THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in **TERMBRAY INDUSTRIES INTERNATIONAL (HOLDINGS) LIMITED,** you should at once hand this circular, together with the enclosed proxy form to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

TERMBRAY INDUSTRIES INTERNATIONAL (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 0093)

VERY SUBSTANTIAL DISPOSAL
REGARDING THE DEEMED DISPOSAL ARISING FROM SUBSCRIPTION FOR NEW SHARES BY AN INVESTOR IN A MAJOR SUBSIDIARY
AND
NOTICE OF SPECIAL GENERAL MEETING

Financial Advisor to Termbray Industries International (Holdings) Limited

Piper Jaffray

A notice convening the special general meeting of Termbray Industries International (Holdings) Limited (the "Company") to be held at Flat B, 8th Floor, Waylee Industrial Centre, 30-38 Tsuen King Circuit, Tsuen Wan, New Territories, Hong Kong on 18 October 2010 at 10:00 a.m. is set out on pages SGM-1 to SGM-2 of this circular. Whether or not you propose to attend the meeting, you are requested to complete the accompanying proxy form in accordance with the instructions printed thereon and return the same to the head office and principal place of business of the Company at Flat B, 8th Floor, Waylee Industrial Centre, 30-38 Tsuen King Circuit, Tsuen Wan, New Territories, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding of the meeting or any adjournment thereof. Completion and return of the proxy form will not prevent shareholders of the Company from attending and voting at the meeting if they so wish.

Hong Kong, 30 September 2010

CONTENTS

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

"2010 Audited Accounts"	the audited accounts of Termbray Petro-king for the financial period ending 31 December 2010 which shall be prepared in accordance with the Hong Kong Financial Reporting Standard or the International Financial Reporting Standard
"Actual Net Profit"	the audited consolidated net profit (after taxation and excluding (i) non-operational gains or losses items; and (ii) any charges to the consolidated income statement arising from the options granted or to be granted under the Petro-king ESOP) of Termbray Petro-king for the financial period ending 31 December 2010 as audited by one of the four largest international audit firms, namely Deloitte Touche Tohmatsu, PricewaterhouseCoopers, Ernst & Young and KPMG
"Board"	the board of directors of the Company
"business day"	a day (excluding Saturday, Sunday, public holiday, bank holiday and any day on which a tropical cyclone warning no.8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a "black" rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for business
"Bye-laws"	the bye-laws of the Company for the time being
"Companies Act"	the Companies Act 1981 of the laws of Bermuda
"Company"	Termbray Industries International (Holdings) Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Main Board of the Stock Exchange
"Completion"	completion of the allotment and issue of the Subscription Shares under the Subscription Agreement

"Completion Date"	a date falling within five business days after fulfillment of the Conditions or such other date as may be agreed between Termbray Petro-king and the Investor in writing
"Conditions"	the conditions precedent to Completion
"Consideration Adjustment"	the adjustment to the consideration of RMB88.8 million, if the Actual Net Profit falls short of RMB85 million
"Directors"	the directors of the Company
"Final Exchange Rate"	the exchange rate between RMB and US$ being the mid-point buying and selling rate for the conversion of RMB into US$ published by the People's Bank of China at 11:00 a.m. on the Completion Date
"Group"	the Company and its subsidiaries
"HK$" or "HK dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Third Party(ies)"	any person(s) or company(ies) and their respective ultimate beneficial owner(s), to the best of the Directors' knowledge, information and belief having made all reasonable enquires, are third parties independent of the Company and its connected persons of the Company in accordance with the Listing Rules
"Investor"	T.C.L. Industries Holdings (H.K.) Limited, a wholly-owned subsidiary of TCL Corporation
"King Shine"	King Shine Group Limited, a company incorporated in the British Virgin Islands with limited liability
"Latest Practicable Date"	28 September 2010, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange

"Long Stop Date"	5:00 p.m. on 31 December 2010 or such other time and/or date as Termbray Petro-king and the Investor may agree in writing
"Material Adverse Change or Effect"	any change or event, the consequence of which is to materially and adversely affect the financial position, business or assets or liabilities of Termbray Petro-king Group as a whole
"Mr. Wang"	Mr. Wang Jinlong, an executive director of the Company
"Petro-king ESOP"	an employee share option plan to be adopted by Termbray Petro-king, pursuant to which, Termbray Petro-king may grant options to employees of Termbray Petro-king Group to subscribe up to 7.49% of the enlarged issued shares of Termbray Petro-king immediately after the allotment and issue of the Subscription Shares at Completion
"Petro-king Group"	Petro-king Holding and its subsidiaries
"Petro-king Holding"	Petro-king Holding Limited, a company incorporated in Hong Kong and a wholly owned subsidiary of Termbray Petro-king
"Potential Transaction"	the transaction falling and/or contemplated under a sale and purchase agreement to be entered into by, among others, Termbray Petro-king, the target company incorporated in Singapore with limited liability and the shareholder of the target company, pursuant to which Termbray Petro-king may subscribe and/or purchase 55% of the equity interest in the target company and the terms of which shall be agreed, varied, amended or supplemented by the parties thereto
"PRC"	the People's Republic of China (for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan)
"Remaining Group"	the Group immediately after Completion
"RMB"	Renminbi, the lawful currency of the PRC

"SFO"	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
"SGM"	special general meeting of the Company to be held to consider, and if thought fit, passing the resolutions to approve (i) the Subscription Agreement; and (ii) the transactions contemplated under the Subscription Agreement
"Shareholder(s)"	holder(s) of the Share(s)
"Share(s)"	ordinary share(s) of HK$0.08 each in the share capital of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription"	the subscription of the Subscription Shares by the Investor pursuant to the Subscription Agreement
"Subscription Agreement"	the subscription agreement dated 3 September 2010 (as amended and supplemented by the Supplemental Agreement) entered into among Termbray Petro-king, the Investor, King Shine and Termbray NRC in relation to the Subscription
"Subscription Shares"	those new Termbray Petro-king Shares to be allotted and issued by Termbray Petro-king to the Investor pursuant to the Subscription Agreement at Completion representing 10% of the enlarged issued share capital of Termbray Petro-king immediately after the allotment and issue of the Subscription Shares at Completion save for Termbray Petro-king Shares that may be issued under the Petro-king ESOP and the Potential Transaction
"subsidiar(ies)"	has the meaning as defined in the Companies Ordinance (Chapter 32 of the laws of Hong Kong)
"Supplemental Agreement"	the supplemental agreement dated 28 September 2010 entered into among Termbray Petro-king, the Investor, King Shine and Termbray NRC with respect to the capitalisation of the shareholders' loan mentioned in page 10 of this circular

"Termbray NRC"	Termbray Natural Resources Company Limited, a company incorporated in the British Virgin Islands and is a wholly owned subsidiary of the Company
"Termbray Petro-king"	Termbray Petro-king Oilfield Services (BVI) Limited, a company incorporated in the British Virgin Islands, which holds the entire equity interest in Petro-king Holding
"Termbray Petro-king Group"	Termbray Petro-king and its subsidiaries and companies under its direct or indirect control
"Termbray Petro-king Share(s)"	ordinary share(s) of US$1.00 each in the issued share capital of Termbray Petro-king
"US$" or "US dollars"	United States dollars, the lawful currency of the United States
"Warrantors"	warrantors to the Subscription Agreement, namely Termbray NRC and King Shine

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

Hong Kong, 30 September 2010

To the shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL DISPOSAL
REGARDING THE DEEMED DISPOSAL ARISING FROM SUBSCRIPTION FOR NEW SHARES BY AN INVESTOR IN A MAJOR SUBSIDIARY
AND
NOTICE OF SPECIAL GENERAL MEETING

INTRODUCTION

On 3 September 2010, Termbray Petro-king, a non-wholly owned subsidiary of the Company, the Investor, King Shine and Termbray NRC, a wholly owned subsidiary of the Company, entered into the Subscription Agreement, pursuant to which Termbray Petro-king and the Investor have agreed that Termbray Petro-king shall allot and issue and the Investor shall subscribe for the Subscription Shares for a consideration of RMB88.8 million payable in US dollars.

The purpose of this circular is to provide you with information in relation to, among other things, (i) details of the Subscription Agreement; (ii) the financial information of the Group; (iii) the unaudited pro forma financial information of the Remaining Group; and (iv) a notice convening the SGM at which an ordinary resolution will be proposed to the Shareholders to consider and, if thought fix, approve the Subscription Agreement and the transactions contemplated thereunder.

THE SUBSCRIPTION AGREEMENT

Date:

3 September 2010

Parties:

Termbray Petro-king (as the issuer of the Subscription Shares)
The Investor (as the subscriber of the Subscription Shares)
King Shine (as the issuer's warrantor)
Termbray NRC (as the issuer's warrantor)

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Investor and its ultimate beneficial owners is an Independent Third Party and is not a connected person of the Company.

The Subscription Shares

Pursuant to the Subscription Agreement, the parties have conditionally agreed that the Investor shall subscribe for and Termbray Petro-king shall allot and issue to the Investor the Subscription Shares, representing 10% of the issued share capital of Termbray Petro-king as enlarged by the Subscription.

As at the Latest Practicable Date, Termbray Petro-king is owned as to 51.0% and 49.0% by Termbray NRC and King Shine, respectively. Upon Completion, Termbray Petro-king shall be owned as to 45.9%, 44.1% and 10.0% by Termbray NRC, King Shine and the Investor, respectively.

Consideration

The consideration for the Subscription shall be RMB88.8 million payable by the Investor to Termbray Petro-king in US dollars at the Final Exchange Rate, and shall be payable in cash by way of cashier order at Completion. The consideration was determined after arm's length negotiations between the parties, having taken into account of historical performance and future prospects of Termbray Petro-king's business, and is subject to adjustment as below.

Termbray Petro-king and the Investor agree that there shall be a Consideration Adjustment in the event that the Actual Net Profit is less than RMB85 million. There shall be no Consideration Adjustment if the Actual Net Profit exceeds RMB85 million.

The Consideration Adjustment shall be determined in accordance with the following formula:

$$A \times \frac{B}{C}$$

where:

A is the consideration being RMB88.8 million

B is the amount of the Actual Net Profit falling short of RMB100 million

C is RMB100 million

If, with reference to the Actual Net Profit, any Consideration Adjustment is payable, it shall be payable to the Investor within 30 days after the date of release of the 2010 Audited Accounts. The Consideration Adjustment shall be borne by Termbray Petro-king as to the full amount of the Consideration Adjustment and, if the payment by Termbray Petro-king is insufficient, by all those shareholders of Termbray Petro-king in existence as at 31 December 2010 (except the Investor) severally in accordance with the then respective shareholdings in Termbray Petro-king (without taking into account of those shareholding of the Investor in Termbray Petro-king) on a pro-rata basis.

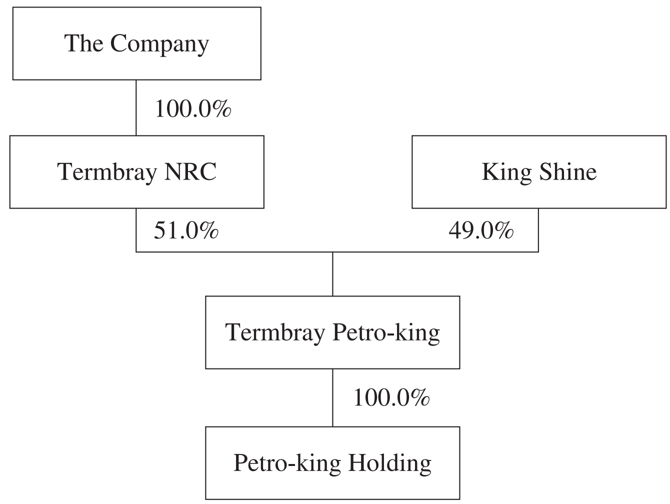
Warrantors' guarantee

In consideration of the Investor entering into the Subscription Agreement with Termbray Petro-king, the Warrantors agree to guarantee Termbray Petro-king's payment obligations of the Consideration Adjustment, but not for any other purpose under any other provisions of the Subscription Agreement. Each Warrantor's liability shall be several and in accordance with the then respective shareholding in Termbray Petro-king as at 31 December 2010 on a pro-rata basis.

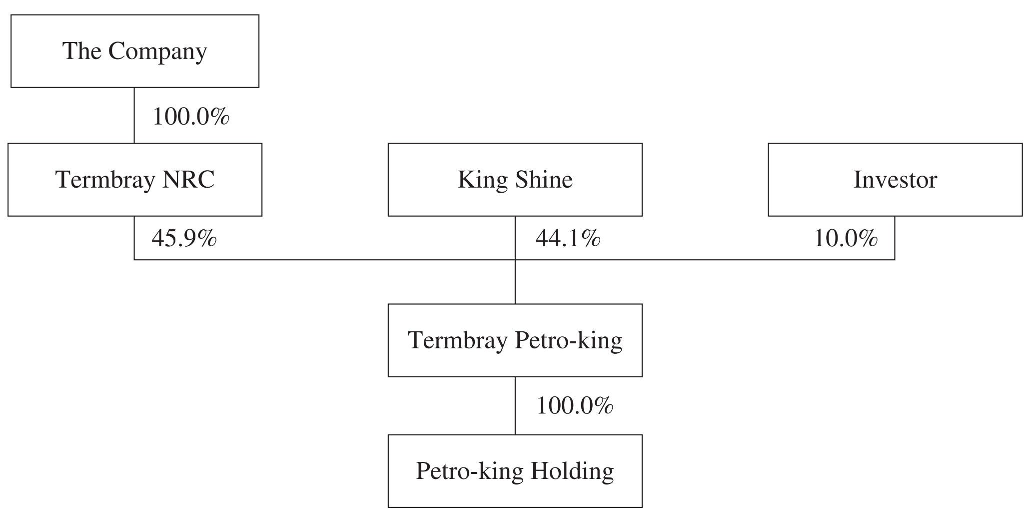
Corporate Structure

The following diagrams provide an illustration of the simplified corporate structure of Termbray Petro-king as at the Latest Practicable Date and immediately after Completion.

Simplified corporate structure of Termbray Petro-king as at the Latest Practicable Date:



Simplified corporate structure of Termbray Petro-king immediately after Completion:



Conditions precedent

Completion of the Subscription shall be subject to and conditional upon the fulfillment of the following Conditions:

(a) the approval by the Shareholders for the allotment and issue of the Subscription Shares at a special general meeting of the Company in accordance with the Listing Rules;

(b) all necessary internal consents and approvals of Termbray Petro-king (including approvals from its board and shareholders, if required) and third party approvals (including governmental and regulatory approvals, if any) regarding the subscription of the Subscription Shares having been obtained by Termbray Petro-king to the satisfaction of the Investor;

(c) all of the warranties of Termbray Petro-king remaining true and correct in all material respects; and

(d) no Material Adverse Change or Effect resulting from any of the following events occurring before Completion:

  (i) the grant of any final judgment of litigation causing Termbray Petro-king Group to pay a sum more than HK$20 million;

  (ii) the fixed assets of Termbray Petro-king Group being stolen or destroyed by fire or flood which diminishes the net book value of the fixed assets of Termbray Petro-king amounting to more than HK$25 million in aggregate;

  (iii) winding up or cessation or closure of business of any member of Termbray Petro-king Group which leads to a loss of the asset value of Termbray Petro-king Group exceeding HK$25 million in aggregate; or

  (iv) the occurrence of any single event (save and except in the ordinary course of business) which leads to the net asset value of Termbray Petro-king Group being reduced by HK$25 million.

If the Conditions are not fulfilled on or before the Long Stop Date, the Subscription Agreement shall lapse and be of no further effect and no party to the Subscription Agreement shall have any claim against or liability to the other party, save in respect of any antecedent breaches of the Subscription Agreement.

Completion

Completion shall take place at 3:00 p.m. on the Completion Date. Upon Completion, Termbray Petro-king will cease to be a subsidiary of the Company and will become an associated company of the Company.

Capitalisation of the Shareholders' Loans

Pursuant to the Supplemental Agreement, prior to Completion, Termbray Petro-king shall capitalise the shareholders' loans of HK$286.3 million by the allotment and issue of an aggregate of 8,800 shares of US$1 each in the capital of Termbray Petro-king to Termbray NRC and King Shine according to their respective shareholding in Termbray Petro-king as at the date of capitalisation of the shareholders' loans, credited as fully paid at premium.

USE OF SUBSCRIPTION MONEY

Termbray Petro-king shall procure that the subscription money paid by the Investor under the Subscription Agreement shall only be used to expand the existing main business of Termbray Petro-king and to develop new business.

Termbray Petro-king has entered into a letter of intent in relation to the Potential Transaction with, among others, the target company and its shareholder, pursuant to which Termbray Petro-king may subscribe and/or purchase 55% of the equity interest in the target company and the terms of which shall be agreed, varied, amended or supplemented by the parties thereto. The target company is incorporated in Singapore with limited liability and is principally engaged in the design, development and manufacture of oilfield equipment. It is believed that the Potential Transaction will bring synergy effect to Termbray Petro-king.

The details of the Potential Transaction is still under negotiation, and as at the Latest Practicable Date, the Group has not entered into any agreement with, among others, the target company and its shareholder in relation to the Potential Transaction. Further announcement regarding the Potential Transaction may be made by the Company as and when required in compliance with the applicable Listing Rules.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION

The Directors consider that the Subscription would considerably strengthen Petro-king Group's financial position and its ability to continue to expand in the oilfield engineering and consultancy services industry. The proceeds of the Subscription will also increase the liquidity of Petro-king Group and strongly position it to fund its continued expansion. Besides, the Investor agrees to use its reasonable endeavours to procure the related companies of the Investor, which are engaged in oil natural gas business, to provide all necessary support for the business of Petro-king Group. Therefore, the Directors consider that the significant contribution of financial capital to Petro-king Group represents an attractive opportunity to recapitalise the competitive strengths of Petro-king Group to continue its development of its oilfield engineering and consultancy services and further accelerate growth of its business.

Save for Petro-king ESOP and the Potential Transaction, which may further dilute the interest of the Group in Termbray Petro-king, the Group does not have any agreement, arrangement, understanding, intention or negotiation about any disposal/termination/scaling-down of the oilfield engineering and consultancy services business or the existing property investment and development business, or acquire new assets or businesses.

The Board considers that the terms of the Subscription Agreement are negotiated on an arm's length basis, on normal commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON TERMBRAY PETRO-KING

Termbray Petro-king is an investment holding company incorporated in the British Virgin Islands with limited liability and is principally engaged in oilfield engineering and consultancy services through Petro-king Group.

