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

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2010**

The board of directors (the “Board”) of Termbay Industries International (Holdings) Limited (the “Company”) presents to shareholders the unaudited condensed consolidated statement of comprehensive income of the Company and its subsidiaries (the “Group”) for the six months ended 30th September, 2010 and the Group’s unaudited condensed consolidated statement of financial position at that date together with the comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th September, 2010

		Six months ended	
		30/9/2010	30/9/2009
		HK\$'000	HK\$'000
	<i>Notes</i>	(unaudited)	(unaudited)
Continuing operations:			
Revenue	3	4,346	3,117
Cost of goods sold and services rendered		<u>(1,958)</u>	<u>(1,383)</u>
Gross profit		2,388	1,734
Other income and gains	4	3,987	1,714
Administrative expenses		(9,397)	(11,616)
Finance costs	5	<u>(3,330)</u>	<u>(3,186)</u>
Loss before taxation		(6,352)	(11,354)
Taxation	6	<u>(127)</u>	<u>(73)</u>
Loss for the period from continuing operations		(6,479)	(11,427)
Discontinued operations:			
Profit for the period from discontinued operations	7	<u>15,281</u>	<u>54,760</u>
Profit for the period	8	8,802	43,333
Other comprehensive income (expense) for the period			
Exchange differences arising from translation of financial statements of foreign operations		<u>2,395</u>	<u>(137)</u>
Total comprehensive income for the period		<u>11,197</u>	<u>43,196</u>
Profit for the period attributable to:			
Owners of the Company		1,325	16,649
Non-controlling interests		<u>7,477</u>	<u>26,684</u>
		<u>8,802</u>	<u>43,333</u>
Total comprehensive income attributable to:			
Owners of the Company		2,315	16,512
Non-controlling interests		<u>8,882</u>	<u>26,684</u>
		<u>11,197</u>	<u>43,196</u>
		<i>HK cents</i>	<i>HK cents</i>
		(unaudited)	(unaudited)
Earnings (loss) per share			
From continuing and discontinued operations	9		
Basic and diluted		<u>0.07</u>	<u>0.85</u>
From continuing operations			
Basic and diluted		<u>(0.33)</u>	<u>(0.58)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th September, 2010

	<i>Notes</i>	30/9/2010 HK\$'000 (unaudited)	31/3/2010 HK\$'000 (restated)
NON-CURRENT ASSETS			
Property, plant and equipment		73,868	84,956
Investment property		3,206	3,261
Pledged bank deposits		2,000	2,034
Goodwill		–	247,121
Intangible assets		–	5,226
		79,074	342,598
CURRENT ASSETS			
Completed properties for sale		117,273	116,105
Inventories		–	44,743
Trade and other receivables	10	42	125,620
Deposits paid to suppliers and prepayments		2,453	18,518
Taxation recoverable		171	598
Pledged bank deposits		–	12,811
Bank balances and cash		734,119	825,367
		854,058	1,143,762
Assets classified as held for sale	11	649,939	–
		1,503,997	1,143,762
CURRENT LIABILITIES			
Trade and other payables and accrued charges	12	3,118	26,418
Deposits received		766	9,516
Provisions		3,173	3,173
Amount due to a related company		2,956	1,992
Convertible note		132,026	128,696
Taxation payable		3,465	15,368
Bank borrowings		–	29,448
		145,504	214,611
Liabilities associated with assets classified as held for sale	11	163,284	–
		308,788	214,611
NET CURRENT ASSETS		1,195,209	929,151
TOTAL ASSETS LESS CURRENT LIABILITIES		1,274,283	1,271,749
NON-CURRENT LIABILITIES			
Bank borrowings		–	4,300
Deferred tax liabilities		759	5,797
		759	10,097
NET ASSETS		1,273,524	1,261,652
CAPITAL AND RESERVES			
Share capital		156,611	156,611
Reserves		997,182	994,192
		1,153,793	1,150,803
Equity attributable to owners of the Company		119,731	110,849
TOTAL EQUITY		1,273,524	1,261,652

