray Shares.

As at the Latest Practicable Date, Termbray had issued the Convertible Notes with an aggregate principal amount of HK\$133,692,000, which can be converted into 111,410,000 Termbray Shares at an initial conversion price (subject to adjustment) of HK\$1.20 per Termbray Share for a conversion period from 1 July 2009 up to the third anniversary of the date of issue to King Shine on 31 December 2007.

As at the Latest Practicable Date, Termbray had granted the following options to Mr. Wang:

	Number of underlying Termbray Shares in respect of share options granted	Exercise Period	Exercise Price
Termbray Options A	10,000,000	25 February 2008 to 24 February 2011	HK\$1.20
	10,000,000	25 February 2009 to 24 February 2011	
Termbray Options B	5,666,666	28 March 2009 to 27 March 2018	HK\$1.25
	5,666,667	28 March 2010 to 27 March 2018	
	5,666,667	28 March 2011 to 27 March 2018	

Save as disclosed above, Termbray did not have any outstanding options, warrants or conversion rights affecting Termbray Shares.

3. DISCLOSURE OF INTERESTS

3.1 Directors' interests and short positions in the securities of Termbray and its associated corporations

As at the Latest Practicable Date, the interests and short positions of each Termbray Directors and the chief executive of Termbray in the Termbray Shares, underlying Termbray Shares or debentures of Termbray or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to Termbray 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 Termbray pursuant to section 352 of the SFO; or (iii) were required to be notified to Termbray 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:

(i) *Long positions and short positions in Termbray Shares, underlying Termbray Shares and debentures of Termbray*

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 (Note 3)	-	-	-	1,329,639,900 (Note 1 and 2)	1,329,639,900	Shares	67.92%
Mdm. Leung Lai Ping	-	-	-	1,329,639,900 (Note 1 and 2)	1,329,639,900	Shares	67.92%
Mr. Tommy Lee	-	-	-	1,329,639,900 (Note 1 and 2)	1,329,639,900	Shares	67.92%
Mr. Lee Wing Sing Vincent	-	-	-	1,329,639,900 (Note 1 and 2)	1,329,639,900	Shares	67.92%
Mr. Wang	-	-	HK\$133,692,000 (Note 4)	-	HK\$133,692,000	Debentures	-
	-	-	111,410,000	-	111,410,000	Underlying Shares	5.69%

Notes:

- Each of Lee & Leung, Mr. Lee Wing Sing Vincent and Mr. Lee Wing Keung is interested in 1,252,752,780, 39,387,120 and 37,500,000 Termbray Shares respectively. Pursuant to the irrevocable undertaking given by each of Lee & Leung, Mr. Lee Wing Sing Vincent and Mr. Lee Wing Keung to New Insight Investments Limited, the Offeror, each of Lee & Leung, Mr. Lee Wing Sing Vincent and Mr. Lee Wing Keung undertakes to transfer all of the Termbray Shares respectively held by them to the Offeror within 60 days after the Offer becomes unconditional. New Insight Investments Limited is therefore taken to be interested in the 1,329,639,900 Termbray Shares to be transferred by each of Lee & Leung, Mr. Lee Wing Sing Vincent and Mr. Lee Wing Keung.