According to note 39 to the financial information of the Group as set out in Appendix I to this circular, Termbray Petro-king has consolidated net assets of about HK$225.0 million as at 31 March 2010. For the year ended 31 March 2010, turnover of Termbray Petro-king increased by 77.6% to HK$382.4 million from HK$215.3 million for the year ended 31 March 2009. It also recorded a net profit after taxation and extraordinary items and excluding minority interests of HK$94.7 million for the year ended 31 March 2010, representing an increase of 59.4% from that of HK$59.4 million for the year ended 31 March 2009. The substantial increase in the revenue and net profit is mainly attributable to the increase of international projects from the major customers of Petro-king Group, as they acquired several massive overseas oil reserves which largely increase their demand for experienced oilfield engineering and consultancy services. Further financial information of Termbray Petro-king is set out as below:

	For the year ended 31 March	
	2010	**2009**
	HK$' million	*HK$' million*
Turnover	382.4	215.3
Net profit before taxation and extraordinary items	123.4	69.3
Net profit after taxation and extraordinary items	94.3	59.0
Net profit after taxation and extraordinary items and excluding minority interests	94.7	59.4

INFORMATION ON THE INVESTOR

The Investor was incorporated in Hong Kong and is an investment holding company wholly owned by TCL Corporation.

FINANCIAL EFFECT OF THE SUBSCRIPTION

Immediately after Completion, Termbray Petro-king will cease to be a subsidiary of the Company and will become an associated company of the Company. The accounts of Termbray Petro-king will no longer be consolidated to the consolidated financial statements of the Group.

As stated in the announcement dated 7 September 2010 in relation to the Subscription, a potential gain of HK$35.3 million would be recognised in the income statement of the Group based on (i) the difference of the Group's equity interest in Termbray Petro-king upon

Completion, i.e. 5.1% of the unaudited net assets value of Termbray Petro-king of HK$225.0 million as at 31 March 2010; and (ii) the share of consideration of the Subscription by the Company upon Completion.

However, after capitalisation of the shareholders' loans pursuant to the Supplemental Agreement, the potential gain to be recognised in the income statement shall be HK$10.9 million, according to the unaudited pro forma financial information of the Remaining Group as set out in Appendix II to this circular.

According to the unaudited pro forma financial information of the Remaining Group as set out in Appendix II to this circular, assuming the Subscription had taken place on 1 April 2009, the total comprehensive income attributable to owners of the Company would increase from about HK$23.2 million to about HK$33.6 million.

According to the unaudited pro forma financial information of the Remaining Group as set out in Appendix II to this circular, assuming the Subscription had taken place on 31 March 2010, the total assets of the Remaining Group would decrease from about HK$1,486.4 million to about HK$1,307.2 million. The net assets of the Remaining Group would decrease from about HK$1,261.7 million to about HK$1,162.0 million, while the equity attributable to owners of the Company would increase from about HK$1,150.8 million to HK$1,161.6 million.

Based on the above, the Directors (including the independent non-executive Directors) consider that the terms and the conditions of the Subscription Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

GENERAL

The Subscription which involves the Investor acquiring interests in Termbray Petro-king constitutes deemed disposal of the Company's equity interest in a subsidiary of the Company under Rule 14.29 of the Listing Rules. As the applicable percentage ratios (as defined under the Listing Rules) for the Subscription are larger than 75%, the Subscription constitutes a very substantial disposal of the Company under Chapter 14 of the Listing Rules and is therefore subject to the approval by the Shareholders at the SGM to be convened.

As King Shine is a party to the Subscription Agreement and Mr. Wang held 44.83% equity interest in King Shine as at the Latest Practicable Date, Mr. Wang and King Shine are considered to have interest in the Subscription, and therefore each of King Shine, Mr. Wang and their associates are required to abstain from voting in respect of the proposed ordinary resolution approving the Subscription Agreement and the transactions contemplated thereunder at the SGM. As at the Latest Practicable Date, each of King Shine, Mr. Wang and their associates held no Share and King Shine and Mr. Wang have no intention to exercise their respective conversion right and become Shareholders before the SGM. Therefore, no Shareholder is required to abstain from voting in respect of the proposed ordinary resolution approving the Subscription Agreement and the transactions contemplated thereunder at the SGM as at the Latest Practicable Date.

SGM

The SGM will be held at Flat B, 8th Floor, Waylee Industrial Centre, 30-38 Tsuen King Circuit, Tsuen Wan, New Territories, Hong Kong on 18 October 2010 at 10:00 a.m. for the purpose of considering and, if thought fit, passing the proposed ordinary resolution set out in the notice of the SGM appeared on pages SGM-1 to SGM-2 of this circular.

A proxy form for use at the SGM is enclosed herewith. Whether or not you intend to attend the SGM, you are requested to complete the proxy form and return it to the head office and principal place of business of the Company at Flat B, 8th Floor, Waylee Industrial Centre, 30-38 Tsuen King Circuit, Tsuen Wan, New Territories, Hong Kong not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting at the SGM should you so wish.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of the shareholders at a general meeting shall be taken by poll. The Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.

RECOMMENDATION

The Board considers that the Subscription Agreement has been entered into on normal commercial terms after arm's length negotiation and the terms of the Subscription Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the proposed ordinary resolution to approve the Subscription Agreement and the transactions contemplated thereunder at the SGM.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

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

I. ACCOUNTANTS' REPORT OF THE GROUP

The following is the text of a report, prepared for the purpose of inclusion in this circular, received from the auditor and reporting accountants of the Company, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.

Deloitte.
德勤

30 September 2010

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

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") of Termbray Industries International (Holdings) Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended 31 March 2010 (the "Relevant Periods") for inclusion in a circular issued by the Company dated 30 September 2010 in connection with the proposed very substantial disposal regarding the deemed disposal arising from subscription of new shares by an investor in a major subsidiary (the "Circular").

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited. The Company is principally engaged in investment holding.

The particulars of the Company's subsidiaries as at the end of each reporting period and the date of this report are as follows.

Name of company	*Notes*	Place and date of incorporation/ establishment	Paid up issued share capital/ registered capital	Principal activities
Direct subsidiary:				
Termbray Electronics (B.V.I.) Limited (i)	(a)	British Virgin Islands 17 September 1990	100 ordinary shares of US$1 each	Investment holding

Name of company	*Notes*	Place and date of incorporation/ establishment	Paid up issued share capital/ registered capital	Principal activities
Indirect subsidiaries:				
Applied Industrial Company Limited	(a)	Hong Kong 26 October 1976	2 ordinary shares of HK$100 each and 2,500 non-voting deferred shares of HK$100 each	Inactive
Bow Yuen Industries Limited (ii)	(a)	Hong Kong 22 August 1991	28,000 ordinary shares of HK$1 each	Investment holding
Ever Success Land Development Limited	(a)	Hong Kong 4 August 1992	2 ordinary shares of HK$1 each	Inactive
Ever Success Properties Limited (ii)	(a)	Hong Kong 26 November 1991	100 ordinary shares of HK$1 each	Investment holding
Lee Plastics Manufacturing Company Limited (i)	(a)	Hong Kong 16 May 1980	2 ordinary shares of HK$1 each and 500,000 non-voting deferred shares of HK$1 each	Investment holding
Magnetic Electronics Limited	(a)	Hong Kong 18 April 1978	2 ordinary shares of HK$100 each and 5,000 non-voting deferred shares of HK$100 each	Inactive
#Petro-king Holding Limited (iii)	(a)	Hong Kong 13 September 2007	10,000 ordinary shares of HK$1 each	Investment holding
#Petro-king International Co., Limited (i)	(b)	Hong Kong 14 July 2003	5,000,000 (2008 and 2009: 100) ordinary shares of HK$1 each	Trading of tools and equipment and provision for consultancy services on well drilling
Termbray Circuits Company Limited	(a)	Hong Kong 23 April 1997	2 ordinary shares of HK$1 each	Inactive

Name of company	*Notes*	Place and date of incorporation/ establishment	Paid up issued share capital/ registered capital	Principal activities
Termbray Electronics Company Limited (i)	(a)	Hong Kong 7 June 1977	2 ordinary shares of HK$100 each and 10,000 non-voting deferred shares of HK$100 each	Investment holding and treasury activities
Termbray (Baoan) Land Development Company Limited	(a)	Hong Kong 5 March 1992	10,000 ordinary shares HK$1 each	Inactive
Termbray (China) Land Development Company Limited (i)	(a)	Hong Kong 14 May 1992	10,000 ordinary shares of HK$1 each	Investment holding
Termbray (Fujian) Land Development Company Limited (i)	(a)	Hong Kong 20 August 1992	10,000 ordinary shares of HK$1 each	Property investment
Termbray (Guangzhou) Land Development Company Limited (i)	(a)	Hong Kong 14 May 1992	10,000 ordinary shares of HK$1 each	Property holding
Termbray (Shandong) Land Development Company Limited	(a)	Hong Kong 28 July 1992	10,000 ordinary shares of HK$1 each	Inactive
Termbray (Shanghai) Land Development Company Limited	(a)	Hong Kong 14 May 1992	10,000 ordinary shares of HK$1 each	Inactive
Termbray (Shenzhen) Land Development Company Limited	(a)	Hong Kong 5 March 1992	10,000 ordinary shares of HK$1 each	Inactive
Termbray (Zhongshan) Land Development Company Limited	(a)	Hong Kong 5 March 1992	10,000 ordinary shares of HK$1 each	Inactive
Termbray Power Company Limited	(a)	Hong Kong 27 November 2007	10,000 ordinary shares of HK$1 each	Inactive
Top Select Holdings Limited	(g)	British Virgin Islands 2 January 2009	220,000 ordinary shares of US$1 each (31 March 2009 and 31 March 2010: 10,000 ordinary Shares of US$1 each)	Inactive

Name of company	*Notes*	Place and date of incorporation/ establishment	Paid up issued share capital/ registered capital	Principal activities
Toytronic Limited	(a)	Hong Kong 6 October 1978	10 ordinary shares of HK$100 each	Inactive
Zhongshan Ever Success Properties Limited (ii)	(c)	The People's Republic of China ("PRC") 25 May 1992	Registered capital of RMB1,500,000	Property development
中山市永勝物業管理有限公司 (ii) (Zhongshan Ever Success Property Management Limited*)	(c)	PRC 9 October 2001	Registered capital of RMB500,000	Property management
#Petro-king Oilfield Technology Limited (ii)	(d)	PRC 26 April 2002	Registered capital of RMB20,000,000 (2008 and 2009: RMB5,000,000)	Trading of tools and equipment and provision for consultancy services on well drilling
北京百勤恩瑞達石油技術有限公司 (Beijing Petroking-Enruida Oilfield Technology Company Limited)	(e)	PRC 5 April 2006	Registered capital of RMB2,000,000	Inactive
#德州嘉誠石油裝備有限公司 (ii) (Dezhou Jiacheng Oil Tools Company Limited*)	(f)	PRC 3 April 2007	Registered capital of RMB10,000,000	Manufacture of oil tools
Kalex International Limited	(g)	British Virgin Islands 24 October 1995	12,000 ordinary shares of US$1 each	Inactive
Termbray Energy Company Limited	(g)	British Virgin Islands 2 November 2007	100 ordinary share of US$1 each	Inactive
Termbray Natural Resources Company Limited (iii)	(g)	British Virgin Islands 7 September 2007	100 ordinary shares of US$1 each	Investment holding
#Termbray Petro-king Oilfield Services (BVI) Limited (iii)	(g)	British Virgin Islands 7 September 2007	200 ordinary shares of US$1 each	Investment holding
Termbray Resources (Holdings) Limited	(g)	British Virgin Islands 1 November 2007	100 ordinary shares of US$1 each	Inactive

* *The English names are for identification purpose only*

Notes:

(i) These subsidiaries operate in Hong Kong

(ii) These subsidiaries operate in the PRC

(iii) These subsidiaries operate in both Hong Kong and the PRC

(a) We acted as auditor of these subsidiaries for each of the Relevant Periods. The statutory financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards.

(b) This subsidiary was acquired by the Group effective on 31 December 2007. We acted as auditor of this subsidiary for the three years ended 31 December 2007, 31 December 2008 and 31 December 2009. The statutory financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards.

(c) The statutory financial statements of these subsidiaries for the three years ended 31 December 2007, 31 December 2008 and 31 December 2009 were audited by中山市成諾會計師事務所有限公司 (Zhongshan Chengnuo Public Accountants Company Limited*), Certified Public Accountants in the PRC. The statutory financial statements have been prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises established in the PRC.

(d) This subsidiary was acquired by the Group effective on 31 December 2007. The statutory financial statements of this subsidiary for the three years ended 31 December 2007, 31 December 2008 and 31 December 2009 were audited by Deloitte Touche Tohmatsu Certificated Public Accountants Ltd. Shenzhen Branch, Certified Public Accountants in the PRC. The statutory financial statements have been prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises established in the PRC.

(e) This company was an associate of the Group during the period from 31 December 2007 to 29 March 2008 in which the effective interest held by the Group was 48%. The Group acquired additional interest of 3% in this associate on 30 March 2008 and the associate became a subsidiary of the Company since then. The statutory financial statements of this subsidiary for the three years ended 31 December 2007, 31 December 2008 and 31 December 2009 were audited by Deloitte Touche Tohmatsu Certified Public Accountants Ltd. Shenzhen Branch, Certified Public Accountants in the PRC. The statutory financial statements have been prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises established in the PRC.

(f) This subsidiary was acquired by the Group effective on 1 May 2009. The statutory financial statements of this subsidiary for the year ended 31st December 2009 was audited by德州天衢有限責任會計師事務所 (Dezhou Tianqu Certified Public Accountants Company Limited*), Certified Public Accountants in the PRC. The statutory financial statements have been prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises established in the PRC.

(g) No audited financial statements have been prepared for these subsidiaries for each of the Relevant Periods as they were incorporated in country where there were no statutory audit requirements.

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

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

Other than # and *, these subsidiaries are wholly-owned by the Group

** The English names are for identification purpose only*

We have acted as auditor of the Company for the Relevant Periods. Audited consolidated financial statements of the Group for each of the Relevant Periods have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "Underlying Financial Statements").

We have examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information of the Group for the Relevant Periods set out in this report has been prepared based on the Underlying Financial Statements. No adjustments were deemed necessary by us to the Underlying Financial Statements in preparing our report for inclusion in the Circular.

The Underlying Financial Statements are the responsibility of the directors of the Company who approve their issue. The directors of the Company are also responsible for the contents of the Circular. It is our responsibilities to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information together with the notes thereon gives, for the purpose of this report, a true and fair view of the state of affairs of the Group as at 31 March 2008, 2009 and 2010 and of the consolidated results and cash flows of the Group for the Relevant Periods.

A. FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 31 March		
		2008	**2009**	**2010**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	*7*	43,290	218,809	388,108
Cost of goods sold and services rendered		(29,179)	(106,554)	(199,743)
Gross profit		14,111	112,255	188,365
Other income	*8*	30,185	21,130	7,596
Other gains and losses		–	(2,044)	493
Selling and distribution expenses		(3,853)	(19,765)	(46,693)
Administrative expenses		(69,357)	(71,836)	(43,651)
Gains (losses) arising from changes in fair value of investments held for trading		190	(573)	–
Share of result of an associate		(185)	–	–
Finance costs	*9*	(1,467)	(6,268)	(7,745)
(Loss) profit before tax	*10*	(30,376)	32,899	98,365
Taxation	*12*	2,530	(11,041)	(29,439)
(Loss) profit for the year		(27,846)	21,858	68,926
Other comprehensive income				
Exchange differences arising from translation of financial statements of foreign operations		5,934	3,504	377
Total comprehensive income for the year		(21,912)	25,362	69,303

		Year ended 31 March		
		2008	**2009**	**2010**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
(Loss) profit for the year attributable to:				
Owners of the Company		(20,848)	(6,629)	22,977
Minority interests		(6,998)	28,487	45,949
		(27,846)	21,858	68,926
Total comprehensive income attributable to:				
Owners of the Company		(14,914)	(4,216)	23,154
Minority interests		(6,998)	29,578	46,149
		(21,912)	25,362	69,303
		HK cents	*HK cents*	*HK cents*
Basic and diluted (loss) earnings per share	*13*	(1.17)	(0.34)	1.17

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 March		
		2008	**2009**	**2010**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets				
Property, plant and equipment	*14*	17,400	17,138	18,879
Prepaid lease payments for leasehold land	*15*	66,675	66,077	65,479
Investment property	*16*	3,478	3,370	3,261
Pledged bank deposits	*24 & 36(c)*	2,034	2,034	2,034
Goodwill	*17*	243,318	243,318	247,121
Intangible assets	*17*	16,500	8,213	5,226
		349,405	340,150	342,000
Current assets				
Completed properties for sale		109,995	114,812	116,105
Inventories	*19*	16,926	38,419	44,743
Trade and other receivables	*20*	92,599	149,524	125,620
Deposits and prepayments		3,293	3,345	18,518
Prepaid lease payments for leasehold land	*15*	598	598	598
Available-for-sale investments	*21*	633,247	6,886	–
Investments held for trading	*22*	103,839	–	–
Taxation recoverable		123	2,871	598
Amounts due from related parties	*23*	730	–	–
Pledged bank deposits	*24 & 36 (a & b)*	–	3,121	12,811
Deposits with a financial institution		–	126	–
Bank balances and cash	*24*	40,904	744,961	825,367
		1,002,254	1,064,663	1,144,360

		As at 31 March		
		2008	2009	2010
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Current liabilities				
Trade and other payables and accrued charges	*25*	44,804	28,812	26,418
Deposits received		2,064	1,487	9,516
Provisions	*26 & 36(d)*	3,173	3,173	3,173
Amount due to a related company	*27 & 38(b)*	405	2,092	1,992
Amount due to a director	*27*	6,465	23,967	–
Amount due to minority shareholders	*27*	18,103	–	–
Convertible note	*28*	–	–	128,696
Taxation payable		10,151	7,691	15,368
Bank borrowings	*29*	–	21,705	29,448
		85,165	88,927	214,611
Net current assets		917,089	975,736	929,749
Total assets less current liabilities		1,266,494	1,315,886	1,271,749
Non-current liabilities				
Convertible note	*28*	116,267	122,324	–
Bank borrowings	*29*	–	–	4,300
Deferred tax liabilities	*30*	3,128	4,766	5,797
		119,395	127,090	10,097
Net assets		1,147,099	1,188,796	1,261,652
Capital and reserves				
Share capital	*31*	156,611	156,611	156,611
Reserves	*33*	955,639	967,485	994,192
Equity attributable to owners of the Company		1,112,250	1,124,096	1,150,803
Minority interests		34,849	64,700	110,849
Total equity		1,147,099	1,188,796	1,261,652