1. BASIS OF PREPARATION

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

As explained in notes 7 and 13, on 3rd September, 2010, Termbray Petro-king Oilfield Services (BVI) Limited (“Termbray Petro-king”), a 51% owned subsidiary of the Company entered into a subscription agreement to allot and issue new shares to an independent third party, which reduced the Group’s shareholding to 45.9% upon completion in October, 2010. The related operations, being the provision of oilfield engineering and consultancy services, were considered as discontinued in the current interim period and comparative figures of the condensed consolidated statement of comprehensive income have been re-presented to conform with the current period’s presentation.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31st March, 2010 except as described below.

Non-current assets (disposal groups) held for sale and discontinued operations

Non-current assets or disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (or disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Interest in an associate

An associate is an entity, including an unincorporated entity such as a partnership, over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of the associate are incorporated in these condensed consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, the investment is carried in the condensed consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group’s share of the net assets of the associate, less any identified impairment loss. When the Group’s share of losses of an associate equals or exceeds its interest in that associate, the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group’s interest in the relevant associate.

Application of new and revised Hong Kong Financial Reporting Standards

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations (“new and revised HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which are effective for the Group’s financial year beginning from 1st April, 2010.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009 that are effective for annual periods beginning on or after 1st July, 2009 and 1st January, 2010, as appropriate
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 32 (Amendment)	Classification of Right Issues
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners

HKFRS 3 (Revised) Business Combinations and HKAS 27 (Revised) Consolidated and Separate Financial Statements

The Group applied HKFRS 3 (Revised) *Business Combinations* prospectively to business combinations for which the acquisition date is on or after 1st April, 2010. The requirements in HKAS 27 (Revised) *Consolidated and Separate Financial Statements* in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1st April, 2010.

As there was no business combination occurred during the current interim period in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27(Revised) and the consequential amendments to other HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods. Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs are applicable.

Amendment to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations

The amendment to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* issued in 2009 as part of the *Improvements to HKFRSs* clarifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It states that disclosure requirements of other HKFRSs do not apply to non-current assets (or disposal groups) classified as held for sale or discontinued operations unless those HKFRSs have specific disclosure requirement in respect of such assets (or disposal groups); or the disclosures relate to the measurement of an individual asset or assets as part of a disposal group which follows other HKFRSs and the information is not disclosed elsewhere in the financial statements.

Amendment to HKAS 17 Leases

As part of *Improvements to HKFRSs* issued in 2009, HKAS 17 *Leases* has been amended in relation to the classification of leasehold land. Before the amendment to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the condensed consolidated statement of financial position. The amendment to HKAS 17 has removed such a requirement. The amendment requires that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

In accordance with the transitional provisions set out in the amendment to HKAS 17, the Group reassessed the classification of unexpired leasehold land at 1st April, 2010 based on information that existed at the inception of leases. Leasehold lands that qualified for finance lease classification have been reclassified from prepaid lease payment to property, plant, and equipment retrospectively. This resulted in a reclassification of prepaid lease payment with previous carrying amount of HK\$66,077,000 as at 1st April, 2010 to property, plant and equipment that are measured at cost model. Accordingly, the carrying amount of property, plant and equipment is increased from HK\$18,879,000 as at 1st April, 2010 to HK\$84,956,000. The application of the amendments to HKAS 17 did not affect the financial results of the Group for current or prior accounting period.

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

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

3. REVENUE AND SEGMENT INFORMATION

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

	Six months ended	
	30/9/2010	30/9/2009
	HK\$'000	HK\$'000
Continuing operations		
Sales of properties	1,803	386
Rental income	2,543	2,731
	<u>4,346</u>	<u>3,117</u>
Discontinued operations		
Sale of equipments	48,048	132,935
Consultancy service income	47,588	57,249
	<u>95,636</u>	<u>190,184</u>
	<u>99,982</u>	<u>193,301</u>

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 the two principal operating segments of the Group, namely property investment and development, and oilfield engineering and consultancy services. The Group's operations in oilfield engineering and consultancy services were discontinued upon classification as disposal group held for sale since September, 2010. Details and results of the discontinued operations are set out in note 7.