2. The 1,329,639,900 Termbray Shares under the other interest of Mr. Lee Lap and Mdm. Leung Lai Ping, Mr. Tommy Lee and Mr. Lee Wing Sing Vincent are the Termbray Shares that New Insight Investments Limited, the wholly-owned subsidiary of Lee & Leung is taken to be interested in. Lee & Leung is taken to be interested in the Termbray Shares that New Insight Investments Limited is interested in. Lee & Leung is wholly owned by First Trend Management (PTC) 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 (including Mr. Tommy Lee and Mr. Lee Wing Sing Vincent) and the offspring of such children.
3. As at the Latest Practicable Date, Mr. Lee Lap was the registered holder of 7,970 Termbray Shares. Mr. Lee Lap had been holding these Termbray Shares as nominee and bare trustee in trust and to be sold for the benefit of Termbray as a result of the fractional entitlements arisen under certain bonus issues conducted by Termbray in the past.
4. King Shine 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 Termbray Shares upon exercise of the conversion right. King Shine is beneficially owned by Mr. Wang as to 56.98%. As such, Mr. Wang is deemed to be interested in the 111,410,000 underlying Termbray Shares pursuant to Part XV of the SFO.
5. The Convertible Notes referred to in Note 4 above were charged to Termbray pursuant to a charge dated 31 December 2007 (the "Charge") entered into between Termbray and King Shine as security for King Shine 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, which Charge was subsequently released and discharged by a deed of release dated 5 March 2010 and entered into in accordance with the terms of the Charge.

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

Name of Directors	Name of Subsidiary	Number of non-voting deferred shares held (note)	Percentage 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 Termbray Directors personally as beneficial owner.

Name of Directors	Name of Subsidiary	Number of ordinary shares	Percentage of total issued ordinary shares
Mr. Wang	Termbray Petro-king Oilfield Services (BVI) Limited	98	49%
	Petro-king Holding Limited	10,000	100%
	Petro-king International Co. Limited	100	100%
	深圳市百勤石油技術有限公司	5,000,000	100%

Note: The above 49% ordinary shares in Termbray Petro-king Oilfield Services (BVI) Limited are held directly by King Shine, which is beneficially owned by Mr. Wang as to approximately 56.98%. Termbray Petro-king Oilfield Services (BVI) Limited is interested in 100% of the issued shares of Petro-king Holding 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 Petro-king Oilfield Services (BVI) Limited, and 100% of the issued shares of Petro-king Holding Limited, Petro-king International Co. Limited and 深圳市百勤石油技術有限公司 respectively.

(iii) *Interests in share options*

Name of Director	Long position/(short position) in number of underlying Termbray Shares in respect of share option granted	Approximate % of Termbray's shareholding
Mr. Wang	20,000,000 (<i>Note 1</i>)	1.02%
	17,000,000 (<i>Note 2</i>)	0.87%
	(37,000,000) (<i>Note 3</i>)	1.89%

Notes:

- On 25 February 2008, Termbray granted to Mr. Wang the options in 20,000,000 new Termbray Shares at the exercise price of HK\$1.20 per Termbray Share (subject to adjustment) pursuant to the share option agreement entered into between Mr. Wang and Termbray on 14 January 2008.
- The options in 17,000,000 new Termbray Shares were granted to Mr. Wang at an aggregate consideration of HK\$1 on 28 March 2008 under the Share Option Scheme. The exercise price of the options is HK\$1.25 per Termbray Share.
- Mr. Wang has given an irrevocable undertaking to the Offeror that conditional upon the Offer becoming unconditional, he will surrender the above options with effect from the date on which the Offer becomes unconditional.

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

3.2 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 Termbray Director or the chief executive of Termbray, as at the Latest Practicable Date, the following persons (other than a Termbray Director or chief executive of Termbray) or corporations had an interest or short position in the Termbray Shares and underlying Termbray Shares which would fall to be disclosed to Termbray 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 Termbray 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:

(a) *Interests in Termbray Shares and underlying Termbray Shares*

Name of Shareholders	Capacity	Long position in number of Termbray Shares	Long position/ (Short position) in number of underlying Termbray Shares	Approximate percentage of share capital of Termbray
New Insight Investments Limited (note 1)	Beneficial owner	1,329,639,900	–	67.92%
Lee & Leung (note 2)	Interest of Controlled Corporation	1,329,639,900	–	67.92%