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company								
	Share capital HK$'000	Share premium HK$'000	Exchange translation reserve HK$'000	Convertible note equity reserve HK$'000	Share options reserve HK$'000	Retained profits HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
At 1 April 2007	137,971	143,410	8,058	–	–	532,624	822,063	416	822,479
Loss for the year	–	–	–	–	–	(20,848)	(20,848)	(6,998)	(27,846)
Exchange difference arising from translation of financial statements of foreign operations	–	–	5,934	–	–	–	5,934	–	5,934
Total comprehensive income for the year	–	–	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	–	–	–	–	–	–	–	41,431	41,431
At 31 March 2008	156,611	404,370	13,992	18,892	6,609	511,776	1,112,250	34,849	1,147,099
(Loss) profit for the year	–	–	–	–	–	(6,629)	(6,629)	28,487	21,858
Exchange differences arising from translation of financial statements of foreign operations	–	–	2,413	–	–	–	2,413	1,091	3,504
Total comprehensive income 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 31 March 2009	156,611	404,370	16,405	18,892	22,671	505,147	1,124,096	64,700	1,188,796
Profit for the year	–	–	–	–	–	22,977	22,977	45,949	68,926
Exchange differences arising from translation of financial statements of foreign operations	–	–	177	–	–	–	177	200	377
Total comprehensive income for the year	–	–	177	–	–	22,977	23,154	46,149	69,303
Recognition of share-based payments	–	–	–	–	3,553	–	3,553	–	3,553
Effects of vested share options forfeited under share options scheme	–	–	–	–	(3,991)	3,991	–	–	–
At 31 March 2010	156,611	404,370	16,582	18,892	22,233	532,115	1,150,803	110,849	1,261,652

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended 31 March		
		2008	**2009**	**2010**
	Note	*HK$'000*	*HK$'000*	*HK$'000*
Operating activities				
(Loss) profit before tax		(30,376)	32,899	98,365
Adjustments for:				
Depreciation of property, plant and equipment		1,440	3,195	3,887
Depreciation of investment property		107	108	109
Release of prepaid lease payments for leasehold land		598	598	598
Amortisation of intangible assets		20,314	8,287	2,987
Finance costs		1,467	6,268	7,745
Share of result of an associate		185	–	–
Share-based payment expenses		6,609	16,062	3,553
Impairment losses recognised on trade and other receivables		3,674	1,966	342
Loss on disposal of property, plant and equipment		2	58	1,101
Interest income		(27,887)	(11,245)	(2,173)
Net exchange loss (gain)		–	20	(1,936)
Operating cash flows before movements in working capital		(23,867)	58,216	114,578
Decrease in completed properties for sale		–	281	329
Increase in inventories		(2,189)	(21,245)	(4,524)
(Increase) decrease in trade and other receivables		(2,030)	(58,891)	23,620
Increase in deposits and prepayments		(832)	(52)	(15,038)
Decrease in investments held for trading		84,138	103,839	–
(Increase) decrease in amounts due from related parties		(730)	730	–
Decrease in trade and other payables and accrued charges		(7,569)	(15,992)	(4,200)
Increase (decrease) in deposits received		899	(577)	8,029
(Decrease) increase in amount due to a related company		(311)	1,687	(100)

		Year ended 31 March		
		2008	2009	2010
	Note	*HK$'000*	*HK$'000*	*HK$'000*
Cash generated from operations		47,509	67,996	122,694
Income taxes paid		(5,163)	(14,611)	(18,229)
Interest paid		–	(211)	(1,373)
Net cash from operating activities		42,346	53,174	103,092
Investing activities				
Net cash outflow from acquisition of subsidiaries	*34*	(276,835)	–	(6,165)
Interest received		27,887	11,245	2,173
Withdrawl of pledged bank deposits		455	–	–
Placement of pledged bank deposits		–	(3,121)	(9,690)
Purchase of property, plant and equipment		(8,021)	(2,908)	(4,655)
Proceeds on disposal of property, plant and equipment		–	87	250
Purchase of available-for-sale investments		(598,118)	(383,365)	–
Proceeds on disposal of available-for-sale investments		190,408	1,008,931	6,886
Net cash (used in) from investing activities		(664,224)	630,869	(11,201)
Financing activities				
Issue of shares		279,600	–	–
Issue of convertible note		133,692	–	–
Capital contribution by a minority shareholder		–	273	–
New bank borrowings raised		–	28,821	80,978
Repayments of bank borrowings		–	(7,116)	(72,272)
Bank overdrafts raised		–	–	3,318
Advances from a director		6,465	17,502	–
Repayments to a director		–	–	(23,967)
Advances from minority shareholders		18,103	–	–
Repayments to minority shareholders		–	(18,103)	–
Net cash from (used in) financing activities		437,860	21,377	(11,943)

		Year ended 31 March		
		2008	2009	2010
	Note	*HK$'000*	*HK$'000*	*HK$'000*
Net (decrease) increase in cash and cash equivalents		(184,018)	705,420	79,948
Cash and cash equivalents at beginning of the year		223,983	40,904	745,087
Effect of foreign exchange rate changes		939	(1,237)	332
Cash and cash equivalents at end of the year		40,904	745,087	825,367
Analysis of cash and cash equivalents				
Bank balances and cash		40,904	744,961	825,367
Deposits with a financial institution		–	126	–
		40,904	745,087	825,367

NOTES TO THE FINANCIAL INFORMATION

1. GENERAL

The Company 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"). Its parent is Lee & Leung (B.V.I.) Limited incorporated in the British Virgin Islands and the directors of the Company consider that its ultimate parent to be First Trend Management (PTC) Limited, a company incorporated in the British Virgin Islands which is held by HSBC International Trustee Limited for Lee & Leung Family Trust, the settlor of which is Mr. Lee Lap.

The addresses of the registered office and principal place of business of the Company are disclosed in Letter from the Board of this Circular.

The Group is principally engaged in property investment and development, oilfield engineering and provision of consultancy services.

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

The HKICPA has issued a number of Hong Kong Accounting Standards ("HKASs"), Hong Kong Financial Reporting Standards ("HKFRSs"), amendments and interpretations ("HK(IFRIC) – Int") which are effective for the respective reporting period (hereinafter collectively referred to as "new and revised HKFRSs"). For the purpose of preparing and presenting the Financial Information for the Relevant Periods, except for HKFRS 7 (Amendment) "Improving Disclosures about Financial Instruments" has been applied for the year ended 31 March 2010, the Group has consistently applied the HKFRSs effective as at 1 April 2009 throughout the Relevant Periods.

The 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)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKFRSs (Amendments)	Improvements to HKFRSs 2010[3]
HKAS 24 (Revised)	Related Party Disclosures[7]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Rights Issues[5]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[4]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[6]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[4]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[8]
HK(IFRIC)-Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[7]
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments[6]

1 Effective for annual periods beginning on or after 1 July 2009

2 Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate

3 Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate

4 Effective for annual periods beginning on or after 1 January 2010

5 Effective for annual periods beginning on or after 1 February 2010

6 Effective for annual periods beginning on or after 1 July 2010

7 Effective for annual periods beginning on or after 1 January 2011

8 Effective for annual periods beginning on or after 1 January 2013

The application of HKFRS 3 (Revised) "Business Combinations" may affect the Group's accounting for business combination for which the acquisition date is on or after 1 April 2010. HKAS 27 (Revised) "Consolidated and Separate Financial Statements" will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary.

HKFRS 9 "Financial Instruments" introduces new requirements for the classification and measurement of financial assets and will be effective from the Group's financial year beginning on 1 April 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

In addition, as part of "Improvements to HKFRSs" issued in 2009, HKAS 17 "Leases" has been amended in relation to the classification of leasehold land. The amendments will be effective from the Group's financial year beginning on 1 April 2010, with earlier application permitted. Before the amendments to HKAS 17, lessees were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendments to HKAS 17 might affect the classification of the Group's leasehold land.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the Financial Information.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has 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 Financial Information has been prepared in accordance with the accounting policies set out below which conform with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the Financial Information 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 Financial Information incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company 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 statement of comprehensive income from the effective date of acquisition and 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 in line with those used by other members of the 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 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 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 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 Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the 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 is carried at cost less any accumulated impairment losses and is presented separately in the consolidated statement of financial position.

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 profit or loss. An impairment loss for goodwill is not reversed in subsequent periods.

On 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 where 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, 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 in the ordinary course of business is recognised when the respective properties have been completed and delivered to the buyers.

Revenue from sale of 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 services 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 profit or loss in the period in which the item is derecognised.

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 so as to write off the cost of investment property over its estimated useful life and after taking into account of their estimated residual value, 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 profit or loss 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 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 losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the 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 any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. 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 consolidated statement of financial position 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 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 Periods. 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

The Group's 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 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.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement 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. 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 of financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as loans and receivables, financial assets at fair value through profit or loss and held-to-maturity investments.

Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in equity is reclassified to profit or loss (see accounting policy on impairment of financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. 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 affected.

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 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 Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the 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 loss 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 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 Periods. The effective interest rate is the rate that exactly discounts estimated future cash payments (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 liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

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

Financial liabilities

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

Convertible notes

Convertible notes issued by the Company that contain both the liability and conversion option components are classified separately into respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company'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 notes 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 notes is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, 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 notes 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 notes using the effective interest method.

Equity instruments

Equity instruments issued by the Company 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 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 other comprehensive income 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 Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

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 the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that 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 Financial Information, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK dollarss) at the rate of exchange prevailing at the end of the reporting period, 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 in other comprehensive income and accumulated in equity (the exchange translation reserve). Such translation differences are recognised in profit or loss in the year in which the foreign operation is disposed of.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

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

The Group as lessee

Operating lease payments are recognised as an expense 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.

Leasehold land and building

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 can be made reliably, the leasehold interests in land are accounted for as operating leases and amortised 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 statement of comprehensive income 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 Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those 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 associated with investments in subsidiaries, except where the 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 assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Retirement benefit costs

Payments to defined contribution retirement benefit plans, including the Mandatory Provident Fund Scheme and state-managed retirement pension schemes, are charged as an expense 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 the end of the reporting period, the 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 options 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 SOURCE OF ESTIMATION UNCERTAINTY

The following are the key assumption concerning the future, and other key source of estimation uncertainty at the end of the reporting period, 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 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, a material impairment loss may arise. As at 31 March 2008, 2009 and 2010, the carrying amount of goodwill are HK$243,318,000, HK$243,318,000 and HK$247,121,000 respectively. Details of the recoverable amount calculation are disclosed in note 18.

Estimated impairment of trade receivables

The Group performs ongoing credit evaluations of its customers and adjusts credit limits based on payment history and the customers' current credit-worthiness, as determined by the review of their current credit information. The 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. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 March 2008, 2009 and 2010, the carrying amount of trade receivables are HK$70,582,000, HK$130,047,000 and HK$113,759,000 respectively (net of allowance of doubtful debts amounting to HK$3,674,000, HK$3,674,000 and HK$4,016,000 as at 31 March 2008, 2009 and 2010 respectively).

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged over the Relevant Periods.

The capital structure of the Group consists of debt, which includes the bank borrowings disclosed in note 29, convertible note disclosed in note 28 and equity attributable to owners of the Company, 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 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.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*
Financial assets			
Loans and receivables (including cash and cash equivalents)	136,267	899,766	965,832
Investment held for trading	103,839	–	–
Available-for-sale investments	633,247	6,886	–
Financial liabilities			
Liabilities at amortised cost	175,184	195,590	187,500

(b) Financial risk management objectives and policies

The management of the Group has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Group's activities. The 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.

(i) Market risk

The Group's activities expose it primarily to the foreign currency risk and the interest rate risk.

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

Foreign currency risk management

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

	Assets			Liabilities		
	2008	2009	2010	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
HK$	6,101	140,809	11,143	116,267	124,969	–
United States dollar ("US$")	5,911	6,799	141,903	–	3,544	35,786
Renminbi ("RMB")	7,797	–	685	1,059	2,322	321

Sensitivity analysis

The following table details the 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 applied to prepare the following sensitivity analysis. 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 rates. The sensitivity analysis of the Group also includes currency risk exposure on inter-company balances.

In the opinion of the directors of the Company, the foreign currency exposure in relation to the HK$ and US$ exchange rate fluctuation is not significant as HK$ is pegged to US$. 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 HK$ or US$ against the functional currency of relevant group entities, RMB, and monetary assets or liabilities that are denominated in RMB against the functional currencies of relevant group entities, US$ or HK$.

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 an increase in the post-tax loss/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 a decrease in the post-tax loss/an increase in the post-tax profit for the year.

	Decrease (increase) in the post-tax loss/increase (decrease) in the post-tax profit for the year		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
HK$ Impact	7,458	7,352	9,420
US$ Impact	(274)	1,060	(605)
RMB Impact	–	(116)	(15)

A 5% weakening of the functional currency would have an equal but opposite impact on the post-tax loss/profit for the year.

Interest rate risk management

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

Sensitivity analysis

For the year ended 31 March 2008, the sensitivity analysis below has been determined based on the exposure to interest rates for available-for-sale investments.

For the year ended 31 March 2009 and 2010, since the interest income derived from the available-for-sale investments, pledged bank deposits and bank balances is minimal, no sensitivity analysis in relation to the interest rates for available-for-sale investments, pledged bank deposits and bank balances is presented. The sensitivity analysis below has been determined based on the exposure to interest rates for bank borrowings.

The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 100 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 100 basis points higher/lower and all other variables were held constant, the Group's post-tax loss for the year ended 31 March 2008 would decrease/increase HK$6,332,000 and the Group's post-tax profit for the year ended 31 March 2009 and 2010 would decrease/increase by approximately HK$182,000 and HK$282,000 respectively.

(ii) Credit risk management

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

- the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position; and

- the amount of contingent liabilities in relation to financial guarantee issued by the Group as disclosed in note 36(c).

In order to minimise the credit risk, 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. In addition, follow-up action is taken up to recover overdue debts and ongoing credit evaluation is performed on the financial condition of trade receivables. The management reviews the recoverable amount of each receivable at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management considers that the Group's credit risk is significantly reduced.

The Group has concentration of credit risk in 2008, 2009 and 2010 as 50%, 45% and 45% of total trade receivables respectively represented an amount due from the Group's largest customer within the oilfield engineering and consultancy services business segment. The management is of the view that this major customer of the Group has good trade record without default history and consider that the trade receivable from this customer is recoverable.

The Group has concentration of credit risk in 2008, 2009 and 2010 as 43%, 96% and 85% of aggregated amounts of pledged bank deposits and bank balance respectively represented deposits placed in one bank. However, the directors of the Company consider that the credit risk of pledged bank deposits and bank balance is limited because the counterparty is a bank with good reputation and high creditworthiness.

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

(iii) Liquidity risk management

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

The following table details the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities and the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

	On demand or less than 1 month	1-2 months	2 months to 1 year	1-5 years	Total undiscounted cash flows	Carrying amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2008						
Trade and other payables	10,909	1,081	21,954	–	33,944	33,944
Amount due to a related company	405	–	–	–	405	405
Amount due to a director	6,465	–	–	–	6,465	6,465
Rental deposits received	514	17	209	424	1,164	1,164
Amount due to minority shareholders	18,103	–	–	–	18,103	18,103
Convertible note	–	–	–	133,692	133,692	116,267
	36,396	1,098	22,163	134,116	193,773	176,348

	On demand or less than 1 month	1-2 months	2 months to 1 year	1-5 years	Total undiscounted cash flows	Carrying amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2009						
Trade and other payables	23,191	2,311	–	–	25,502	25,502
Amount due to a related company	2,092	–	–	–	2,092	2,092
Amount due to a director	23,967	–	–	–	23,967	23,967
Rental deposits received	632	14	66	509	1,221	1,221
Bank borrowings	7,803	44	14,024	–	21,871	21,705
Convertible note	–	–	–	133,692	133,692	122,324
	57,685	2,369	14,090	134,201	208,345	196,811

	On demand or less than 1 month	1-2 months	2 months to 1 year	1-5 years	Total undiscounted cash flows	Carrying amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2010						
Trade and other payables	10,168	3,809	9,087	–	23,064	23,064
Amount due to a related company	1,992	–	–	–	1,992	1,992
Rental deposits received	771	21	476	–	1,268	1,268
Bank borrowings	3,488	15,333	10,935	4,408	34,164	33,748
Convertible note	–	–	133,692	–	133,692	128,696
	16,419	19,163	154,190	4,408	194,180	188,768

The amounts included above for variable interest rate instruments for financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

(c) Fair value

Save as disclosed in note 22, the fair values of other financial assets and financial liabilities, including available-for-sale investments and unlisted debt securities classified as investment held for trading, are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate their fair values.

7. REVENUE AND SEGMENT INFORMATION

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

	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*
Sale of equipment	31,931	146,597	285,525
Sales of properties	–	367	385
Rental income	6,199	6,153	5,315
Consultancy services income	5,160	65,692	96,883
	43,290	218,809	388,108

Segment information is analysed on the basis of the Group's operating divisions. During the Relevant Periods, the Group is organised into two principal operating segments, namely property investment and development which involved property leasing and sales of properties, and oilfield engineering and consultancy services which involved sale of equipment and provision of consultancy services on well drilling.

Information reported to the chief operating decision maker, the executive directors of the Company, for the purposes of resource allocation and performance assessment, focuses specifically on these two principal operating segments of the Group.

Information regarding the above segments is reported below.

Segment revenues and results

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

For the year ended 31 March 2008

	Property investment and development	Oilfield engineering and consultancy services	Total
	HK$'000	*HK$'000*	*HK$'000*
Revenue	6,199	37,091	43,290
Segment loss	(642)	(14,955)	(15,597)
Unallocated other income and gains			29,040
Unallocated expenses and losses			(33,403)
Share option expense			(6,609)
Gains arising from changes in fair value of investments held for trading			190
Effective interest expense on convertible note			(1,467)
Loss for the year			(27,846)

For the year ended 31 March 2009

	Property investment and development	Oilfield engineering and consultancy services	Total
	HK$'000	*HK$'000*	*HK$'000*
Revenue	6,520	212,289	218,809
Segment profit	4,100	60,637	64,737
Unallocated other income and gains			11,039
Unallocated expenses and losses			(31,226)
Share option expense			(16,062)
Losses arising from changes in fair value of investments held for trading			(573)
Effective interest expense on convertible note			(6,057)
Profit for the year			21,858

For the year ended 31 March 2010

	Property investment and development *HK$'000*	Oilfield engineering and consultancy services *HK$'000*	Total *HK$'000*
Revenue	5,700	382,408	388,108
Segment profit	3,067	94,571	97,638
Unallocated other income and gains			2,039
Unallocated expenses and losses			(20,856)
Share option expense			(3,553)
Effective interest expense on convertible note			(6,372)
Corporate income tax credit			30
Profit for the year			68,926

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

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit (loss) represents the profit earned or loss incurred by each segment without allocation of unallocated other income and gains, unallocated expenses and losses, share option expense, gains (losses) arising from changes in fair value of investments held for trading, effective interest expense on convertible note and corporate income tax credit. This is the measure reported to the chief operating decision maker of the Group for the purposes of resource allocation and performance assessment.