Information regarding the property investment and development segment is reported below.

Continuing operations

	Six months ended	
	30/9/2010 HK\$'000	30/9/2009 HK\$'000
Revenue	<u>4,346</u>	<u>3,117</u>
Segment results	4,824	1,806
Unallocated other income and gains	975	928
Unallocated expenses	(8,273)	(9,006)
Share option expense	(675)	(1,969)
Effective interest expense on convertible note	<u>(3,330)</u>	<u>(3,186)</u>
Loss for the period	<u>(6,479)</u>	<u>(11,427)</u>

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

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of unallocated other income and gains, unallocated expenses, share option expense and effective interest expense on convertible note. This is the measure reported to the chief operating decision maker of the Group for the purposes of resource allocation and performance assessment.

4. OTHER INCOME AND GAINS

Continuing operations

	Six months ended	
	30/9/2010 HK\$'000	30/9/2009 HK\$'000
Interest income from		
– available-for-sale investments	–	3
– bank balances and deposits with a financial institution	995	1,105
Net exchange gain	2,727	523
Sundry income	<u>265</u>	<u>83</u>
	<u>3,987</u>	<u>1,714</u>

5. FINANCE COSTS

The finance costs incurred for continuing operations represents effective interest expense on convertible note.

6. TAXATION

Continuing operations

	Six months ended	
	30/9/2010 HK\$'000	30/9/2009 HK\$'000
Current tax:		
Hong Kong Profits Tax	113	50
People's Republic of China ("PRC") Enterprise Income Tax	<u>14</u>	<u>23</u>
	<u>127</u>	<u>73</u>

Hong Kong Profits Tax and PRC Enterprise Income Tax are recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for Hong Kong Profits Tax and PRC Enterprise Income Tax for the six months ended 30th September, 2010 are 16.5% (2009: 16.5%) and 25% (2009: 25%) respectively.

7. DISCONTINUED OPERATIONS

On 3rd September, 2010, Termbray Petro-king entered into a Subscription Agreement with Termbray Natural Resources Limited ("Termbray NRC"), a wholly owned subsidiary of the Company; King Shine Group Limited ("King Shine"), the non-controlling interest of the Group which held 49% equity interest on Termbray Petro-king and an investor ("Investor"), an independent third party to the Group, pursuant to which Termbray Petro-king shall allot and issue and Investor shall subscribe for new shares of Termbray Petro-king (the "Subscription Shares"), representing 10% of the issued share capital of Termbray Petro-king as enlarged by the subscription ("Subscription") for a consideration of RMB88.8 million payable in United States dollars.

Termbray Petro-king and its subsidiaries carried out all of the Group's oilfield engineering and consultancy services. Upon completion of the Subscription, Termbray Petro-king shall be owned as to 45.9%, 44.1% and 10.0% by Termbray NRC, King Shine and Investor, respectively. The assets and the liabilities attributable to the oilfield engineering and consultancy services business have been classified as a disposal group held for sale and are separately presented in the condensed consolidated statement of financial position as at 30th September, 2010 as set out in note 11.

The results and cash flows of Termbray Petro-king and its subsidiaries have been group under discontinued operations. An analysis of the results and cash flows of the discontinued operations included in the condensed consolidated statement of comprehensive income and the condensed consolidated statement of cash flows is as follows:

Profit for the period from discontinued operations

	Six months ended	
	30/9/2010 <i>HK\$'000</i>	30/9/2009 <i>HK\$'000</i>
Revenue (<i>note 3</i>)	95,636	190,184
Cost of goods sold and services rendered	<u>(51,703)</u>	<u>(86,905)</u>
Gross profit	43,933	103,279
Other income and gains	8,290	1,882
Selling and distribution expenses	(18,229)	(21,657)
Administrative expenses	(14,019)	(8,251)
Share of results of an associate	340	–
Finance costs	<u>(919)</u>	<u>(845)</u>
Profit before taxation	19,396	74,408
Taxation	<u>(4,115)</u>	<u>(19,648)</u>
Profit for the period from discontinued operations	<u>15,281</u>	<u>54,760</u>
Profit for the period from discontinued operations attributable to:		
Owners of the Company	7,804	28,076
Non-controlling interests	<u>7,477</u>	<u>26,684</u>
	<u>15,281</u>	<u>54,760</u>