Name of Shareholders	Capacity	Long position in number of Termbray Shares	Long position/ (Short position) in number of underlying Termbray Shares	Approximate percentage of share capital of Termbray
First Trend Management (PTC) Limited <i>(note 2)</i>	Held by controlled corporation as trustee for Lee & Leung Family Unit Trust	1,329,639,900	–	67.92%
HSBC International Trustee Limited <i>(note 2)</i>	Held by controlled corporations as trustee for Lee & Leung Family Trust	1,329,639,900	–	67.92%
Cosmo Telecommunication Inc. <i>(note 3)</i>	Beneficial owner	151,202,960	–	7.72%
Ms. Jing Xiao Ju	Interest of controlled corporation	151,202,960	–	7.72%
East Glory Trading Limited <i>(note 4)</i>	Beneficial owner	103,397,540	–	5.28%
Master Winner Limited <i>(note 4)</i>	Interest of controlled corporation	103,397,540	–	5.28%
Mr. Yuan Qinghua	Interest of controlled corporation	103,397,540	–	5.28%
King Shine <i>(note 5)</i>	Beneficial owner	–	111,410,000	5.69%

Notes:

- Each of Lee & Leung, Mr. Lee Wing Sing Vincent and Mr. Lee Wing Keung is interested in 1,252,752,780, 39,387,120 and 37,500,000 Termbray Shares respectively. Pursuant to the irrevocable undertaking given by each of Lee & Leung, Mr. Lee Wing Sing Vincent and Mr. Lee Wing Keung to New Insight Investments Limited, the Offeror, each of Lee & Leung, Mr. Lee Wing Sing Vincent and Mr. Lee Wing Keung undertakes to transfer all of the Termbray Shares respectively held by them to the Offeror within 60 days after the Offer becomes unconditional. New Insight Investments Limited is therefore taken to be interested in the 1,329,639,900 Termbray Shares to be transferred by each of Lee & Leung, Mr. Lee Wing Sing Vincent and Mr. Lee Wing Keung.
- New Insight Investments Limited is a wholly-owned subsidiary of Lee & Leung, Lee & Leung is therefore taken to be interested in the Termbray Shares that New Insight Investments Limited is interested in. Lee & Leung is wholly owned by First Trend Management (PTC) 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 (including Mr. Tommy Lee and Mr. Lee Wing Sing Vincent) and the offspring of such children.
- Cosmo Telecommunication Inc. is wholly owned by Ms. Jing Xiao Ju.
- East Glory Trading Limited is wholly owned by Master Winner Limited, which in turn is wholly owned by Mr. Yuan Qinghua.
- King Shine, which is owned as to approximately 56.98% by Mr. Wang, an executive director of Termbray, 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 Termbray Shares upon exercise of the conversion right. The Convertible Notes were charged to Termbray pursuant to a charge dated 31 December 2007 (the "Charge") entered into between Termbray and King Shine as security for King Shine 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, which Charge was subsequently released and discharged by a deed of release dated 5 March 2010 and entered into in accordance with the terms of the Charge.

(b) Interests in shares of other members of the Termbray Group

Name of shareholder	Name of other member of the Termbray Group	Capacity	Number of shares	Approximate percentage of share capital
King Shine (<i>Note 1</i>)	Termbray Petro-king Oilfield Services (BVI) Limited (<i>Note 2</i>)	Beneficial owner	98	49%

Notes:

- King Shine is beneficially owned by Mr. Wang, an executive director of Termbray, as to approximately 56.98%.
- Termbray Petro-king Oilfield Services (BVI) Limited is interested in 100% of the issued shares of Petro-king Holding 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.

Save as disclosed above, as at the Latest Practicable Date, Termbray had not been notified of any interest or short position in the Termbray Shares or underlying Termbray Shares which would fall to be disclosed to Termbray under the provisions of Divisions 2 and 3 of Part XV of the SFO, and none of the Termbray Directors nor the chief executive of Termbray was aware of any other person or corporation 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 Termbray Group, or any options in respect of such capital.