Other segment information

For the year ended 31 March 2008

	Property investment and development *HK$'000*	Oilfield engineering and consultancy services *HK$'000*	Segment total *HK$'000*	Unallocated *HK$'000*	Consolidated total *HK$'000*
Amounts included in the measure of segment loss:					
Release of prepaid lease payments for leasehold land	225	–	225	373	598
Amortisation of intangible assets	–	20,314	20,314	–	20,314
Depreciation	139	238	377	1,170	1,547
Interest income	159	13	172	27,715	27,887
Interest expenses	–	–	–	1,467	1,467
Taxation charge (credit)	130	(2,660)	(2,530)	–	(2,530)

For the year ended 31 March 2009

	Property investment and development HK$'000	Oilfield engineering and consultancy services HK$'000	Segment total HK$'000	Unallocated HK$'000	Consolidated total HK$'000
Amounts included in the measure of segment profit:					
Release of prepaid lease payments for leasehold land	225	–	225	373	598
Amortisation of intangible assets	–	8,287	8,287	–	8,287
Depreciation	141	1,352	1,493	1,810	3,303
Interest income	123	93	216	11,029	11,245
Interest expenses	–	211	211	6,057	6,268
Taxation charge	688	10,353	11,041	–	11,041

For the year ended 31 March 2010

	Property investment and development HK$'000	Oilfield engineering and consultancy services HK$'000	Segment total HK$'000	Unallocated HK$'000	Consolidated total HK$'000
Amounts included in the measure of segment profit:					
Release of prepaid lease payments for leasehold land	225	–	225	373	598
Amortisation of intangible assets	–	2,987	2,987	–	2,987
Depreciation	141	2,060	2,201	1,795	3,996
Interest income	28	40	68	2,105	2,173
Interest expenses	–	1,373	1,373	6,372	7,745
Taxation charge (credit)	352	29,117	29,469	(30)	29,439

Geographical information

The Group's operations are mainly located in Hong Kong, the People's Republic of China ("PRC"), Algeria, Singapore, Russia and Dubai.

The Group's revenue from external customers by location where the goods are delivered and services are rendered and information about its non-current assets by geographical location of the assets are detailed below:

	Revenue from external customers			Non-current assets		
	2008	2009	2010	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong	1,475	2,280	80,562	81,921	79,521	77,324
The PRC	41,815	139,991	69,245	5,632	7,064	14,098
Algeria	–	–	75,736	–	–	–
Singapore	–	–	45,999	–	–	–
Russia	–	47,237	43,977	–	–	–
Dubai	–	–	31,351	–	–	–
Others[1]	–	29,301	41,238	–	–	–
Unallocated[2]	–	–	–	259,818	251,531	248,544
	43,290	218,809	388,108	347,371	338,116	339,966

Note: Non-current assets excluded pledged bank deposits.

1 Others represent aggregated revenue attributable to countries which individually contributes not more than 10% of the total revenue of the Group.

2 Unallocated represent goodwill and intangible assets allocated to a cash-generating unit of Unit A (defined in note 18) arose from acquisition of subsidiaries in a single transaction, which were incorporated or established in Hong Kong or the PRC. Details are set out in notes 17 and 18.

Information about major customers

Revenues from customers of the corresponding years individually contributing over 10% of the total sales of the Group are as follows:

	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*
Customer A	N/A[3]	N/A[3]	126,205
Customer B	N/A[3]	N/A[3]	75,736
Customer C	N/A[3]	47,237	43,393
Customer D	8,372	63,779	N/A[3]
Customer E	N/A[3]	22,830	N/A[3]
Customer F	18,193	N/A[3]	N/A[3]

All revenues from the above major customers are attributable to oilfield engineering and consultancy services.

3 The corresponding revenue did not contribute over 10% of the total sales of the Group.

Segment assets and liabilities

Information of the operating segments of the Group reported to the chief operating decision maker for the purposes of resource allocation and performance assessment does not include any assets and liabilities. Accordingly, no segment assets and liabilities are presented.

8. OTHER INCOME

	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*
Interest income from			
– available-for-sale investments	22,336	4,111	3
– investments held for trading	5,363	4,193	–
– bank balances and deposits with a financial institution	188	2,941	2,170
	27,887	11,245	2,173
Commission income	–	8,112	3,699
Other income	2,298	1,773	1,724
	30,185	21,130	7,596

9. FINANCE COSTS

	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*
Effective interest expense on convertible note	1,467	6,057	6,372
Interest on bank borrowings wholly repayable within five years	–	211	1,373
	1,467	6,268	7,745

10. (LOSS) PROFIT BEFORE TAX

	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*
(Loss) profit before tax has been arrived at after charging (crediting):			
Auditor's remuneration			
– current year	1,593	1,867	2,136
– underprovision in prior year	–	–	372
Release of prepaid lease payments for leasehold land	598	598	598
Amortisation of intangible assets	20,314	8,287	2,987
Impairment losses recognised on trade and other receivables	3,674	1,966	342
Cost of inventories sold	23,608	66,185	173,680
Depreciation of			
– property, plant and equipment	1,440	3,195	3,887
– investment property	107	108	109
Staff costs including directors' emoluments *(note)*	16,541	67,493	62,166
Due diligence expense on aborted acquisitions	16,152	5,174	–
Operating lease rentals in respect of land and buildings	240	2,933	2,177
Loss on disposal of property, plant and equipment	2	58	1,101
Impairment loss for club membership	461	–	–
Net exchange (gain) loss	(1,634)	20	(1,936)
Gross rental income from investment property	(1,475)	(2,280)	(2,280)
Less: direct operating expense from investment property that generated rental income during the year	635	806	551
	(840)	(1,474)	(1,729)

Note: The staff costs include share option expenses in 2008, 2009 and 2010 of HK$6,609,000, HK$16,062,000 and HK$3,553,000 respectively. The rental value of the Group's land and buildings provided as accommodation to certain directors of the Company as set out in note 11.

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 31 March 2008				
	Fees	Basic salaries, allowances and benefits-in-kind	Contributions to retirement benefit schemes	Share-based payment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
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
	400	7,354	88	6,609	14,451

	Year ended 31 March 2009				
	Fees	Basic salaries, allowances and benefits-in-kind	Contributions to retirement benefit schemes	Share-based payment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
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
	350	9,517	145	12,426	22,438

	Year ended 31 March 2010				
	Fees	**Basic salaries, allowances and benefits-in-kind**	**Contributions to retirement benefit schemes**	**Share-based payment**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors					
Mr. Lee Lap	–	3,320	–	–	3,320
Mdm. Leung Lai Ping	–	2,820	12	–	2,832
Mr. Wong Shiu Kee	–	1,500	75	–	1,575
Mr. Tommy Lee	–	1,040	52	–	1,092
Mr. Wang Jinlong	–	1,200	–	3,198	4,398
Independent non-executive directors					
Mr. Chan Siu Kang	100	–	–	–	100
Mr. Lo Yiu Hee	100	–	–	–	100
Mr. Tong Hin Wor	100	–	–	–	100
Non-executive directors					
Mr. Lee Ka Sze, Carmelo	100	–	–	–	100
Mr. Lee Wing Sing, Vincent	50	–	–	–	50
	450	9,880	139	3,198	13,667

During the year, the land and buildings of the Group with a rental value in 2008, 2009 and 2010 of HK$2,280,000, HK$2,280,000 and HK$2,640,000 respectively were provided as accommodation to certain directors of the Company 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 Group in 2008, 2009 and 2010, four are directors of the Company respectively, whose emoluments have been included above. The emoluments of the remaining one individual in 2008, 2009 and 2010 respectively are as follows:

	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Basic salaries, allowances and benefits-in-kind	347	963	1,793
Contributions to retirement benefit schemes	10	–	12
Share-based payment	–	3,636	355
	357	4,599	2,160

12. TAXATION

	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*
Current tax:			
Hong Kong Profits Tax	290	185	12,887
PRC Enterprise Income Tax	747	13,228	10,598
Other jurisdiction	–	1,341	–
	1,037	14,754	23,485
(Over)underprovision in prior years:			
Hong Kong Profits Tax	–	(5,636)	4,782
PRC Enterprise Income Tax	–	285	141
	–	(5,351)	4,923
Deferred tax *(note 30):*	(3,567)	1,638	1,031
	(2,530)	11,041	29,439

Hong Kong Profits Tax is calculated at 17.5% on estimated assessable profit for the year ended 31 March 2008.

On 26 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% of the estimated assessable profit for the years ended 31 March 2009 and 2010.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulations of the EIT Law, a PRC subsidiary of the Company, which was qualified as a High-New Technology Enterprise under old law or regulations, 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 PRC subsidiaries of the Company which were subject to a tax rate of 33% for the year ended 31 December 2007, the EIT Law and Implementation Regulations of the EIT Law have changed the tax rate from 33% to 25% from 1 January 2008 onwards.

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

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

	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*
(Loss) profit before tax	(30,376)	32,899	98,365
Tax at the applicable income tax rate of 25%	(10,024)	8,225	24,591
Tax effect of expenses not deductible for tax purpose	10,776	14,790	7,913
Tax effect of income not taxable for tax purpose	(6,141)	(6,029)	(1,049)
Tax effect of deductible temporary differences not recognised	264	–	–
Tax effect of tax losses not recognised	670	968	935
Utilisation of tax losses previously not recognised	(205)	–	(168)
(Over)underprovision in respect of prior years	–	(5,351)	4,923
Deferred tax on undistributed profits of a subsidiary established in the PRC	–	2,411	2,006
Effect of share of result of an associate	61	–	–
Tax effect of income tax on concessionary rate	1,492	(3,788)	(2,425)
Effect of different tax rates of subsidiaries operating in other jurisdictions	726	(1,575)	(6,607)
Others	(149)	1,390	(680)
Tax (credit) charge for the year	(2,530)	11,041	29,439

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

13. BASIC AND DILUTED (LOSS) EARNINGS PER SHARE

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

	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*
(Loss) profit for the year attributable to owners of the Company for the purposes of basic and diluted (loss) earnings per share	(20,848)	(6,629)	22,977

		Number of shares	
	'000	*'000*	*'000*
Weighted average number of ordinary shares for the purposes of basic and diluted earnings (loss) per share	1,780,180	1,957,643	1,957,643

The computation of diluted (loss) earnings per share does not assume the conversion of the Company's outstanding convertible note and the exercise of the Company's outstanding share options since the assumed conversion of convertible note would result in an increase in earnings per share/a decrease in loss per share and the exercise prices of the Company's share options were higher than the average market price for shares over the Relevant Periods.

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Machinery, moulds and equipment	Furniture, fixtures, equipment and leasehold improvements	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST					
At 1 April 2007	6,250	89	8,848	4,896	20,083
Additions	–	391	5,080	2,550	8,021
Acquired on acquisition of subsidiaries	–	1,403	–	1,227	2,630
Disposals	–	(5)	–	–	(5)
Exchange adjustment	–	66	–	52	118
At 31 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 31 March 2009	6,250	4,198	14,154	9,103	33,705
Additions	–	4,057	242	356	4,655
Acquired on acquisition of a subsidiary	–	1,404	94	764	2,262
Disposals	–	(335)	(1,345)	(82)	(1,762)
Exchange adjustment	–	49	12	22	83
At 31 March 2010	6,250	9,373	13,157	10,163	38,943
DEPRECIATION					
At 1 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 31 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 31 March 2009	1,975	843	8,475	5,274	16,567
Provided for the year	141	1,273	1,414	1,059	3,887
Disposals	–	(173)	(237)	(1)	(411)
Exchange adjustment	–	12	3	6	21
At 31 March 2010	2,116	1,955	9,655	6,338	20,064
CARRYING VALUES					
At 31 March 2008	4,417	1,743	6,843	4,397	17,400
At 31 March 2009	4,275	3,355	5,679	3,829	17,138
At 31 March 2010	4,134	7,418	3,502	3,825	18,879

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:

Buildings	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 and equipment and leasehold improvements	10% to 20%
Motor vehicles	15% to 18%

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

	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Buildings situated on leasehold interest in land in Hong Kong on:			
Long lease	3,592	3,482	3,372
Medium-term lease	825	793	762
	4,417	4,275	4,134

15. PREPAID LEASE PAYMENTS FOR LEASEHOLD LAND

	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
The Group's prepaid lease payments for leasehold land comprise:			
Leasehold land in Hong Kong on			
Long leases	63,935	63,422	62,909
Medium-term lease	3,338	3,253	3,168
	67,273	66,675	66,077
Analysed for reporting purposes as:			
Non-current	66,675	66,077	65,479
Current	598	598	598
	67,273	66,675	66,077

16. INVESTMENT PROPERTY

	Building
	HK$'000
COST	
At 1 April 2007, and 31 March 2008, 2009 and 2010	4,480
DEPRECIATION	
At 1 April 2007	895
Provided for the year	107
At 31 March 2008	1,002
Provided for the year	108
At 31 March 2009	1,110
Provided for the year	109
At 31 March 2010	1,219
CARRYING VALUES	
At 31 March 2008	3,478
At 31 March 2009	3,370
At 31 March 2010	3,261

The building is situated on land in Hong Kong with long lease. The Group's leasehold interest in land with the carrying amount of approximately HK$28,028,000, HK$27,803,000 and HK$27,579,000 at 31 March 2008, 2009 and 2010 respectively 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 life of 40 years.

The fair value of the Group's investment property at 31 March 2008, 2009 and 2010, which comprise leasehold interest in land and building, is HK$82,000,000, HK$60,000,000 and HK$84,000,000 respectively. The fair values as at 31 March 2008 and 2009 have been arrived at on the basis of a valuation carried out on those dates by DTZ Debenham Tie Leung Limited ("Debenham Tie Leung"). The fair value as at 31 March 2010 has been arrived at on the basis of a valuation carried out on that date by Vigers Appraisal & Consulting Limited ("Vigers"). Debenham Tie Leung and Vigers are members of the Institute of Valuers. The valuations were arrived at by reference to market evidence of transaction prices for similar properties in the same locations and conditions.

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

17. GOODWILL AND INTANGIBLE ASSETS

Goodwill

	HK$'000
At 1 April 2007	–
Arising on acquisition of subsidiaries *(note 34(a) and (b))*	243,318
At 1 April 2008 and 31 March 2009	243,318
Arising on acquisition of a subsidiary *(note 34(c))*	3,803
At 31 March 2010	247,121

The goodwill arose from the acquisition of subsidiaries during the year ended 31 March 2008 and during the year ended 31 March 2010 amounting to HK$243,318,000 and HK$3,803,000 respectively. Details of the acquisition of subsidiaries are set out in note 34. In the opinion of the directors of the Company, the goodwill represents the future economic benefits arising from the potential growth in these business acquired. Particulars regarding impairment testing on goodwill are set out in note 18.

Intangible assets

In relation to the acquisition of subsidiaries during the year ended 31 March 2008, a valuation report prepared by an independent qualified professional valuer, Vigers, showed 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 customer-related intangible assets, comprising mainly incomplete contracts at the date of acquisition, 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 Co., Limited ("Petro-king HK") and Petro-king Oilfield Technology Limited ("Petro-king SZ"). Such intangible assets are amortised on a straight-line basis over their estimated useful lives of four years.

The movements of these intangible assets are as follows:

	Customer-related intangible assets *HK$'000*	Intangible assets in relation to non-competition agreements *HK$'000*	Total *HK$'000*
COST			
At 1 April 2007	–	–	–
Acquired on acquisition of subsidiaries	24,867	11,947	36,814
At 31 March 2008, 2009 and 2010	24,867	11,947	36,814
AMORTISATION			
At 1 April 2007	–	–	–
Provided for the year	19,567	747	20,314
At 31 March 2008	19,567	747	20,314
Provided for the year	5,300	2,987	8,287
At 31 March 2009	24,867	3,734	28,601
Provided for the year	–	2,987	2,987
At 31 March 2010	24,867	6,721	31,588
CARRYING VALUES			
At 31 March 2008	5,300	11,200	16,500
At 31 March 2009	–	8,213	8,213
At 31 March 2010	–	5,226	5,226

18. IMPAIRMENT TEST ON GOODWILL

For the purposes of impairment testing, goodwill has been allocated to two individual cash generating units ("CGUs"), both are subsidiaries in the oilfield engineering and consultancy services segment. The carrying amounts of goodwill as at 31 March 2008, 2009 and 2010 respectively allocated to these units are as follows:

	2008 *HK$'000*	2009 *HK$'000*	2010 *HK$'000*
Petro-king HK and Petro-king SZ ("Unit A")	243,318	243,318	243,318
德州嘉誠石油裝備有限公司 ("德州嘉誠" or "Unit B") (Dezhou Jiacheng Oil Tools Company Limited*)	–	–	3,803
	243,318	243,318	247,121

During the year ended 31 March 2008, 2009 and 2010 respectively, the management of the Group determines that there is no impairment of the CGUs containing goodwill.

* *The English names are for identification purpose only*

The recoverable amounts of both Unit A and Unit B have been determined based on value in use calculations. The calculations use cash flow projections based on financial budgets approved by management. For the year ended 31 March 2008 and 2009, the cash flows beyond 6-year period were extrapolated using a steady growth rate of 2%. Discount rate of 12.2% was used. For the year ended 31 March 2010, the cash flows beyond 5-year period are extrapolated using a steady growth rate of 2% for both Unit A and Unit B. Discount rates of 14.0% and 12.2% are used for Unit A and Unit B. 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 CGUs' 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 amounts of the CGUs to exceed the aggregate recoverable amounts of the CGUs.

19. INVENTORIES

The inventories represent merchandise for oilfield engineering held by the Group.

20. TRADE AND OTHER RECEIVABLES

	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Trade receivables	74,256	133,721	117,775
Less: allowance for doubtful debts	(3,674)	(3,674)	(4,016)
	70,582	130,047	113,759
Other receivables	22,017	21,443	11,861
Less: allowance for doubtful debts	–	(1,966)	–
	22,017	19,477	11,861
	92,599	149,524	125,620

The Group allows an average credit period of 90 days after invoice date to most of its customers in respect of the oilfield engineering and consultancy services. The receivables from sales of properties and rental receivables are collected in accordance with the terms of the relevant agreements.

The following is an aged analysis of trade receivables (net of allowance for doubtful debts) presented based on the date of the transactions at the end of the reporting period.