Cash flows from discontinued operations

	Six months ended	
	30/9/2010 HK\$'000	30/9/2009 HK\$'000
Net cash (used in) from operating activities	(120,214)	14,614
Net cash used in investing activities	(28,556)	(7,563)
Net cash from financing activities	75,614	8,326
Net (decrease) increase in cash flows	<u>(73,156)</u>	<u>15,377</u>

8. PROFIT FOR THE PERIOD

	Six months ended					
	Continuing operations		Discontinued operations		Consolidated	
	30/9/2010 HK\$'000	30/9/2009 HK\$'000	30/9/2010 HK\$'000	30/9/2009 HK\$'000	30/9/2010 HK\$'000	30/9/2009 HK\$'000
Profit for the period has been arrived at after (charging) crediting:						
Amortisation of intangible assets, included in administrative expenses	–	–	(1,493)	(1,493)	(1,493)	(1,493)
Cost of goods sold and services rendered	(1,958)	(1,383)	(51,703)	(86,905)	(53,661)	(88,288)
Cost of inventories sold	(992)	(252)	(31,239)	(70,645)	(32,231)	(70,897)
Depreciation of						
– property, plant and equipment	(1,059)	(1,221)	(1,447)	(894)	(2,506)	(2,115)
– investment property	(55)	(56)	–	–	(55)	(56)
Finance costs	(3,330)	(3,186)	(919)	(845)	(4,249)	(4,031)
Other income and gains	3,987	1,714	8,290	1,882	12,277	3,596
Share option expense	(675)	(1,969)	–	–	(675)	(1,969)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

9. EARNINGS (LOSS) PER SHARE

From continuing and discontinued operations

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

	Six months ended	
	30/9/2010 HK\$'000	30/9/2009 HK\$'000
Earnings for the period attributable to owners of the Company for the purposes of basic and diluted earnings per share	<u>1,325</u>	<u>16,649</u>
	Number of shares	
	'000	'000
Number of ordinary shares for the purposes of basic and diluted earnings per share	<u>1,957,643</u>	<u>1,957,643</u>

From continuing operations

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

	Six months ended	
	30/9/2010	30/9/2009
	HK\$'000	HK\$'000
Earnings for the period attributable to owners of the Company for the purposes of basic and diluted earnings per share	1,325	16,649
Less:		
Profit attributable to owners of the Company from discontinued operations	<u>(7,804)</u>	<u>(28,076)</u>
Loss for the period attributable to owners of the Company for the purposes of basic and diluted loss per share	<u><u>(6,479)</u></u>	<u><u>(11,427)</u></u>

The denominators used are the same as those detailed above for both basic and diluted earnings (loss) per share.

From discontinued operations

Basic and diluted earnings per share for the discontinued operation are HK0.4 cents per share (six months ended 30th September, 2009: HK1.43 cents per share), based on the profit attributable to owners of the Company from the discontinued operations of HK\$7,804,000 (six months ended 30th September, 2009: HK\$28,076,000) and the denominators detailed above for both basic and diluted earnings per share.

For the six months ended 30th September, 2010 and 2009, the computation of diluted 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 and the exercise prices of the Company's share options were higher than the average market price for shares.