3.3 Interests in the New Shares

As at the Latest Practicable Date, the following Termbray Directors were interested in the following New Shares:

Name of director	Number of shares	Capacity (note)
Mr. Lee Lap	100	Other interest
Mdm. Leung Lai Ping	100	Other interest
Mr. Tommy Lee	100	Other interest
Mr. Lee Wing Sing Vincent	100	Other interest

Note: As at the Latest Practicable Date, the Offeror is wholly-owned by Lee & Leung, which in turn is wholly-owned by First Trend Management (PTC) 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 (including Mr. Tommy Lee and Mr. Lee Wing Sing Vincent) and the offspring of such children. As such, the Termbray Directors as set out in the above table are deemed to be interested in the 100 shares of the Offeror.

3.4 Save as disclosed in paragraphs 3.1, 3.2 and 3.3 above, Termbray did not own or control and none of the Termbray Directors (including their respective spouses, children under the age of 18, related trusts and companies controlled by any of them) was beneficially interested in, directly or indirectly, any Termbray Shares or New Shares, convertible securities, warrants, options or derivatives in respect of Termbray Shares or New Shares as at the Latest Practicable Date and no such person has dealt for value in any Termbray Shares or New Shares, convertible securities, warrants, options or derivatives in respect of Termbray Shares or New Shares during the Relevant Period.

3.5 As at the Latest Practicable Date, there were no Termbray Shares or New Shares, convertible securities, warrants, options or derivatives in respect of the Termbray Shares or New Shares, owned or controlled by a subsidiary of Termbray, by a pension fund of Termbray or of a subsidiary of Termbray, or by an adviser to Termbray as specified in Class (2) of the definition of associate under the Takeovers Code nor has any such person dealt for value in any Termbray Shares or New Shares, convertible securities, warrants, options or derivatives in respect of Termbray Shares or New Shares during the Relevant Period.

- 3.6** No Termbray Director has any beneficial interest in any Termbray Shares that are subject to the Offer.
- 3.7** As at the Latest Practicable Date, there were no Termbray Shares or New Shares which Termbray or any of the Termbray Directors had borrowed or lent.
- 3.8** As at the Latest Practicable Date, no Termbray Shares or New Shares, convertible securities, warrants, options or derivatives in respect of the Termbray Shares or New Shares is managed on a discretionary basis by fund managers connected with Termbray.

4. MARKET PRICES

- 4.1** The highest and lowest closing price of the Termbray Shares as quoted on the Stock Exchange during the period between 2 August 2009, being the date falling six months prior to the date of the Joint Announcement, and the Latest Practicable Date were HK\$1.48 on 4 November 2009 and HK\$1.0 on 3 August 2009, 4 August 2009, 5 August 2009, 6 August 2009 and 7 August 2009.
- 4.2** The table below shows the closing prices of Termbray Shares as quoted on the Stock Exchange (i) on the last trading day of each of the calendar months during the period commencing 6 months immediately preceding the date of the Joint Announcement and ending on the Latest Practicable Date; (ii) the Last Trading Day; and (iii) on the Latest Practicable Date:

Date	Closing Price <i>(HK\$)</i>
31 July 2009	1.00
31 August 2009	1.02
30 September 2009	1.07
30 October 2009	1.2
30 November 2009	1.33
31 December 2009	1.21
29 January 2010	Trading suspended
28 February 2010	1.21
The Last Trading Day	1.14
The Latest Practicable Date	1.21

5. LITIGATION

No member of the Termbray Group is engaged in any material litigation or arbitration of material importance and no material litigation or claim is known to the Termbray Directors to be pending or threatened against any member of the Termbray Group.

6. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Termbray Group after the date two years preceding the date of the Joint Announcement up to and including the Latest Practicable Date, and are or may be material:

- (a) a lease agreement dated 14 March 2008 entered into between Mr. Lee Wing Keung as the lessee and Termbray (Fujian) Land Development Company Limited, a wholly-owned subsidiary of Termbray as the lessor, pursuant to which the lessee agreed to lease the residential property situated on Hong Kong Islands with a saleable area of approximately 306 square metres from the lessor for a term of three years at a monthly rent of HK\$190,000;
- (b) a framework agreement dated 6 May 2008 entered into between Termbray and Petro-king Holding in relation to the provision of services by the Petro-king Group to the Termbray Group including (i) evaluation of potential oil assets identified for acquisition and (ii) oilfield operation and management services for the acquired oilfields;
- (c) the sale and purchase agreement dated 6 August 2008 (“Enruida PRC Acquisition Agreement”) entered into between 深圳市百勤石油技術有限公司 (Shengzhen Petro-king Oilfield Technology Limited*), a subsidiary of Termbray, as purchaser, 北京市恒遠德潤能源環境科技有限公司 (Beijing Hendrun Energy Environment Technology Limited*) as vendor and Ms. Zhang Xiaorui and Mr. Duan Weiqing as vendor’s guarantors in relation to the acquisition of the entire registered and paid-up capital of 北京恩瑞達科技有限公司 (Beijing Enruida Technology Co., Ltd.*) for a consideration of RMB40,000,000;
- (d) the sale and purchase agreement dated 6 August 2008 (“Enruida HK Acquisition Agreement”) entered into between Termbray, King Shine, Petro-king Holding as purchaser, Wisdom Boom Investments Limited as vendor and Ms. Zhang Xiaorui and Mr. Duan Weiqing as vendor’s guarantors in relation to the acquisition of the entire issued share capital of Hendrun Technologies Industrial R&D Co., Limited for a consideration of RMB135,000,000; and
- (e) two termination agreements both dated 31 October 2008 entered into by the respective parties to the Enruida PRC Acquisition Agreement and Enruida HK Acquisition Agreement to terminate the above agreements.

7. SERVICE CONTRACTS

Mr. Wang has entered into a service contract with Termbray pursuant to which Mr. Wang is appointed for service with Termbray 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 Termbray. Mr. Wang has further entered into a service contract with Termbray pursuant to which Mr. Wang is appointed as the chief executive officer of Termbray with effect from 22 February 2008 for a term of three years. Apart from the above, Mr. Wang has entered into a service contract with Petro-king HK under which he is appointed as an executive director and chief executive of Petro-king HK for a term of three years with effect from 1 January 2008, and has entered into a service contract with Petro-king PRC under which he is appointed as the chief executive of Petro-king PRC for a term of three years with effect from 1 January 2008. Mr. Wang will be entitled to an annual remuneration of HK\$1,200,000 payable by Termbray, which amount will represent the total remuneration receivable by him for all positions held with members of the Termbray Group which shall include the remuneration receivable by him pursuant to his service contracts with Petro-king HK and Petro-king PRC respectively.

Mr. Lee Wing Sing Vincent has on 11 December 2009 entered into an appointment letter with Termbray for service as a non-executive director for a term of 2 years from 11 December 2009 to 10 December 2011, which appointment shall terminate on the earlier of (i) 10 December 2011; or (ii) the date on which the director concerned ceases to be a director of Termbray pursuant to the Bye-laws of Termbray or any other applicable laws. Under the appointment letter, Mr. Lee Wing Sing Vincent will be entitled to a director's fee to be determined by the Termbray Board which shall be subject to the approval of the shareholders of Termbray at the annual general meeting of Termbray. The appointment letter of Mr. Lee Wing Sing Vincent has not provided for any amount of remuneration (fixed or variable) payable to Mr. Lee Wing Sing Vincent. No director's fee has been paid to Mr. Lee Wing Sing Vincent since his appointment and up to the Latest Practicable Date.

Other than the aforesaid, none of the Termbray Directors has any existing service contracts which (i) have been entered into or amended within six months before the commencement of the offer period (including both continuous and fixed term contracts); or (ii) are continuous contracts with a notice period of 12 months or more; or (iii) are fixed terms contracts with more than 12 months to run irrespective of the notice period.