	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
1-90 days	33,145	90,653	9,591
91-180 days	33,781	19,001	35,439
181-365 days	3,435	10,994	13,096
More than 1 year, but not exceeding 2 years	221	9,399	52,525
More than 2 years, but not more than 3 years	–	–	3,108
	70,582	130,047	113,759

Before accepting any new customers, the Group applies an internal credit assessment policy to assess the potential customer's credit quality and defines credit limits by customer. Management closely monitors the credit quality of trade receivables and considers that the trade receivables that are neither past due nor impaired to be of good credit quality since most counterparties are leaders in the oilfield industry with strong financial position and no history of defaults.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$37,437,000, HK$22,872,000 and HK$82,886,000 as at 31 March 2008, 2009 and 2010 respectively which are past due as at the end of the reporting period for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. The average age of these receivables is past due by 58 days, 253 days and 105 days as at 31 March 2008, 2009 and 2010 respectively.

Ageing of trade receivables which are past due but not impaired

	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
1-90 days	33,781	15,175	18,312
91-180 days	2,397	3,533	8,182
181-365 days	1,259	2,878	46,342
More than 1 year, but not exceeding 2 years	–	1,286	6,942
More than 2 years, but not more than 3 years	–	–	3,108
	37,437	22,872	82,886

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

Impairment losses in respect of trade and other receivables in which the corresponding counterparties are in financial difficulties are recorded using an allowance account unless the management considered 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:

	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Balance at the beginning of the year	–	3,674	5,640
Impairment losses recognised	3,674	1,966	342
Amount written off as uncollectible	–	–	(1,966)
Balance at the end of the year	3,674	5,640	4,016

21. AVAILABLE-FOR-SALE INVESTMENTS

The available-for-sale investments represented deposits in money market accounts which were managed by international financial institutions and were fully redeemed during the year ended 31 March 2010. Such money market funds were carried at their fair value at the end of the reporting period, determined based on quotation provided by the counterparty financial institutions. The money market funds carried interest at variable rates and the average effective interest rate for the year ended 31 March 2008, 2009 and 2010 was approximately 4.6%, 1.56% and 0.16% respectively.

22. INVESTMENTS HELD FOR TRADING

Investments held for trading represent investments in unlisted debt securities and listed equity securities in which are fully disposed of during the year ended 31 March 2009.

The debt securities, which mainly represented investments in corporate debts 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 31 March 2008 and 2009 was approximately 4.22%.

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

23. AMOUNTS DUE FROM RELATED PARTIES

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

Name of related party	1 April 2007	Year ended 31 March 2008	2009	2010	Maximum amount outstanding during the year ended 31 March 2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Zhao Jindong 趙錦棟	–	107	–	–	107	107	–
Zhang Xiaorui 張曉瑞	–	623	–	–	623	623	–
	–	730	–	–			

Mr. Zhao Jindong is a director of the Company's subsidiary. Ms. Zhang Xiaorui is a minority shareholder of the Company's subsidiary. The amounts due from related parties were unsecured, interest-free and repayable on demand.

24. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

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.

Pledged bank deposits and bank balances and cash, which comprise short-term bank deposits, carry interest at effective interest rates ranging from 0.01% to 2.65%, 0.1% to 2.8% and 0.01% to 0.36% in 2008, 2009 and 2010 respectively per annum.

Details of the pledged bank deposits are set out in note 36 (a to c).

25. TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

The following is an aged analysis of trade and other payables presented based on the invoice date at the end of the reporting period.

	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*
1-90 days	11,970	9,477	17,725
Over 90 days	21,974	16,025	5,339
Trade and other payables	33,944	25,502	23,064
Accrued charges	10,860	3,310	3,354
	44,804	28,812	26,418

The credit period on purchases of goods is ranged from 60 to 90 days for the years ended 31 March 2008, 2009 and 2010 respectively. The Group has financial risk management policies in place to ensure that all payables are settled within the credit time frame.

26. PROVISIONS

The provision represents management's best estimate of the costs and expenses required to discharge the 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(d). The timing of payment of 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 directors of the Company have beneficial interests in the related company.

28. CONVERTIBLE NOTE

On 31 December 2007, the date of completion of the acquisition of Petro-king HK and Petro-king SZ, the Company 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 the Company agreed to issue and King Shine agreed to subscribe for the convertible note 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, and therefore is classified as current liability as at 31 March 2010.

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 18 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 the Company the full repayment of the outstanding principal amount of any outstanding and unconverted convertible note 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.

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

	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*
Carrying amount at the beginning of the year	114,800	116,267	122,324
Interest charge	1,467	6,057	6,372
Carrying amount at the end of the year	116,267	122,324	128,696

29. BANK BORROWINGS

	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*
Bank overdrafts	–	–	3,318
Bank loans	–	21,705	30,430
	–	21,705	33,748
Secured	–	21,705	28,248
Unsecured	–	–	5,500
	–	21,705	33,748
Carrying amount repayable:			
Within one year	–	21,705	29,448
More than one year, but not exceeding two years	–	–	1,200
More than two years, but not more than five years	–	–	3,100
	–	21,705	33,748
Less: Amounts due within one year shown under current liabilities	–	(21,705)	(29,448)
	–	–	4,300

The bank borrowings carry variable-rate interest ranging from 3.28% to 4.54% and 2.29% to 4.54% per annum in 2009 and 2010 respectively.

Secured bank borrowings are secured by pledged deposit as set out in note 36(a) and guaranteed by a director of the Company and a minority shareholder of a non-wholly owned subsidiary of the Company as set out in note 38(d). They are denominated in US$, a currency other than the functional currency of the relevant group entity.

Unsecured bank borrowing is granted under the Special Loan Guarantee Scheme of the Hong Kong Special Administrative Region Government ("HKSARG"). It is guaranteed by HKSARG, a director of the Company and a minority shareholder of a non-wholly owned subsidiary of the Company as set out in note 38(d). It is denominated in HK$, the functional currency of the relevant group entity.

30. DEFERRED TAX LIABILITIES

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Deferred tax assets	–	–	(485)
Deferred tax liabilities	3,128	4,766	6,282
	3,128	4,766	5,797

The following are the major deferred tax liabilities and assets recognised and movements thereon during the Relevant Periods:

	Impairment of assets	**Accelerated tax depreciation**	**Undistributed profits of a subsidiary established in the PRC**	**Intangible assets**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2007	–	–	–	–	–
Acquisition of subsidiaries	–	–	–	6,695	6,695
Credit to profit or loss	–	–	–	(3,567)	(3,567)
At 31 March 2008	–	–	–	3,128	3,128
Charge (credit) to profit or loss	–	673	2,411	(1,446)	1,638
At 31 March 2009	–	673	2,411	1,682	4,766
(Credit) charge to profit or loss	(485)	86	2,006	(576)	1,031
At 31 March 2010	(485)	759	4,417	1,106	5,797

The Group has unused tax losses of HK$93,548,000, HK$94,219,000 and HK$95,022,000 as at 31 March 2008, 2009 and 2010 respectively available for offset against future profit as analysed as follows:

	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Carried forward to 31			
December 2008	3,339	–	–
December 2009	2,669	2,708	–
December 2010	2,570	2,608	2,573
December 2011	1,358	1,378	1,680
December 2012	2,856	2,898	2,985
December 2013	–	3,871	3,286
December 2014	–	–	3,742
Carried forward indefinitely	80,756	80,756	80,756
	93,548	94,219	95,022

No deferred tax asset had been recognised in respect of the unused tax losses as at 31 March 2008, 2009 and 2010 as it was uncertain whether sufficient taxable profits would be available to allow utilisation of the carrying forward tax losses.

At the end of the reporting period, deferred tax liabilities on temporary differences associated with undistributed profits of a subsidiary established in the PRC derived on or after 1 January 2008 amounting to HK$2,411,000 and HK$4,417,000 as at 31 March 2009 and 2010 respectively, has been recognised.

31. SHARE CAPITAL

	2008, 2009 & 2010	
	Number of shares	**Nominal value**
	'000	*HK$'000*
Ordinary shares of HK$0.08 each		
Authorised	2,800,000	224,000
Issued and fully paid		
At 1 April 2007	1,724,643	137,971
Shares issued	233,000	18,640
At 31 March 2008, 2009 and 2010	1,957,643	156,611

There is no movement in share capital during the two years ended 31 March 2010.

32. SHARE OPTIONS

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

On 25 February 2008, the Company granted 20,000,000 options to Mr. Wang Jinlong, a director and the chief executive officer of the Company, at an exercise price of HK$1.20 per share and in which 10,000,000 share options are exercisable during the period from 25 February 2008 to 24 February 2011 and the remaining 10,000,000 share options are exercisable during the period from 25 February 2009 to 24 February 2011, with estimated fair values per share amounting to HK$0.59 and HK$0.65 respectively.

On 28 March 2008, the Company granted 17,000,000 options under the 2006 ESOP to Mr. Wang Jinlong, at an exercise price of HK$1.25 per share and in which 5,666,666 share options are exercisable during the period from 28 March 2009 to 27 March 2018, 5,666,667 share options are exercisable during the period from 28 March 2010 to 27 March 2018, and the remaining 5,666,667 share options are exercisable during the period from 28 March 2011 to 27 March 2018, with estimated fair values per share of HK$0.60, HK$0.66 and HK$0.71 respectively.

On 29 May 2008, the Company granted 16,500,000 options under the 2006 ESOP to an employee of the Group, at an exercise price of HK$1.14 per share and in which 6,666,666 share options are exercisable during the period from 29 May 2009 to 28 May 2018, 6,666,667 share options are exercisable during the period from 29 May 2010 to 28 May 2018 and the remaining 3,166,667 share options are exercisable during the period from 29 May 2011 to 28 May 2018 with estimated fair values per share of HK$0.65, HK$0.71 and HK$0.75 respectively. During the year ended 31 March 2010, the employee resigned and those vested share options were forfeited accordingly.

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

Grant date	25 February 2008	28 March 2008	29 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 the Company's share options during the year and the preceding year:

Date granted	Outstanding at 1 April 2007	Granted during the year	Outstanding at 1 April 2008	Granted during the year	Outstanding at 31 March 2009	Forfeited during the year	Outstanding at 31 March 2010
Mr. Wang Jinlong							
25 February 2008	–	20,000,000	20,000,000	–	20,000,000	–	20,000,000
28 March 2008	–	17,000,000	17,000,000	–	17,000,000	–	17,000,000
	–	37,000,000	37,000,000	–	37,000,000	–	37,000,000
An employee							
29 May 2008	–	–	–	16,500,000	16,500,000	(16,500,000)	–
	–	37,000,000	37,000,000	16,500,000	53,500,000	(16,500,000)	37,000,000
Exercisable at the end of the year			10,000,000		25,666,666		31,333,333
Weighted average exercise price		HK$1.22	HK$1.22	HK$1.14	HK$1.20	HK$1.14	HK$1.22

33. RESERVES

Details of the reserves of the Group are disclosed in the consolidated statement of changes in equity on page I-11.

The directors do not recommend the payment of a dividend in 2008, 2009 and 2010.

34. ACQUISITION OF SUBSIDIARIES

(a) On 10 October 2007, the Group entered into various agreements, pursuant to which the Group acquired 51% of the equity interests of Petro-king HK and Petro-king SZ 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.

The Group has obtained profit guarantee from the vendors whereby the Group 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 SZ for the two years ended 31 December 2008 was less than RMB100 million. The profit guarantee amounts have been met.

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

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

	Acquiree's carrying amount at acquisition date	Fair value adjustments	Acquiree's fair value at acquisition date
	HK$'000	*HK$'000*	*HK$'000*
Net assets acquired:			
Property, plant and equipment	2,558	–	2,558
Interest in an associate	550	–	550
Intangible assets *(note 17)*	–	36,814	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)	(6,695)
	53,631	30,119	83,750
Minority interest			(41,038)
Goodwill			243,275
Total consideration			285,987
Satisfied by:			
Cash			285,987
Net cash outflow arising on acquisition:			
Cash consideration paid			285,987
Bank balances and cash acquired			(8,147)
			277,840

The acquired subsidiaries resulted approximately HK$14,955,000 loss to the Group for the period between the date of acquisition and 31 March 2008.

If the acquisition had been completed on 1 April 2007, total revenue of the Group for the year would have been approximately HK$150,737,000 (unaudited), and profit for the year would have been approximately HK$13,880,000 (unaudited). The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2007, nor is it intended to be a projection of future results.

(b) On 30 March 2008, Petro-king SZ 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 the Company. Before the acquisition of additional interest in Petro-king BJ, Petro-king SZ had 48% interest in Petro-king BJ.

Petro-king BJ is a limited liability company established in the PRC on 3 April 2006 with a registered capital of RMB2,000,000.

	Acquiree's carrying amount and fair value at acquisition date
	HK$'000
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
Total consideration	449
Satisfied by:	
Cash	67
Transfer from investment in an associate	382
	449
Net cash inflow arising on acquisition:	
Cash consideration paid	449
Bank balances and cash acquired	(1,454)
	(1,005)

The acquired subsidiary did not contribute to the results of the Group for the period between the date of acquisition and 31 March 2008.

If the acquisition had been completed on 1 April 2007, total revenue of the Group for the year would have been approximately HK$52,634,000 (unaudited), and loss for the year would have been approximately HK$27,455,000 (unaudited). The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2007, nor is it intended to be a projection of future results.

(c) Pursuant to an agreement entered into between Petro-king SZ, a 51% indirect subsidiary of the Company and third parties on 2 April 2009, Petro-king SZ acquired 100% equity interest of德州嘉誠 (Dezhou Jiacheng Oil Tools Company Limited*), a company engaging in manufacture of oil drilling tools, at a total consideration of RMB6,150,000 (equivalent to approximately HK$6,952,000). The acquisition was completed on 1 May 2009.

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

	Acquiree's carrying amount and fair value at acquisition date
	HK$'000
Net assets acquired:	
Property, plant and equipment	2,262
Inventories	1,476
Trade and other receivables	58
Deposits and prepayments	135
Bank balances and cash	109
Trade and other payables and accrued charges	(891)
	3,149
Goodwill	3,803
Total consideration	6,952
Satisfied by:	
Cash	6,274
Consideration payable	678
	6,952
Net cash outflow arising on acquisition:	
Cash consideration paid	6,274
Bank balances and cash acquired	(109)
	6,165

The acquired subsidiary resulted approximately HK$957,000 loss to the Group for the period between the date of acquisition and 31 March 2010.

If the acquisition had been completed on 1 April 2009, total revenue of the Group for the year would remain as approximately HK$388,108,000 (unaudited), and profit for the year would have been approximately HK$68,879,000 (unaudited). The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2009, nor is it intended to be a projection of future results.

* *The English names are for identification purpose only*

35. OPERATING LEASE COMMITMENTS

The Group as lessor

As at 31 March 2008, 2009 and 2010, the Group's investment property and related prepaid lease payments for leasehold land with aggregate carrying amounts of HK$31,506,000, HK$31,173,000 and HK$30,840,000 respectively and certain properties held for sale with carrying amounts of HK$42,864,000, HK$44,948,000 and HK$29,850,000 respectively were let out under operating leases. All of the properties leased out have committed tenants for the next one to three years.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*
Within one year	2,816	3,030	2,282
In the second to fifth years inclusive	2,319	2,182	–
Over five years	1,186	–	–
	6,321	5,212	2,282

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*
Within one year	862	3,270	2,606
In the second to fifth years inclusive	2,986	6,081	2,807
	3,848	9,351	5,413

Operating lease payments represent rentals payable by the Group for office premises and warehouses. These are negotiated and rentals are fixed for a period 1 to 5 years in 2008, 2009 and 2010 respectively.

36. PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

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

(a) Bank deposits of HK$3,121,000 and HK$3,106,000 respectively were pledged as at 31 March 2009 and 2010 and floating charge over trade receivables of certain customers of the Group not exceeding RMB37,500,000 (equivalent to approximately HK$42,731,000) were arranged as at 31 March 2010 to secure the credit facilities granted to the Group. Such bank deposits have been charged to secure short-term bank borrowings and are therefore classified as current assets.

(b) As at 31 March 2010 bank deposits of HK$9,705,000 were pledged to obtain irrecoverable letters of guarantee amounted to US$1,250,000 (equivalent to approximately HK$9,705,000) for tenders which are expected to be completed within one year from the end of the reporting period. Therefore, such bank deposits are classified as current assets.

(c) Guarantees were issued to banks by the Group in respect of mortgage loans granted to property purchasers by banks amounted to approximately HK$140,000, HK$119,000 and HK$95,000 as at 31 March 2008, 2009 and 2010 respectively and, in this connection, the Group's bank deposits of HK$2,034,000, HK$2,034,000 and HK$2,034,000 as at 31 March 2008, 2009 and 2010 respectively were pledged to the banks as security. The guarantees provided would be released upon delivering the building ownership certificate of the respective property by the customers to the banks 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.

(d) In connection with the disposal of the subsidiaries engaged in the business of manufacture and sale of printed circuit boards in 1999, the 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 Group received notification from the purchaser raising claims against the 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 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 Group in excess of the amounts already provided for in the Financial Information.

37. RETIREMENT BENEFIT PLANS

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

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

The total cost charged to profit or loss of HK$206,000, HK$837,000 and HK$1,077,000 represents contributions payable to these schemes by the Group in 2008, 2009 and 2010 respectively.

38. RELATED PARTY TRANSACTIONS

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

(a) Pursuant to the tenancy agreements entered into between Panda Investment Company Limited ("Panda Investment") and the Group, the Group leased certain office premises and warehouses from Panda Investment during the year at the agreed rental of HK$240,000, HK$240,000 and HK$240,000 per annum in 2008, 2009 and 2010 respectively. Certain directors of the Company held beneficial interests in Panda Investment.

(b) At 31 March 2008, 2009 and 2010, the Group had an amount of approximately HK$405,000, HK$2,092,000 and HK$1,992,000 respectively 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 directors of the Company, and the Group, the Group leased its land and building to Mr. Lee Wing Keung for a period of 3 years commencing from 16 March 2008 at the monthly rental of HK$190,000. The rental income recognised during the year is HK$1,475,000, HK$2,280,000 and HK$2,280,000 in 2008, 2009 and 2010 respectively.

(d) A director of the Company and a minority shareholder of a non-wholly owned subsidiary act as guarantors of the secured bank borrowings of the Group for each of US$1,617,000 and US$1,617,000 (equivalent to approximately HK$12,553,000 and HK$12,554,000) in 2009 and 2010 respectively and unsecured bank borrowing of the Group for each of HK$5,880,000 in 2010.

(e) The compensation of key management personnel paid or payable by the Group in respect of each year during the Relevant Periods, substantially all of which comprised short term benefits and share-based payments attributable to the directors of the Company, amounted to HK$14,451,000, HK$22,438,000 and HK$13,667,000 in 2008, 2009 and 2010 respectively, 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.