10. TRADE AND OTHER RECEIVABLES

The Group allows a credit period of 90 days after invoice date to most of its customers in respect of the oilfield engineering and consultancy services. The receivables from sale 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 payment due date:

	30/9/2010	31/3/2010
	HK\$'000	HK\$'000
Current	79,541	30,873
1-90 days	10,458	18,312
91-180 days	930	8,182
181-365 days	43,238	46,342
1-2 years	15,694	6,942
Over 2 years	<u>4,209</u>	<u>3,108</u>
	154,070	113,759
Less: Included in disposal group held for sale (note 11)	<u>(154,070)</u>	<u>–</u>
	–	113,759
Other receivables	<u>42</u>	<u>11,861</u>
	<u><u>42</u></u>	<u><u>125,620</u></u>

11. ASSETS CLASSIFIED AS HELD FOR SALE

The assets and liabilities attributable to the Termbray Petro-king and its subsidiaries have been classified as held for sale and presented separately in the condensed consolidated statement of financial position. At 30th September, 2010, the major classes of assets and liabilities of Termbray Petro-king and its subsidiaries (details are set out in note 7) are as follows:

	Carrying amount upon being classified as held for sale HK\$'000
Assets	
Property, plant and equipment	10,953
Interest in an associate	350
Pledged bank deposits	39,326
Goodwill	247,121
Intangible assets	3,733
Inventories	65,006
Trade and other receivables (<i>Note</i>)	163,215
Deposits and prepayments	104,591
Amount due from an associate	1,942
Tax recoverable	4
Bank balances and cash	13,698
	<hr/>
Assets classified as held for sale	649,939
Liabilities	
Trade and other payables and accrued charges	32,785
Taxation payable	15,288
Bank borrowings	109,889
Deferred tax liabilities	5,322
	<hr/>
Liabilities associated with assets classified as held for sale	163,284
	<hr/>
Net assets of operation classified as held for sale	486,655
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Note:

Trade and other receivables

	30/9/2010 HK\$'000 (unaudited)
Trade receivables	154,070
Other receivables	9,145
	<hr/>
	163,215
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The fair value less costs to sell of the disposal group is expected to be higher than the carrying amount, accordingly, impairment loss is not considered as necessary.

12. TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

The following is an analysis of trade and other payable by age, presented based on the invoice date at the end of the reporting period:

	30/9/2010 HK\$'000	31/3/2010 HK\$'000
1-90 days	29,874	17,725
Over 90 days	<u>3,238</u>	<u>5,339</u>
Trade and other payables	33,112	23,064
Less: Included in disposal group held for sale (note 11)	<u>(32,785)</u>	<u>–</u>
Accrued charges	327	23,064
	<u>2,791</u>	<u>3,354</u>
	<u><u>3,118</u></u>	<u><u>26,418</u></u>

13. SUBSEQUENT EVENT AFTER REPORTING PERIOD

Pursuant to the signing of the Subscription Agreement as set out in note 7, the completion of the Subscription was subject to and conditional upon the fulfilment of the conditions precedent, including but not limited to the approval by the shareholders of the Company for the allotment and issue of the Subscription Shares at a special general meeting of the Company which has already been held in October 2010.

The Subscription was completed on 20th October, 2010, at which time, Termbray Petro-king ceased to be a subsidiary of the Company and became an associate company of the Company since then. The directors of the Company are in the progress of ascertaining the financial impact on the deemed disposal of Termbray Petro-king to the Group.

INTERIM DIVIDEND

The directors have resolved not to declare the payment of an interim dividend for the six months ended 30th September, 2010 (2009: Nil).

REVIEW OF OPERATIONS

During the current six months period under review, the Group achieved a turnover (continuing and discontinued operations) of HK\$99,982,000 (six months ended 30/9/2009: HK\$193,301,000) and made a profit for the period (continuing and discontinued operations) of HK\$8,802,000 (six months ended 30/9/2009: profit of HK\$43,333,000). The decrease in turnover and profit for the period is due to the decrease in contribution from Petro-king Group.