8. GENERAL

- 8.1 The registered office of Termbray is located at Clarendon House, Church Street, Hamilton, HM 11, Bermuda and the head office and principal place of business of Termbray in Hong Kong is at Flat B, 8th Floor, Waylee Industrial Centre, 30-38 Tsuen King Circuit, Tsuen Wan, New Territories, Hong Kong.
- 8.2 Quam Capital and Vigers Appraisal & Consulting Limited have given and have not withdrawn their written consent to the issue of this Composite Document with the inclusion herein of their opinions, letters and reports, and the references to their names, in the form and context in which they appear.

- 8.3** The financial adviser to the Offeror is Piper Jaffray Asia Limited which is situated at 39/F, Tower 1 Lippo Centre, 89 Queensway, Hong Kong.
- 8.4** As at the Latest Practicable Date, there were no arrangements of the kind referred to in the third paragraph of Note 8 to Rule 22 of the Takeovers Code which exist between Termbray, or any person who is an associate of Termbray by virtue of classes (1), (2), (3) or (4) of the definition of associate under the Takeovers Code, and any other person.
- 8.5** Save for the irrevocable undertakings given by Lee & Leung (a company held by a discretionary trust with Mr. Lee Lap, a Termbray Director, as the settlor, and with Mdm. Leung Lai Ping, Mr. Lee Wing Sing Vincent and Mr. Tommy Lee, all being Termbray Directors, as discretionary beneficiaries), Mr. Lee Wing Sing Vincent, Mr. Wang and King Shine, details of which are set out under the section headed “Irrevocable Undertaking” and the sub-section headed “Outstanding Termbray Options and Convertible Notes” in the “Letter from Piper Jaffray” and the Subscription Agreement, there is no agreement or arrangement between any Termbray Director and any other person which is conditional on or dependent upon the outcome of the Offer or otherwise in connection with the Offer.
- 8.6** Save for the irrevocable undertakings given by Lee & Leung (a company held by a discretionary trust with Mr. Lee Lap, a Termbray Director, as the settlor, and with Mdm. Leung Lai Ping, Mr. Lee Wing Sing Vincent and Mr. Tommy Lee, all being Termbray Directors, as discretionary beneficiaries), Mr. Lee Wing Sing Vincent, Mr. Wang and King Shine, details of which are set out under the section headed “Irrevocable Undertaking” and the sub-section headed “Outstanding Termbray Options and Convertible Notes” in the “Letter from Piper Jaffray” and the Subscription Agreement, there are no contracts entered into by the Offeror in which any Termbray Director has any material personal interest.
- 8.7** As at the Latest Practicable Date, save for normal professional fees in connection with the Offer payable to Woo, Kwan, Lee & Lo (the Hong Kong legal adviser of Termbray in relation to the Offer), of which Mr. Lee Ka Sze, Carmelo, one of the Termbray Directors, is a partner, no benefit (other than statutory compensation) was or would be given to any Termbray Director as compensation for loss of office or otherwise in connection with the Offer.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for inspection during normal business hours at the head office and principal place of business of Termbray at Flat B, 8th Floor, Waylee Industrial Centre, 30-38 Tsuen King Circuit, Tsuen Wan, New Territories, Hong Kong from the date of this Composite Document to the Closing Date:

- (a) the Memorandum of Association and Bye-laws of Termbray;
- (b) the audited consolidated accounts of the Termbray Group of each of the two financial years ended 31 March 2009 and 2008;

- (c) the interim report of the Termbray Group for the six months ended 30 September 2009;
- (d) the letter of advice from Quam Capital to the Independent Board Committee dated 10 March 2010, the text of which is set out on pages 28 to 51 of this Composite Document;
- (e) the letter from the Independent Board Committee to Independent Shareholders dated 10 March 2010, the text of which is set out on pages 26 to 27 of this Composite Document;
- (f) the letter, summary of valuation and valuation certificates from Vigers Appraisal & Consulting Limited in connection with the valuations of the properties held by the Termbray Group as at 31 January 2010, the text of which is set out in Appendix III of this Composite Document;
- (g) the material contracts referred to in paragraph 6 of this Appendix V;
- (h) the service contracts of Mr. Wang and Mr. Lee Wing Sing Vincent referred to in paragraph 7 of this Appendix V; and
- (i) the letters of consent from Quam Capital and Vigers Appraisal & Consulting Limited referred to in paragraph 8.2 of this Appendix V.