39. EVENT AFTER THE REPORTING PERIOD

On 3 September 2010, Termbray Petro-king Oilfield Services (BVI) Limited, a non-wholly owned subsidiary of the Company, T.C.L. Industries Holdings (H.K.) Limited (the "Investor"), King Shine Group Limited, the minority interest of the Group, and Termbray Natural Resources Company Limited, a wholly owned subsidiary of the Company, entered into the subscription agreement, pursuant to which Termbray Petro-king Oilfield Services (BVI) Limited and the Investor have agreed that Termbray Petro-king Oilfield Services (BVI) Limited shall allot and issue and the Investor shall subscribe for 1,000 subscription shares for a consideration of RMB88,800,000 payable in US dollars.

The subscription which involves the Investor acquiring interest in Termbray Petro-king Oilfield Services (BVI) Limited constitutes deemed disposal of the Company's equity interest in a subsidiary of the Company by 5.1%. Thereafter, Termbray Petro-king Oilfield Services (BVI) Limited will cease to be a subsidiary of Termbray Natural Resources Company Limited with 51% equity interest and becomes its associate with 45.9% equity interest. The Group will continue its investment in the oilfield engineering and consultancy services segment by sharing the results of Termbray Petro-king Oilfield Services (BVI) Limited and its subsidiaries. The subscription is subject to approval by the shareholders of the Company to be convened.

(i) Included below are the assets and liabilities related to Termbray Petro-king Oilfield Services (BVI) Limited and its subsidiaries as at 31 March 2008, 2009 and 2010 which have been included in the consolidated statements of financial position of the Group:

		As at 31 March	
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets			
Property, plant and equipment	4,295	5,678	10,147
Goodwill	243,318	243,318	247,121
Intangible assets	16,500	8,213	5,226
	264,113	257,209	262,494
Current assets			
Inventories	16,926	38,419	44,743
Trade and other receivables	85,123	144,530	125,065
Deposits and prepayments	–	283	16,299
Taxation recoverable	123	2,871	490
Amounts due from fellow subsidiaries	–	17	2
Amounts due from related parties	730	–	–
Pledged bank deposits	–	3,121	12,811
Bank balances and cash	18,620	6,479	86,145
	121,522	195,720	285,555

	As at 31 March		
	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*
Current liabilities			
Trade and other payables and accrued charges	37,294	25,098	20,699
Deposits received	–	–	8,049
Amount due to shareholders	243,482	243,455	243,455
Amount due to a director	6,465	23,967	–
Amounts due to minority shareholders	18,103	–	–
Taxation payable	6,776	4,301	12,016
Bank borrowings	–	21,705	29,448
	312,120	318,526	313,667
Net current liabilities	(190,598)	(122,806)	(28,112)
Total assets less current liabilities	73,515	134,403	234,382
Non-current liabilities			
Bank borrowings	–	–	4,300
Deferred tax liabilities	3,128	4,093	5,038
	3,128	4,093	9,338
Net assets	70,387	130,310	225,044
Net assets (liabilities) attributable to minority interests	390	(72)	(542)

(ii) Included below are the income and expenses related to Termbray Petro-king Oilfield Services (BVI) Limited and its subsidiaries during the Relevant Periods which have been included in the consolidated statements of comprehensive income of the Group:

	For the period/year ended 31 March		
	2008*	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Revenue	37,091	215,278	382,408
Cost of goods sold and services rendered	(27,081)	(103,907)	(197,308)
Gross profit	10,010	111,371	185,100
Other income	49	8,924	5,332
Other gains and losses	544	696	561
Selling and distribution expenses	(3,853)	(19,765)	(46,693)
Administrative expenses	(24,240)	(31,699)	(19,546)
Share of result of an associate	(185)	–	–
Finance costs	–	(211)	(1,373)
(Loss) profit before tax	(17,675)	69,316	123,381
Taxation	2,660	(10,353)	(29,117)
(Loss) profit for the year	(15,015)	58,963	94,264
Other comprehensive income			
Exchange differences arising from translation of financial statements of foreign operations	1,260	960	470
Total comprehensive income for the year	(13,755)	59,923	94,734
(Loss) profit for the year attributable to:			
Owners of Termbray Petro-king Oilfield Services (BVI) Limited	(15,015)	59,432	94,733
Minority interests	–	(469)	(469)
	(15,015)	58,963	94,264
Total comprehensive income attributable to:			
Owners of Termbray Petro-king Oilfield Services (BVI) Limited	(13,755)	60,385	95,204
Minority interests	–	(462)	(470)
	(13,755)	59,923	94,734

* The income and expenses related to Termbray Petro-king Oilfield Services (BVI) Limited and its subsidiaries represented their results for the period from the date of acquisition by the Group as at 31 December 2007 to 31 March 2008.

(iii) Included below are the cash flows related to Termbray Petro-king Oilfield Services (BVI) Limited and its subsidiaries during the Relevant Periods which have been included in the consolidated statements of cash flows of the Group:

	For the period/year ended 31 March		
	2008*	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Operating Activities			
(Loss) profit before taxation	(17,675)	69,316	123,381
Adjustment for:			
Depreciation of property, plant and equipment	238	1,352	2,060
Share of result of an associate	185	–	–
Amortisation of intangible assets	20,314	8,287	2,987
Finance costs	–	211	1,373
Loss on disposal of property, plant and equipment	2	58	–
Interest income	(14)	(94)	(41)
Net exchange gain	(546)	(637)	(561)
Operating cash flow before movements in working capital	2,504	78,493	129,199
Increase in inventories	(2,189)	(21,245)	(4,524)
Decrease (increase) in trade and other receivables	3,515	(58,153)	20,610
Increase in deposits and prepayments	–	(283)	(15,881)
(Increase) decrease in amounts due from related parties	(730)	730	–
(Increase) decrease in amounts due from fellow subsidiaries	–	(17)	15
Decrease in trade and other payables and accrued charges	(12,277)	(12,196)	(6,154)
Increase in deposits received	–	–	8,049
Cash (used in) generated from operations	(9,177)	(12,671)	131,314
Income taxes paid	(4,978)	(14,611)	(18,084)
Interest paid	–	(211)	(1,373)
Net cash (used in) from operating activities	(14,155)	(27,493)	111,857
Investing activities			
Net cash inflow (outflow) from acquisition of subsidiaries	1,387	–	(6,165)
Interest received	14	94	41
Placement of pledged bank deposits	–	(3,121)	(9,690)
Purchase of property, plant and equipment	(1,820)	(2,817)	(4,447)
Proceeds on disposal of property, plant and equipment	–	87	243
Repayments from an associate	2,646	–	–
Net cash from (used in) investing activities	2,227	(5,757)	(20,018)

	For the period/year ended 31 March		
	2008*	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Financing activities			
New secured bank borrowings raised	–	28,821	80,978
Repayments of secured bank borrowings	–	(7,116)	(72,272)
Bank overdrafts raised	–	–	3,318
Repayments to immediate holding company	(1,635)	(27)	–
Advances from (repayments to) a director	6,465	17,502	(23,967)
Advances from (repayments to) minority shareholders	18,103	(18,103)	–
Net cash from (used in) financing activities	22,933	21,077	(11,943)
Net increase (decrease) in cash and cash equivalents	11,005	(12,173)	79,896
Cash and cash equivalents at beginning of the year	8,295	18,620	6,479
Effect of foreign exchange rate changes	(680)	32	(230)
Cash and cash equivalent at end of the year	18,620	6,479	86,145

* The cash flows related to Termbray Petro-king Oilfield Services (BVI) Limited and its subsidiaries represented their cash flows for the period from the date of acquisition by the Group as at 31 December 2007 to 31 March 2008.

40. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group, the Company or any of the companies comprising the Group in respect of any period subsequent to 31 March 2010.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

II. MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

For the year ended 31 March 2010 verses for the year ended 31 March 2009

Results

For the year ended 31 March 2010, the Group achieved a turnover of HK$388,108,000 and recorded a profit for the year of HK$68,926,000 and profit attributable to owners of the Company of HK$22,977,000 compared with the turnover of HK$218,809,000 and profit for the year of HK$21,858,000 and loss attributable to equity holders of the Company of HK$6,629,000 recorded for the year ended 31 March 2009.

Segment Information

An analysis of the Group's revenue for the year ended 31 March 2010 is as follows:

	2010	**2009**
	HK$'000	*HK$'000*
Sale of equipment	285,525	146,597
Sales of properties	385	367
Rental income	5,315	6,153
Consultancy services income	96,883	65,692
	388,108	218,809

The Group has adopted HKFRS 8 with effect from 1 April 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor Standard (HKAS 14 "Segment Reporting") required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has resulted in a redesignation of the Group's operating segments as compared with the primary segments determined in accordance with HKAS 14 and change in the basis of measurement of segment profit or loss. In prior year, segment profit reported externally represented the profit earned by each segment without allocation of interest income, sundry income, unallocated corporate expenses, share option expense, due diligence expense on aborted acquisitions, finance costs and taxation. In contrast, segment profit reported to the chief operating decision maker, the executive directors of the Company, represents the profit earned by each segment without allocation of unallocated other income, unallocated expenses, share option expense, losses arising from changes in fair value of investments held for trading, effective interest expense on convertible note and corporate income tax credit.

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 for the purposes of resource allocation and performance assessment focuses more specifically on the two principal operating segments of the Group, namely property investment and development which involved property leasing and sales of properties, and oilfield engineering and consultancy services which involved sale of equipment and provision of consultancy services on well drilling.

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

(A) Segment revenues and results

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

	Revenue		**Segment profit**	
	2010	**2009**	**2010**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Property investment and development	5,700	6,520	3,067	4,100
Oilfield engineering and consultancy services	382,408	212,289	94,571	60,637
	388,108	218,809	97,638	64,737
Unallocated other income *(note 1)*			2,039	11,039
Unallocated expenses			(20,856)	(31,226)
Share option expense			(3,553)	(16,062)
Losses arising from change in fair value of investments held for trading			–	(573)
Effective interest expense on convertible note			(6,372)	(6,057)
Corporate income tax credit			30	–
Profit for the year			68,926	21,858

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

The accounting policies of the operating segments are the same as the Group's accounting policies described on page I-16 in note 3 to the Financial Information in this circular. Segment profit represents the profit earned by each segment without allocation of unallocated other income, unallocated expenses, share option expense, losses arising from changes in fair value of investments held for trading, effective interest expense on convertible note and corporate income tax credit. This is the measure reported to the chief operating decision maker of the Group for the purposes of resource allocation and performance assessment.

(B) Geographical information

The Group's revenue from external customers by location where the goods are delivered and services are rendered are detailed below:

	Revenue from external customers	
	2010	**2009**
	HK$'000	*HK$'000*
Hong Kong	80,562	2,280
The PRC	69,245	139,991
Algeria	75,736	–
Singapore	45,999	–
Russia	43,977	47,237
Dubai	31,351	–
Others[1]	41,238	29,301
	388,108	218,809

Note:

(1) Others represent aggregated revenue attributable to countries which individually contributes not more than 10% of the total revenue of the Group.

Liquidity and Financial Resources

The Group remains cash-rich and no material capital expenditure commitments. The operations are financed by capital and reserves, convertible note and bank borrowings.

The convertible note of HK$133,692,000 issued to King Shine in 2007 are non-interest bearing and have a tenor of 3 years to be matured on 31 December 2010. The noteholder shall have the right to convert the notes into ordinary shares of the Company, at the initial conversion price (subject to adjustments) of HK$1.20 per conversion share, at any time and from time to time during the period commencing from 1 July 2009 up to 31 December 2010. On the maturity date, the noteholder shall be entitled to demand from the Company the full repayment of the outstanding principal amount of any outstanding and unconverted convertible notes (if any) in cash.

As at 31 March 2010, the Group has obtained bank borrowings facility of HK$69,477,000 (2009: HK$23,253,000), out of which, HK$33,748,000 (2009: HK$21,705,000) are utilized. The utilized bank borrowings of HK$29,448,000 (2009: HK$21,705,000) are repayable within one year, HK$1,200,000 (2009: Nil) are repayable more than one year but not exceeding two years, HK$3,100,000 (2009: Nil) are repayable more than two years but not more than five years. The bank borrowings carry interest at variable-rates ranging from 2.29% to 4.54% (2009: 3.28% to 4.54%) per annum. The Group's bank borrowings are denominated in United States dollar and HK dollars. As at 31 March 2010, the gearing ratio, expressed as a percentage of total borrowings (including convertible note and bank borrowings) over total equity, was 12.9% (31 March 2009: 12.1%).

Bank balances and cash amounted to HK$825,367,000 and accounted for 72.12% of total current assets.

Exchange risk of the Group is not significant as the tangible assets of the Group comprise substantially of cash denominated in HK dollars. No financial instrument is needed for hedging purposes in respect of interest rate and currency.

Capital Structure

As at 31 March 2010, the Group's operations were financed by capital and reserves, convertible note and bank borrowings, as summarized below.

		As at 31 March	
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Reserves	955,639	967,485	994,192
Share capital	156,611	156,611	156,611
Convertible note	116,267	122,324	128,696
Bank borrowings	–	21,705	33,748
Total	**1,228,517**	**1,268,125**	**1,313,247**

Order Book

As at 31 March 2010, the outstanding orders on hand for oilfield engineering and consultancy services is approximately HK$686,895,000 (2009: HK$153,475,000).

Staff and Emolument Policy

As at 31 March 2010, the Group employed 205 staff at market remunerations with staff benefits such as insurance, provident fund scheme, discretionary bonus and share option scheme.

The emolument policy regarding the employees of the Group is based on their merit, qualifications and competence. The emoluments of the directors are reviewed by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics. No director, or any of his associates, and executive is involved in dealing his own remuneration. The Company has a share option scheme as an incentive to directors and eligible employees.

For the year ended 31 March 2009 verses for the year ended 31 March 2008

Results

For the year ended 31 March 2009, the Group achieved a turnover of HK$218,809,000 and recorded a profit for the year of HK$21,858,000 and loss attributable to equity holders of HK$6,629,000 compared with the turnover of HK$43,290,000 and loss for the year of HK$27,846,000 and loss attributable to equity holders of the Company of HK$20,848,000 recorded for the year ended 31 March 2008.

Segment Information

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

	2009	**2008**
	HK$'000	*HK$'000*
Sale of goods	146,597	31,931
Sales of properties	367	–
Rental income	6,153	6,199
Service income	65,692	5,160
	218,809	43,290

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

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

(A) Business segments

	Property development and investment		Oilfield engineering and consultancy services			
	Property development	**Property investment**	**Engineering projects**	**Provision of consultancy service on well drilling**	**Unallocated**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2009						
Revenue	4,240	2,280	146,597	65,692	–	218,809
Result						
Segment result	1,593	1,474	66,945	20,762	–	90,774
Unallocated other income *(note)*					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)
Profit for the year						21,858

	Property development and investment		Oilfield engineering and consultancy services			
	Property development	Property investment	Engineering projects	Provision of consultancy service on well drilling	Unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
			(Restated)	(Restated)	(Restated)	(Restated)
2008						
Revenue	4,724	1,475	31,931	5,160	–	43,290
Result						
Segment result	(2,051)	840	(13,460)	(4,203)	–	(18,874)
Unallocated other income *(note)*					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
Loss for the year						(27,846)

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

(B) Geographical segments

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

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

Liquidity and Financial Resources

The Group remains cash-rich and has no material capital expenditure commitments. The operations are mainly financed by shareholders' funds, convertible note and short-term bank borrowings.

The convertible note of HK$133,692,000 issued to King Shine in 2007 are non-interest bearing and have a tenor of 3 years to be matured on 31 December 2010. The noteholder shall have the right to convert the note into ordinary shares of the Company, at the initial conversion price (subject to adjustments) of HK$1.20 per conversion share, at any time and from time to time during the period commencing from 1 July 2009 up to 31 December 2010. On the maturity date, the noteholder shall be entitled to demand from the Company the full repayment of the outstanding principal amount of any outstanding and unconverted convertible note (if any) in cash.

As at 31 March 2009, the Group has obtained secured bank borrowings facility of HK$23,253,000, Out of which, HK$21,705,000 (2008: Nil) are utilised and are repayable within one year and carry at fixed-rates ranging from 3.28% to 4.54% (2008: Nil) per annum. The Group's secured bank borrowings are denominated in United States currency. As at 31 March 2009, the gearing ratio, expressed as a percentage of total borrowings (including convertible note and bank borrowings) over total equity, was 12.1% (31 March 2008: 10.1%).

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

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

Capital Structure

As at 31 March 2009, the Group had no long term bank borrowings and its operations were financed by shareholders' funds, convertible note and short term secured bank borrowings, as summarized below.

	As at 31 March		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Reserves	684,092	955,639	967,485
Share capital	137,971	156,611	156,611
Convertible note	–	116,267	122,324
Bank borrowings	–	–	21,705
Total	**822,063**	**1,228,517**	**1,268,125**

Order Book

As at 31 March 2009, the outstanding orders on hand for oilfield engineering and consultancy services is approximately HK$153,475,000 (2008: HK$80,000,000).

Staff and Emolument Policy

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

The emolument policy regarding the employees of the Group is based on their merit, qualifications and competence. The emoluments of the directors are reviewed by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics. No director, or any of his associates, and executive is involved in dealing his own remuneration. The Company has a share option scheme as an incentive to directors and eligible employees.

III. MANAGEMENT DISCUSSION AND ANALYSIS OF THE REMAINING GROUP

The following information is the management discussion and analysis of the Remaining Group for each of the three year ended 31 December 2010.

For the year ended 31 March 2010

Financial Review

For the year ended 31 March 2010, the Remaining Group achieved a turnover of HK$5.7 million and recorded a profit for the year of HK$17.9 million and profit attributable to owners of the Company of HK$17.9 million. The turnover was mainly attributed by the rental income from Ever Success Plaza. Ever Success Plaza is comprised of over 440 residential units standing on 3 levels of commercial arcades and car parks, is located at a convenient and prime location with a river view in Zhongshan, Guangdong Province.

Liquidity and Financial Resources

The Remaining Group remains cash-rich with no banking facilities and no material capital expenditure commitments as at 31 March 2010. The operations are financed by capital and reserves and convertible notes.

The convertible note of HK$133,692,000 issued to King Shine in 2007 are non interest bearing and have a tenor of 3 years to be matured on 31 December 2010. The noteholder shall have the right to convert the notes into ordinary shares of the Company, at the initial conversion price (subject to adjustments) of HK$1.20 per conversion share, at any time and from time to time during the period commencing from 1 July 2009 up to 31 December 2010. On the maturity date, the noteholder shall be entitled to demand from the Company the full repayment of the outstanding principal amount of any outstanding and unconverted convertible notes (if any) in cash.

The gearing ratio, expressed as a percentage of total borrowings (including convertible notes) over total equity, was 11.2% as at 31 March 2010.

Bank balances and cash amounted to HK$739.2 million as at 31 March 2010.

Exchange risk of the Remaining Group is not significant as the tangible assets of the Remaining Group comprise substantially of cash denominated in HK dollars. No financial instrument is needed for hedging purposes in respect of interest rate and currency.

Pledge on Assets

The Remaining Group has executed guarantees to banks in respect of mortgage loans granted to property purchasers by banks. Such facilities utilised as at 31 March 2010 amounted to approximately HK$95,000 and, in this connection, the bank deposits of the Remaining Group of approximately HK$2.0 million were pledged to banks as security.

Contingent Liabilities

In connection with the disposal in 1999 of the certain subsidiaries engaged in the business of manufacture and sale of printed circuit boards, the Remaining 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 Remaining Group received notification from the purchaser raising claims against the Remaining 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 Remaining 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 Remaining Group in excess of HK$3,173,000.

Staff and Emolument Policy

As at 31 March 2010, the Remaining Group employed 47 staff at market remunerations with staff benefits such as insurance, provident fund scheme, discretionary bonus and share option scheme.

The emolument policy regarding the employees of the Remaining Group is based on their merit, qualifications and competence. The emoluments of the directors are reviewed by the Remuneration Committee, having regard to the Remaining Group's operating results, individual performance and comparable market statistics. No director, or any of his associates, and executive is involved in dealing his own remuneration. The Remaining Group has a share option scheme as an incentive to directors and eligible employees.

For the year ended 31 March 2009

Financial Review

For the year ended 31 March 2009, the Remaining Group achieved a turnover of HK$6.5 million and recorded a loss for the year of HK$10.0 million and loss attributable to owners of the Company of HK$10.0 million. The turnover was mainly attributed by the rental income from Ever Success Plaza.

Liquidity and Financial Resources

The Remaining Group remains cash-rich with no banking facilities and no material capital expenditure commitments as at 31 March 2009. The operations are financed by capital and reserves and convertible notes.

The convertible note of HK$133,692,000 issued to King Shine in 2007 are non interest bearing and have a tenor of 3 years to be matured on 31 December 2010. The noteholder shall have the right to convert the notes into ordinary shares of the Company, at the initial conversion price (subject to adjustments) of HK$1.20 per conversion share, at any time and from time to time during the period commencing from 1 July 2009 up to 31 December 2010. On the maturity date, the noteholder shall be entitled to demand from the Company the full repayment of the outstanding principal amount of any outstanding and unconverted convertible notes (if any) in cash.

The gearing ratio, expressed as a percentage of total borrowings (including convertible notes and bank borrowings) over total equity, was 10.9% as at 31 March 2009.

Bank balances and cash amounted to HK$738.5 million as at 31 March 2009.

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

Pledge on Assets

The Remaining Group has executed guarantees to banks in respect of mortgage loans granted to property purchasers by banks. Such facilities utilised as at 31 March 2009 amounted to approximately HK$119,000 and, in this connection, the bank deposits of the Remaining Group of approximately HK$2.0 million were pledged to banks as security.

Contingent Liabilities

In connection with the disposal in 1999 of the certain subsidiaries engaged in the business of manufacture and sale of printed circuit boards, the Remaining 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 Remaining Group received notification from the purchaser raising claims against the Remaining 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 Remaining 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 Remaining Group in excess of HK$3,173,000.

Staff and Emolument Policy

As at 31 March 2009, the Remaining Group employed 64 staff at market remunerations with staff benefits such as insurance, provident fund scheme, discretionary bonus and share option scheme. The emolument policy regarding the employees of the Remaining Group is based on their merit, qualifications and competence. The emoluments of the directors are reviewed by the Remuneration Committee, having regard to the Remaining Group's operating results, individual performance and comparable market statistics. No director, or any of his associates, and executive is involved in dealing his own remuneration. The Remaining Group has a share option scheme as an incentive to directors and eligible employees.

For the year ended 31 March 2008

Financial Review

For the year ended 31 March 2008, the Remaining Group achieved a turnover of HK$6.2 million and recorded a loss for the year of HK$19.7 million and loss attributable to owners of the Company of HK$19.7 million. The turnover was mainly attributed by the rental income from Ever Success Plaza.

Liquidity and Financial Resources

The Remaining Group remains cash-rich with no banking facilities and no material capital expenditure commitments as at 31 March 2008. The operations are financed by capital and reserves and convertible notes.

The convertible note of HK$133,692,000 issued to King Shine in 2007 are non interest bearing and have a tenor of 3 years to be matured on 31 December 2010. The noteholder shall have the right to convert the notes into ordinary shares of the Company, at the initial conversion price (subject to adjustments) of HK$1.20 per conversion share, at any time and from time to time during the period commencing from 1 July 2009 up to 31 December 2010. On the maturity date, the noteholder shall be entitled to demand from the Company the full repayment of the outstanding principal amount of any outstanding and unconverted convertible notes (if any) in cash.

The gearing ratio, expressed as a percentage of total borrowings (including convertible notes and bank borrowings) over total equity, was 10.5% as at 31 March 2008.

Bank balances and cash amounted to HK$22.3 million as at 31 March 2008.

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

Pledge on Assets

The Remaining Group has executed guarantees to banks in respect of mortgage loans granted to property purchasers by banks. Such facilities utilised as at 31 March 2008 amounted to approximately HK$140,000 and, in this connection, the bank deposits of the Remaining Group of approximately HK$2.0 million were pledged to banks as security.

Contingent Liabilities

In connection with the disposal in 1999 of the certain subsidiaries engaged in the business of manufacture and sale of printed circuit boards, the Remaining 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 Remaining Group received notification from the purchaser raising claims against the Remaining 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 Remaining 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 Remaining Group in excess of HK$3,173,000.

Staff and Emolument Policy

As at 31 March 2008, the Remaining Group employed 68 staff at market remunerations with staff benefits such as insurance, provident fund scheme, discretionary bonus and share option scheme. The emolument policy regarding the employees of the Remaining Group is based on their merit, qualifications and competence. The emoluments of the directors are reviewed by the Remuneration Committee, having regard to the Remaining Group's operating results, individual performance and comparable market statistics. No director, or any of his associates, and executive is involved in dealing his own remuneration. The Remaining Group has a share option scheme as an incentive to directors and eligible employees.

IV. WORKING CAPITAL

The Directors, after due and careful enquiry, are of the opinion that after taking into account the expected completion of the Subscription, the effect of deconsolidation of Termbray Petro-king and the Group's existing cash and bank balances, the internal resources and in the absence of unforeseen circumstances, the Group will have sufficient working capital for its present requirement for the next twelve months from the date of this circular.

V. STATEMENTS OF INDEBTEDNESS

As at the close of the business on 31 July 2010, being the latest practicable date for the purpose of preparing the indebtedness statement prior to the printing of this circular, the Group had:

Borrowings

As at the close of business on 31 July 2010, being the latest practicable date prior to the printing of this Circular, the Group had outstanding indebtedness of approximately HK$197,923,000, comprising bank borrowings of approximately HK$67,006,000 and interest free convertible note with carrying amount of approximately HK$130,917,000 (principal amount of approximately HK$133,692,000). Bank borrowings of approximately HK$44,428,000 were secured by bank deposits of approximately US$403,000 (equivalent to approximately HK$3,137,000) and trade receivables of certain customers of the Group not exceeding approximately RMB62,500,000 (equivalent to approximately HK$71,781,000), in which HK$33,070,000 were unguaranteed and HK$11,358,000 were guaranteed. In addition, bank borrowings of approximately HK$11,093,000 were unsecured and guaranteed, while the remaining bank borrowings of approximately HK$11,485,000 and the convertible note were unsecured and unguaranteed.

Contingent liabilities

In connection with the disposal in 1999 of the certain subsidiaries engaged in the business of manufacture and sale of printed circuit boards, the 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 Group received notification from the purchaser raising claims against the 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 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 Group in excess of HK$3,173,000.

As at the close of business on 31 July 2010, the Group has pledged bank deposits of US$4,476,000 (equivalent to approximately HK$34,844,000) to obtain irrecoverable letters of guarantee amounted to US$4,476,000.

Save as aforesaid or as otherwise disclosed herein and apart from intra-group liabilities, the Group did not have outstanding at the close of business on 31 July 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.

VI. MATERIAL CHANGES

According to the Group's unaudited management accounts, the Group incurred a loss for the four months ended 31 July 2010. It is expected that some of the projects of Petro-king Group will be completed on or before 30 September 2010. If completion of such projects of Petro-king Group does take place on or before 30 September 2010, the interim results of the Group for the 6 months ending 30 September 2010 will show a profit.

Save as disclosed aforesaid, the Directors are not aware of any material adverse change in the financial or trading position or prospects of the Group since 31 March 2010, the date to which the latest published audited accounts of the Company were made up.

VII. FINANCIAL AND TRADING PROSPECTS

The Group is principally engaged in property investment and development, oilfield engineering and provision of consultancy services.

During the four months from 1 April 2010 to 31 July 2010, the Group has sold three residential units of Ever Success Plaza, leaving 230 residential units remained to be sold, out of which 134 residential units were let out as at 31 July 2010. The Group plans to sell all the units, including those currently being let out. Property investment and development has been the principal business of the Group for all these years and the Group has spent many resources to look for investment opportunities in the property markets in the PRC, especially Guangdong Province. However, due to the intense competition of the property market in Guangdong province, the Group has not acquired any land or properties for the year ended 31 March 2010, but the Group will still continue to explore the investment opportunities in the property markets in the PRC in the future.

Upon Completion, the Remaining Group will continue to operate its property investment and development business and be engaged in oilfield engineering and consultancy services through its interest in Petro-king Group in the future.

A. ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

The following is the text of a report, prepared for the purpose of inclusion in this circular, received from the auditor and reporting accountants of the Company, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.

Deloitte.
德勤

30 September 2010

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

Dear Sirs,

We report on the unaudited pro forma financial information of Termbray Industries International (Holdings) Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the proposed very substantial disposal regarding the deemed disposal arising from subscription for new shares by an investor in a major subsidiary (the "Disposal") might have affected the financial information presented, for inclusion in Appendix II of the circular dated 30 September 2010 (the "Circular"). The basis of preparation of the unaudited pro forma financial information is set out on pages II-3 to II-11 to the Circular.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly complied by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 29 (1) of Chapter 4 of the Listing Rules.

The unaudited pro forma financial information is for illustrative purpose only, based on the judgments and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of

- the financial position of the Group as at 31 March 2010 or any future date; or
- the results and cash flows of the Group for the year ended 31 March 2010 or any future period.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

B. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

The following unaudited pro forma consolidated statement of financial position, consolidated statement of comprehensive income and consolidated statement of cash flows have been prepared on the basis of (i) consolidated statement of financial position of the Group at 31 March 2010, consolidated statement of comprehensive income and consolidated statement of cash flows of the Group for the year ended 31 March 2010, which have been extracted from the accountants' report of the Group as set out in Appendix I to the circular; and (ii) pro forma adjustments directly attributable to the proposed very substantial disposal in relation to the deemed disposal of Termbray Petro-king Oilfield Services (BVI) Limited concerned and not relating to future events or decisions, for the purpose of illustrating the effect of the Disposal as if it had taken place on 31 March 2010 for the unaudited pro forma consolidated statement of financial position and on 1 April 2009 for the unaudited pro forma consolidated statement of comprehensive income and consolidated statement of cash flows for the year ended 31 March 2010.

This unaudited pro forma financial information has been prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Disposal been completed as at 31 March 2010 or at any future date and of the financial results and cash flows of the Group for the year ended 31 March 2010 had the Disposal been completed as at 1 April 2009 or for any future period.

Unaudited Pro Forma Consolidated Statement of Financial Position of the Remaining Group

	The Group as at 31 March 2010	Pro forma adjustments		Pro forma Remaining Group as at 31 March 2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
		Note 1	*Note 2*	
Non-current assets				
Property, plant and equipment	18,879	(10,147)	–	8,732
Prepaid lease payments for leasehold land	65,479	–	–	65,479
Investment property	3,261	–	–	3,261
Pledged bank deposits	2,034	–	–	2,034
Goodwill	247,121	(247,121)	–	–
Intangible assets	5,226	(5,226)	–	–
Investment in an associate	–	–	368,848[(i)(ii)]	368,848
	342,000			448,354
Current assets				
Completed properties for sale	116,105	–	–	116,105
Inventories	44,743	(44,743)	–	–
Trade and other receivables	125,620	(125,065)	–	555
Deposits and prepayments	18,518	(16,299)	–	2,219
Amount due from the Disposal Group	–	243,455	(243,455)[(i)]	–
Prepaid lease payments for leasehold land	598	–	–	598
Taxation recoverable	598	(490)	–	108
Pledged bank deposits	12,811	(12,811)	–	–
Bank balances and cash	825,367	(86,145)	–	739,222
	1,144,360			858,807

	The Group as at 31 March 2010	Pro forma adjustments		Pro forma Remaining Group as at 31 March 2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
		Note 1	*Note 2*	
Current liabilities				
Trade and other payables and accrued charges	26,418	(20,699)	–	5,719
Deposits received	9,516	(8,049)	–	1,467
Provisions	3,173	–	–	3,173
Amount due to the Disposal Group	–	(2)	2(i)	–
Amount due to a related company	1,992	–	–	1,992
Convertible note	128,696	–	–	128,696
Taxation payable	15,368	(12,016)	–	3,352
Bank borrowings	29,448	(29,448)	–	–
	214,611			144,399
Net current assets	929,749			714,408
Total assets less current liabilities	1,271,749			1,162,762
Non-current liabilities				
Bank borrowings	4,300	(4,300)	–	–
Deferred tax liabilities	5,797	(5,038)	–	759
	10,097			759
Net assets	1,261,652			1,162,003
Capital and reserves				
Share capital	156,611	–	–	156,611
Reserves	994,192	–	10,784(iii)&(iv)	1,004,976
Equity attributable to owners of the Company	1,150,803			1,161,587
Minority interests	110,849	–	(110,433)(v)	416
Total equity	1,261,652			1,162,003

Unaudited Pro Forma Consolidated Statement of Comprehensive Income of the Remaining Group

	The Group for the year ended 31 March 2010	Pro forma adjustments			Pro forma Remaining Group for the year ended 31 March 2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		Note 3	*Note 4*	*Note 5*	
Revenue	388,108	(382,408)	–	–	5,700
Cost of goods sold and services rendered	(199,743)	197,308	–	–	(2,435)
Gross profit	188,365				3,265
Other income	7,596	(5,332)	–	–	2,264
Gain on deemed disposal of subsidiaries	–	–	15,577	–	15,577
Other gains and losses	493	(561)	–	–	(68)
Selling and distribution expenses	(46,693)	46,693	–	–	–
Administrative expenses	(43,651)	19,546	–	–	(24,105)
Share of result of an associate	–	–	–	43,267	43,267
Finance costs	(7,745)	1,373	–	–	(6,372)
Profit before tax	98,365				33,828
Taxation	(29,439)	29,117	–	–	(322)
Profit for the year	68,926				33,506
Other comprehensive income					
Exchange differences arising from translation of financial statements of foreign operations	377	(470)	–	–	(93)
Share of other comprehensive income of an associate	–	–	–	216	216
Other comprehensive income for the year	377				123
Total comprehensive income for the year	69,303				33,629

	The Group for the year ended 31 March 2010	Pro forma adjustments			Pro forma Remaining Group for the year ended 31 March 2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		Note 3	*Note 4*	*Note 5*	
Profit for the year attributable to:					
Owners of the Company	22,977	(48,315)	15,577	43,267	33,506
Minority interests	45,949	(45,949)	–	–	–
	68,926				33,506
Total comprehensive income attributable to:					
Owners of the Company	23,154	(48,585)	15,577	43,483	33,629
Minority interests	46,149	(46,149)	–	–	–
	69,303				33,629

Unaudited Pro Forma Consolidated Statement of Cash Flows of the Remaining Group

	The Group for the year ended 31 March 2010	Pro forma adjustments				Pro forma Remaining Group for the year ended 31 March 2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		Note 6	*Note 7*	*Note 4*	*Note 5*	
Operating activities						
Profit before tax	98,365	(123,381)	–	15,577	43,267	33,828
Adjustments for:						
Depreciation of property, plant and equipment	3,887	(2,060)	–	–	–	1,827
Depreciation of investment property	109	–	–	–	–	109
Release of prepaid lease payments for leasehold land	598	–	–	–	–	598
Amortisation of intangible assets	2,987	(2,987)	–	–	–	–
Gain on deemed disposal of subsidiaries	–	–	–	(15,577)	–	(15,577)
Finance costs	7,745	(1,373)	–	–	–	6,372
Share of result of an associate	–	–	–	–	(43,267)	(43,267)
Share-based payment expenses	3,553	–	–	–	–	3,553
Impairment losses recognised on trade and other receivables	342	–	–	–	–	342
Loss on disposal of property, plant and equipment	1,101	–	–	–	–	1,101
Interest income	(2,173)	41	–	–	–	(2,132)
Net exchange gain	(1,936)	561	–	–	–	(1,375)
Operating cash flows before movements in working capital	114,578					(14,621)
Decrease in completed properties for sale	329	–	–	–	–	329
Increase in inventories	(4,524)	4,524	–	–	–	–
Decrease in trade and other receivables	23,620	(20,610)	–	–	–	3,010
(Increase) decrease in deposits and prepayments	(15,038)	15,881	–	–	–	843
Increase in amount due from an associate	–	(15)	–	–	–	(15)
(Decrease) increase in trade and other payables and accrued charges	(4,200)	6,154	–	–	–	1,954
Increase in deposits received	8,029	(8,049)	–	–	–	(20)
Decrease in amount due to a related company	(100)	–	–	–	–	(100)
Cash generated from (used in) operations	122,694					(8,620)
Income taxes paid	(18,229)	18,084	–	–	–	(145)
Interest paid	(1,373)	1,373	–	–	–	–
Net cash from (used in) operating activities	103,092					(8,765)

	The Group for the year ended 31 March 2010	Pro forma adjustments				Pro forma Remaining Group for the year ended 31 March 2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		Note 6	*Note 7*	*Note 4*	*Note 5*	
Investing activities						
Net cash outflow from acquisition of subsidiaries	(6,165)	6,165	–	–	–	–
Cash outflow on deemed disposal of subsidiaries	–	–	(6,479)	–	–	(6,479)
Interest received	2,173	(41)	–	–	–	2,132
Placement of pledged bank deposits	(9,690)	9,690	–	–	–	–
Purchase of property, plant and equipment	(4,655)	4,447	–	–	–	(208)
Proceeds on disposal of property, plant and equipment	250	(243)	–	–	–	7
Proceeds on disposal of available-for-sale investments	6,886	–	–	–	–	6,886
Net cash (used in) from investing activities	(11,201)					2,338
Financing activities						
New bank borrowings raised	80,978	(80,978)	–	–	–	–
Repayments of bank borrowings	(72,272)	72,272	–	–	–	–
Bank overdrafts raised	3,318	(3,318)	–	–	–	–
Repayments to a director	(23,967)	23,967	–	–	–	–
Net cash used in financing activities	(11,943)					–
Net increase (decrease) in cash and cash equivalents	79,948					(6,427)
Cash and cash equivalents at beginning of the year	745,087	–	–	–	–	745,087
Effect of foreign exchange rate changes	332	230	–	–	–	562
Cash and cash equivalents at end of the year	825,367					739,222

Notes:

1. The adjustment reflects the derecognition of assets and liabilities of Termbray Petro-king Oilfield Services (BVI) Limited and its subsidiaries (the "Disposal Group") in relation to the deemed disposal of interests in the Disposal Group by 5.1% upon the subscription of new shares of Termbray Petro-king Oilfield Services (BVI) Limited by a new investor, assuming the Disposal has taken place on 31 March 2010.