The above documents will be available for viewing at the website of the SFC at www.sfc.hk and Termbray's website at www.termbray.com.hk from the date of this Composite Document up to so long as the Offer remains open for acceptance in accordance with Note 1 to Rule 8 of the Takeover Code.

The following is the full text of a letter from Piper Jaffray Asia Limited to the Directors of New Insight Investments Limited:

PiperJaffray

39th Floor, Tower 1
Lippo Centre
89 Queensway
Hong Kong

The Directors
New Insight Investments Limited
P.O. Box 957
Offshore Incorporations Centre
Road Town, Tortola
British Virgin Islands

10 March 2010

**PROPOSED PRIVATISATION
BY WAY OF VOLUNTARY CONDITIONAL OFFER
BY NEW INSIGHT INVESTMENTS LIMITED
FOR TERMBRAY INDUSTRIES INTERNATIONAL (HOLDINGS) LIMITED
ESTIMATE OF VALUE OF NEW SHARES**

Dear Sirs,

Pursuant to the requirement of the Takeovers Code, you have requested us to provide you with an estimate of value of a New Share (“Estimate of Value”). Under the terms of the Offer, Shareholders may elect to receive (i) one New Share for each Termbray Share or (ii) HK\$1.20 per Termbray Share payable in cash. The Offeror’s current sole activity is to make the Offer. The New Shares are unlisted and therefore do not have a publicly traded price.

Capitalised terms used in this letter will, unless otherwise stated, have the same meaning given to them in the composite document dated 10 March 2010 in relation to the Offer (the “Composite Document”).

Purpose

The Estimate of Value has been provided to the directors of the Offeror solely for the purposes of paragraph 30 of Schedule I of the Takeovers Code and shall not be used or relied upon for any other purpose whatsoever. It is not addressed to and may not be relied upon by any third party for any purpose whatsoever and Piper Jaffray expressly disclaims any duty or liability to any third party with respect to the contents of this letter.

We have not taken into account any future listing of the New Shares as there can be no certainty as to whether a subsequent listing of the New Shares will occur. The Estimate of Value does not constitute an opinion as to the price at which the New Shares may trade at any point in the future.

The Estimate of Value does not represent the value that a holder of a New Share may realise on any future sale; such a value may be higher or lower than the figure in this letter. Piper Jaffray assumes no obligation to update or revise this Estimate of Value based upon circumstances or events occurring after the date hereof.

Assumptions

For the purpose of our analysis, we have made the following assumptions:

1. there exists a willing buyer and seller, neither being under any compulsion to buy or sell, dealing on an arm's length basis, each having knowledge of all relevant facts;
2. as at the date of this letter, the Offer had become or been declared unconditional in all respects, that the Offeror acquired all the Termbray Shares which are subject of the Offer;
3. the New Shares have been issued pursuant to the terms of the Offer and credited as fully paid up and rank *pari passu* with the existing New Share(s);
4. costs and expenses in respect of the Offer (including both the seller's ad valorem stamp duty and the buyer's ad valorem stamp duty in respect of acceptances of the Offer) will be borne by Lee & Leung, the holding company of the Offeror and no excess of cash remains in the Offeror; and
5. as at the date of this letter, the Offeror will be the holding company of Termbray and its turnover, profits, assets and liabilities on a consolidated basis will be the same as those of the Termbray Group.

In addition, in arriving the Estimate of Value, we have not taken into account any financial projections for Termbray for the financial year ending 31 March 2010 or beyond.

We have relied on, and assumed, without independent verification, the accuracy and completeness of the information reviewed by us for the purposes of the Estimate of Value. We have not made any independent valuation or appraisal of the assets and liabilities of Termbray. The Estimate of Value is necessarily based on financial, economic, market and other conditions in effect, and the information made available to us, as at 10 March 2010 (being the date of this letter).

The valuation of non-publicly traded securities is inherently imprecise and is subject to certain uncertainties and contingencies, all of which are difficult to predict and are beyond our control. Consequently, the view expressed in this letter is not necessarily indicative of: (i) the price at which the New Shares might actually trade in any public market as at 10 March 2010 or at any future date; or (ii) the amount which might be realised upon a sale of a New Share to a third party. This Estimate of Value may differ substantially from estimates available from other sources. In addition, our view would be expected to fluctuate with changes in prevailing

market conditions, the financial conditions and prospects of the Offeror and other factors which generally influence the valuation of companies and securities. As a result, there can be no assurance that the actual price of a New Share will not be higher or lower than the Estimate of Value.

Methodology

Immediately after completion of the Offer, the Offeror will be the holding company of Termbray. Having considered the valuation benchmark established by the Subscription Agreement (as summarised in the Composite Document) pursuant to which Lee & Leung will subscribe for one New Share in the Offeror at the subscription price of HK\$1.20 in respect of each Termbray Share for which the Cash Alternative is elected and the costs and expenses to be solely borne by Lee & Leung in connection with the Offer, the implied value for the top end of the range of the Estimate of Value can be expected to be equal to HK\$1.20, which is equivalent to the value per Termbray Share of HK\$1.20 under the Cash Alternative. However, since the New Shares will not be listed and there will be no established market for them, it can be expected that the New Shares will trade at a substantial discount to reflect their lack of marketability. It is not possible to give a precise measure of the discount to reflect the lack of marketability and no methodological analysis can be undertaken for such purposes, but it is assumed that such a discount would be at least 25% for deriving the bottom end of the range of the Estimate of Value.

We have produced the Estimate of Value using these methodologies and taken into account the information, factors, assumptions and limitations set out above.

The taxation position of individual shareholders will vary and so we have not taken account of the effects of any taxation exemptions, allowances or reliefs available for the purposes of income, capital gains, inheritance or any other applicable tax, duty or levy, notwithstanding that these may be significant in the case of some shareholders.

No account has been taken of any potential transaction costs that a holder of New Shares may incur, including any dealing costs and any dealing spread (the difference between a buying and selling price quoted by a market maker) that may be associated with the trading of shares.

Estimate of Value

On the basis of the above assumptions and methodology adopted by us and subject to the foregoing, if a New Share had been in issue as at 10 March 2010 (being the date of this letter), the Estimate of Value would have been within a range of HK\$0.90 to HK\$1.20. The Estimate of Value does not represent a formal opinion of the value of a New Share or a Termbray Share by Piper Jaffray.

General

Piper Jaffray is acting as financial adviser to the Offeror and no one else in connection with the Offer. Piper Jaffray will receive fees for its services in the form of cash.

Piper Jaffray will not be responsible to anyone other than the Offeror for providing the protections afforded to clients of Piper Jaffray, nor for providing advice in connection with the Offer.

Shareholders who may be considering a continuing investment in the future of Termbray through the New Shares are urged to read carefully all the information contained in the Composite Document.

In providing the Estimate of Value, Piper Jaffray expresses no opinion or recommendation to any person as to whether they should accept the Offer or whether they should make any elections to choose the Cash Alternative or the Share Alternative. Termbray Shareholders are recommended to seek their own independent financial advice. Piper Jaffray expresses no opinion as to fairness of the financial terms of the Offer.

Yours faithfully,
For and on behalf of
Piper Jaffray Asia Limited
Stacey Wong
Head of Investment Banking