2. The adjustment reflects, assuming the Disposal has taken place on 31 March 2010:

   (i) the capitalisation of amount due from the Disposal Group amounting to approximately HK$243,453,000;

(ii) the recognition of interests in the Disposal Group as investment in an associate in relation to the deemed disposal of interests in the Disposal Group by 5.1% upon the subscription of new shares of Termbray Petro-king Oilfield Services (BVI) Limited by a new investor;

The investment in an associate is determined at the Group's 45.9% share on the unaudited net assets value of the Disposal Group as at 31 March 2010 amounting to approximately HK$103,295,000, the share of capitalisation of amount due from the Disposal Group amounting to approximately HK$219,108,000 and the consideration on Subscription Shares received by Termbray Petro-king amounting to approximately HK$46,445,000;

(iii) the recognition of assumed gain on deemed disposal of the Disposal Group of approximately HK$10,921,000;

(iv) the release of exchange reserve in relation to the interest in the Disposal Group disposed of approximately HK$137,000; and

(v) the derecognition of minority interests of approximately HK$110,433,000 upon the Disposal Group ceased to be the subsidiaries of the Company as a result of the subscription of new shares of Termbray Petro-king Oilfield Services (BVI) Limited by a new investor.

The assumed gain on deemed disposal of the Disposal Group is calculated based on the difference between the Group's 45.9% share on the net consideration on Subscription Shares received by Termbray Petro-king amounting to approximately RMB40,759,000 (equivalent to approximately HK$46,607,000) and 5.1% of the unaudited net assets value of the Disposal Group as at 31 March 2010 amounting to approximately HK$35,823,000; and 5.1% of the cumulative amount of exchange differences amounted to approximately HK$137,000 that relate to the Disposal Group recognised in equity as at 31 March 2010, assuming there will be no adjustment to the Transaction Consideration since the management considered that the likelihood of such adjustment is remote.

3. The adjustment reflects the exclusion of the total comprehensive income of the Disposal Group for the year ended 31 March 2010, assuming that the Disposal has taken place on 1 April 2009.

4. The adjustment reflects the assumed gain on deemed disposal of the Disposal Group of approximately HK$15,577,000, assuming that the Disposal has taken place on 1 April 2009.

   The assumed gain on deemed disposal of the Disposal Group is calculated based on the difference between the Group's 45.9% share on the net consideration on Subscription Shares received by Termbray Petro-king amounting to approximately RMB40,759,000 (equivalent to approximately HK$46,455,000) and 5.1% of the unaudited net assets value of the Disposal Group as at 31 March 2009 amounting to approximately HK$30,991,000; and 5.1% of the cumulative amount of exchange differences amounted to approximately HK$113,000 that relate to the Disposal Group recognised in equity as at 31 March 2009, assuming there will be no adjustment to the Transaction Consideration since the management considered that the likelihood of such adjustment is remote.

5. The adjustment reflects the recognition of share of results and other comprehensive income of associates of approximately HK$43,267,000 and HK$216,000 respectively, which were determined based on 45.9% of the results and other comprehensive income of the Disposal Group for the year ended 31 March 2010 amounting to approximately HK$94,264,000 and HK$470,000 respectively, assuming that the Disposal has taken place on 1 April 2009.

6. The adjustment reflects the exclusion of cash flows of the Disposal Group for the year ended 31 March 2010, assuming that the Disposal has taken place on 1 April 2009.

7. The adjustment reflects the cash outflow on deemed disposal of subsidiaries amounting to approximately HK$6,479,000, which comprised cash and cash equivalent of the Disposal Group as at 1 April 2009.

Adjustments 2 and 4 are accounted for in accordance with Hong Kong Accounting Standard ("HKAS") 27 "Consolidated and Separate Financial Statements" which was issued in December 2004 and was effective during the Relevant Periods. The adjustments at future date will be different from those in this unaudited pro forma financial information as a result of adoption of HKAS 27 (Revised) which was issued in December 2008 and will be effective during the financial year when the Disposal will be completed.

Other than adjustment 5, the adjustments of pro forma profit and cash flow statement do not have any continuing effect on the Group.

I. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

II. DISCLOSURE OF INTERESTS

(a) The Directors' or chief executive's interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations

As at the Latest Practicable Date, the interests or short positions of each Director or chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to the provisions of 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 which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as contained in the Listing Rules, were as follows:

Long Positions and Short Position in Shares, Underlying Shares and Debentures of the Company

Name of directors	Personal interest	Family interest	Corporate interest	Other interest	Total	Type of securities	Percentage of total issued shares
Mr. Lee Lap	–	–	–	1,252,752,780 *(note 1)*	1,252,752,780	Shares	63.99%
Mdm. Leung Lai Ping	–	–	–	1,252,752,780 *(note 1)*	1,252,752,780	Shares	63.99%
Mr. Tommy Lee	–	–	–	1,252,752,780 *(note 1)*	1,252,752,780	Shares	63.99%

Name of directors	Personal interest	Family interest	Corporate interest	Other interest	Total	Type of securities	Percentage of total issued shares
Mr. Lee Wing Sing, Vincent	39,387,120	–	–	1,252,752,780 *(note 1)*	1,292,139,900	Shares	66.00%
Mr. Wang Jinlong	–	–	HK$133,692,000	–	HK$133,692,000	Debenture	–
	–	–	111,410,000 *(note 2)*	–	111,410,000	Underlying shares	5.69%

Notes:

(1) The 1,252,752,780 shares included under the other interest of Mr. Lee Lap, Mdm. Leung Lai Ping, Mr. Lee Wing Sing, Vincent and Mr. Tommy Lee are held by Lee & Leung (B.V.I.) Limited. Lee & Leung (B.V.I.) Limited 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.

(2) 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 shares upon exercise of the conversion right. King Shine is beneficially owned by Mr. Wang Jinlong as to 44.83%. As such, Mr. Wang Jinlong is deemed to be interested in the 111,410,000 underlying shares pursuant to Part XV of SFO.

Long Positions in Shares of Associated Corporations

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

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

Name of director	**Name of subsidiary**	**Number of ordinary Shares**	**% of total issued ordinary shares**
Mr. Wang Jinlong	Termbray Petro-king	98	49%
	Petro-king Holding	10,000	100%
	Petro-king International Co., Limited	5,000,000	100%
	深圳市百勤石油技術有限公司 (Shengzhen Petro-king Oilfield Technology Limited*) ("Shenzhen Petro-king")	20,000,000	100%
	德州嘉誠石油裝備有限公司 (Dezhou Jiacheng Oil Tools Company Limited*) ("Dezhou Jiacheng")	10,000,000	100%
	Top Select Holdings Limited	10,000	100%

Note: The above 49% ordinary shares in Termbray Petro-king are held directly by King Shine, which is beneficially owned by Mr. Wang Jinlong as to 44.83%. Termbray Petro-king is interested in 100% of the issued shares of Petro-king Holding, which in turn is interested in 100% of the issued shares of Petro-king International Co., Limited and Shenzhen Petro-king respectively. Shenzhen Petro-king is interested in 100% of the issued shares of Dezhou Jiacheng. Petro-king International Co., Limited is interested in 100% of the issued shares of Top Select Holdings Limited. Mr. Wang Jinlong is therefore deemed to be interested in 49% of the issued shares of Termbray Petro-king, 100% of the issued shares of Petro-king Holding, Petro-king International Co., Limited, Shenzhen Petro-king, Dezhou Jiacheng and Top Select Holdings Limited respectively.

* *The English names are for identification purpose only*

Long Positions in Underlying Shares in respect of Shares Options Granted by the Company

Name of director	Number of underlying shares in respect of share option granted		Percentage of shareholding as at the Latest Practicable Date
Mr. Wang Jinlong	20,000,000	*(Note 1)*	1.02%
	17,000,000	*(Note 2)*	0.87%

Notes:

(1) These share options were granted at an aggregate consideration of HK$1 on 25 February 2008 as approved by the shareholders of the Company on 22 February 2008 and are exercisable at HK$1.20 per share at any time between 25 February 2008 and 24 February 2011. Mr. Wang Jinlong is entitled to (a) exercise the option to subscribe for one-half of the option shares at any time during the period commencing on 25 February 2008 until 24 February 2011 (both dates inclusive); and (b) exercise the option to subscribe for the remaining one-half of the option shares at any time during the period commencing on 25 February 2009 until 24 February 2011 (both dates inclusive).

(2) These share options were granted at an aggregate consideration of HK$1 on 28 March 2008 under the share option scheme of the Company. The exercise price is HK$1.25 per share.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to the provisions of 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 which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as contained in the Listing Rules.

(b) Substantial Shareholders' interests or short positions in the Shares and underlying Shares

As at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, the following persons or corporations, other than a Director or chief executive of the Company, had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO as having an interest in 5% or more of the issued share capital of the Company, were as follows:

Ordinary Share of the Company

Name of shareholders	Capacity	Number of issued ordinary shares of HK$0.08 each held	Long position/ (short position) in number of underlying shares	Percentage of the issued share capital of the Company
Lee & Leung (B.V.I.) Limited *(note 1)*	Beneficial owner	1,252,752,780	–	63.99%
First Trend Management (PTC) Limited *(note 1)*	Held by controlled corporation as trustee for Lee & Leung Family Unit Trust	1,252,752,780	–	63.99%
HSBC International Trustee Limited *(note 1)*	Held by controlled corporation as trustee for Lee & Leung Family Trust	1,252,752,780	–	63.99%
Cosmo Telecommunication Inc. *(note 2)*	Beneficial owner	151,202,960	–	7.72%
Ms. Jing Xiao Ju *(note 2)*	Held by controlled corporation	151,202,960	–	7.72%
East Glory Trading Limited *(note 3)*	Beneficial owner	103,397,540	–	5.28%
Master Winner Limited *(note 3)*	Held by controlled corporation	103,397,540	–	5.28%
Mr. Yuan Qinghua *(note 3)*	Held by controlled corporation	103,397,540	–	5.28%
King Shine Group Limited *(note 4)*	Beneficial owner	–	111,410,000	5.69%

Notes:

(1) The 1,252,752,780 shares are held by Lee & Leung (B.V.I.) Limited which is a 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, chairman and an executive director of the Company, is the settlor of the Lee & Leung Family Trust. The discretionary beneficiaries of the Lee & Leung Family Trust are Mdm. Leung Lai Ping (an executive director of the Company), the children of Mr. Lee Lap and Mdm. Leung Lai Ping (including Mr. Tommy Lee, an executive director of the Company, and Mr. Lee Wing Sing, Vincent, a non-executive director of the Company) and the offspring of such children. Mr. Lee Lap and Mdm. Leung Lai Ping are directors of Lee & Leung (B.V.I) Limited and First Trend Management (PTC) Limited.

(2) Cosmo Telecommunication Inc. is a wholly owned by Ms. Jing Xiao Ju.

(3) East Glory Trading Limited is wholly owned by Master Winner Limited, which in turn is wholly owned by Mr. Yuan Qinghua.

(4) King Shine Group Limited, which is beneficially owned by Mr. Wang Jinlong, an executive director of the Company, as to 44.83%, is the holder of the convertible notes in the aggregate principal amount of HK$133,692,000 pursuant to which King Shine Group Limited is entitled to convert into an aggregate of 111,410,000 new shares upon exercise of the conversion right. Mr. Wang Jinlong is the director of King Shine Group Limited.

Save as disclosed above, as at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, no person, other than a Director or chief executive of the Company, had any interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO as having an interest in 5% or more of the issued share capital of the Company.

III. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

IV. MATERIAL CONTRACTS

As at the Latest Practicable Date, the following contracts, not being contracts entered into in the ordinary course of business, were entered into by the members of the Group within the two years immediately preceding the Latest Practicable Date which are, or may be, material:

(a) a termination agreement dated 31 October 2008 entered into by 深圳市百勤石油技術有限公司 (Shengzhen Petro-king Oilfield Technology Limited*), a subsidiary of the Company, 北京市恒遠德潤能源環境科技有限公司 (Beijing Hendrun Energy Environment Technology Limited*), Ms. Zhang Xiaorui and Mr. Duan Weiqing to terminate the sale and purchase agreement dated 6 August 2008 entered into between them 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.*) by 深圳市百勤石油技術有限公司 (Shengzhen Petro-king Oilfield Technology Limited*) for a consideration of RMB40,000,000;

(b) a termination agreement dated 31 October 2008 entered into by the Company, King Shine, Petro-king Holding, Wisdom Boom Investments Limited, Ms. Zhang Xiaorui and Mr. Duan Weiqing to terminate the sale and purchase agreement dated 6 August 2008 entered into between them in relation to the acquisition of the entire issued share capital of Hendrun Technologies Industrial R&D Co., Limited by the Company, King Shine and Petro-king Holding for a consideration of RMB135,000,000; and

(c) the Subscription Agreement.

V. LITIGATION AND POSSIBLE LEGAL ACTION

As at the Latest Practicable Date, no member of the Group is engaged in any litigation or claim of material importance and, so far as the Directors are aware, no litigation or claim of material importance is pending or threatened by or against any member of the Group.

* *The English names are for identification purpose only*

VI. COMPETING BUSINESS

Pursuant to Rule 14.66(8) of the Listing Rules, the Company hereby discloses that, as at the Latest Practicable Date, Mr. Lee Lap and Mdm. Leung Lai Ping are interested in companies engaged in property investment and development in Mainland China and Hong Kong (the "Competing Business").

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

VII. EXPERT AND CONSENT

The following is the qualification of the expert who has given opinions or advices which are contained or referred to in this circular:

Name	Qualification
Deloitte Touche Tohmatsu	Certified public accountants

As at the Latest Practicable Date, Deloitte Touche Tohmatsu had no beneficial interest in the share capital of any member of the Group nor any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group nor any interest, either directly or indirectly, in any assets which have been, since 31 March 2010 (being the date to which the latest published audited consolidated financial statements of the Group were made up) acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

Deloitte Touche Tohmatsu has given and has not withdrawn its written letter of consent to the issue of this circular with the inclusion herein of the letter or report or references to its name in the form and context in which they appear.

VIII. MISCELLANEOUS

(a) The registered office of the Company is located at Clarendon House, Church Street, Hamilton HM 11, Bermuda.

(b) The head office and principal place of business of the Company in Hong Kong is at Flat B, 8th Floor, Waylee Industrial Centre, 30-38 Tsuen King Circuit, Tsuen Wan, New Territories, Hong Kong.

(c) The secretary of the Company is Mr. Lo Tai On, who is an associate member of the Hong Kong Institute of Certified Public Accountants.

(d) The Company's branch registrar and transfer office in Hong Kong is Standard Registrars Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

(e) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

(f) As at the Latest Practicable Date, save for Mr. Wang's interest in King Shine which is a party to the Subscription Agreement, there was no contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date in which any Director was materially interested and which was significant in relation to the business of the Group.

(g) As at the Latest Practicable Date, none of the Directors has any direct or indirect interest in any assets which had been acquired, disposed of or leased to, or which are proposed to be acquired, disposed of or leased to, the Company or any of its subsidiaries since 31 March 2010, the date to which the latest published audited financial statements of the Company were made up.

(h) Mr. Lee Ka Sze, Carmelo, the non-executive Director, is a partner of Woo Kwan Lee & Lo, the legal adviser of the Company with respect to Hong Kong law in connection with the Subscription, which will receive normal professional fees.

IX. DOCUMENTS AVAILABLE FOR INSPECTION

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

(i) the memorandum and bye-laws of the Company;

(ii) each of the material contracts as set out under the paragraph headed "Material contracts" in this appendix;

(iii) the annual reports of the Company for the two years ended 31 March 2010;

(iv) the accountants' report of the Group prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this circular;

(v) the letter from Deloitte Touche Tohmatsu regarding the unaudited pro forma financial information of the Remaining Group, the text of which is set out in Appendix II to this circular; and

(vi) the written consent from Deloitte Touche Tohmatsu as referred to in the paragraph headed "Expert and Consent" in this appendix.

TERMBRAY INDUSTRIES INTERNATIONAL (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 0093)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the special general meeting of Termbray Industries International (Holdings) Limited (the "Company") will be held at Flat B, 8th Floor, Waylee Industrial Centre, 30-38 Tsuen King Circuit, Tsuen Wan, New Territories, Hong Kong on 18 October 2010 at 10:00 a.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

"**THAT**:

(a) the Subscription Agreement and the Supplemental Agreement (both as defined in the circular of the Company dated 30 September 2010) (together, the "Agreement", a copy of which marked "A" has been produced to the meeting and signed by the chairman of the meeting for the purpose of identification), and all transactions contemplated thereunder and in connection therewith and any other ancillary documents and all transactions contemplated thereunder, be and are hereby approved, confirmed and/or ratified.

(b) the directors of the Company be and are hereby authorized for and on behalf of the Company to sign, seal, execute, perfect, perform and deliver all such documents, deeds, agreements and instruments and do all such acts, matters and things and take all such steps as they may in their discretion consider necessary, expedient or desirable to implement and/or to give effect to the Agreement (and the transactions contemplated thereunder) as they may in their discretion consider to be desirable and in the interests of the Company."

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

Hong Kong, 30 September 2010

Notes:

1. The ordinary resolution to be considered at the meeting will be decided by poll.

2. Any member of the Company entitled to attend and vote at the meeting is entitled to appoint one or, if he is the holder of two or more shares, more than one proxy to attend and vote instead of him. A proxy need not be a member of the Company.

3. To be valid, a proxy form, together with any power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be lodged with the head office and principal place of business of the Company at Flat B, 8th Floor, Waylee Industrial Centre, 30-38 Tsuen King Circuit, Tsuen Wan, New Territories, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

As at the date hereof, the executive directors of the Company are Mr. Lee Lap, Mdm. Leung Lai Ping, Mr. Tommy Lee, Mr. Wong Shiu Kee and Mr. Wang Jinlong; the non-executive directors of the Company are Mr. Lee Ka Sze, Carmelo and Mr. Lee Wing Sing, Vincent; and the independent non-executive directors of the Company are Mr. Chan Siu Kang, Mr. Lo Yiu Hee and Mr. Tong Hin Wor.