Property Investment and Development

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

The Group's completed properties for sale – Ever Success Plaza, comprising of over 440 residential units standing on 3 levels of commercial arcades and car parks, is located at a convenient and prime location with a river view in Zhongshan, Guangdong Province. The competition of the property market in Zhongshan is keen. There are abundant supplies of properties with modern design. Due to the vacancy of the commercial arcades, the occupancy rate of the residential units continues to drop. The management has put much effort in marketing the properties and is still trying hard to improve the operation of the commercial arcades by looking for innovative trendy commodities which are attractive to the consumers in Zhongshan. The rental income earned by the Group from Ever Success Plaza during the period is decreased by 16.9%. The Group has sold 4 residential units during the period under review. As at 30th September, 2010, 229 residential units remained to be sold, out of which 138 residential units were let out.

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

Oilfield Engineering and Consultancy Services

During the period under review, the turnover of Petro-king Group is HK\$95.6 millions (2009: HK\$190.2 millions). The turnover in current period was decreased by 49.7%. During the period, the progress of some projects and delivery of equipments were a bit delayed. The management expect the progress of job orders will be caught up in coming quarters and the performance of Petro-king Group will be improved.

Our major customers have acquired several massive overseas oil reserves, therefore the demand for experienced oilfield engineering and consultancy services have upsurged substantially. Petro-king Group have the technical knowhow to provide the comprehensive oilfield development design and consultancy services. We have obtained awards of tender bid for several overseas massive projects which will last for several years. Petro-king Group is now working hard on them and their preparation work are in good order and this will secure business growth of Petro-king Group in future.

Petro-king Group have strengthened its technical communication with its domestic customers and introduced advanced technology from abroad to them. The domestic sales are picking up. The business for domestic market will be increased in coming years.

Treasury Investment Activity

The Group still holds a substantial amount of funds of approximately HK\$0.7 billion which have been mainly placed as short term bank deposits with large financial institutions in Hong Kong.

Others

There were no acquisitions of major subsidiaries or associates during the period under review.

During the period under review, the Group has charged trade receivables of certain customers of the Group not exceeding HK\$72,656,000 and pledged bank deposit of HK\$39,326,000 to secure the credit facilities granted by banks. Save as aforesaid, there have been no other material change in the contingent liabilities and charge on assets of the Group since 31st March, 2010.

LIQUIDITY AND FINANCIAL RESOURCES

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

The convertible note of HK\$133,692,000 issued to King Shine Group Limited in 2007 are non interest bearing and have a tenor of 3 years to be matured on 31st 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 1st July, 2009 up to 31st December, 2010. On the maturity date, the noteholder shall be entitled to demand from the Company the full repayment of the outstanding principal amount of any outstanding and unconverted convertible note (if any) in cash.

As at 30th September, 2010, the Group has obtained secured bank borrowings facility of HK\$151,533,000 (30/9/2009: HK\$57,351,000), out of which, HK\$109,889,000 (30/9/2009: HK\$30,766,000) are utilized. The utilized bank borrowings of HK\$106,189,000 (2009: HK\$30,766,000) are repayable within one year, HK\$1,200,000 (30/9/2009: Nil) are repayable more than one year but not exceeding two years, HK\$2,500,000 (30/9/2009: Nil) are repayable more than two years but not more than five years. The bank borrowings of HK\$21,506,000 and HK\$88,383,000 carried fixed interest rate of 5.10% per annum and variable market rates with the ranging from 2.60% to 5.31% per annum respectively. (30/9/2009: 4.86% per annum). The Group's bank borrowings are denominated in United States dollar and Hong Kong dollar.

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

ORDER BOOK

As at 30th September, 2010, the outstanding orders on hand for oilfield engineering and consultancy services is approximately HK\$654,770,000 (30/9/2009: HK\$97,985,000).

STAFF AND EMOLUMENT POLICY

As at 30th September, 2010, the Group employed 230 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.

DEEMED DISPOSAL ARISING FROM SUBSCRIPTION FOR NEW SHARES BY AN INVESTOR IN PETRO-KING GROUP

On 3rd September, 2010, Termbray Petro-king Oilfield Services (BVI) Limited (“Termbray Petro-king”), a non-wholly owned subsidiary of the Company, TCL Industries Holdings (HK) Limited (“TCL”), King Shine Group Limited (“King Shine”) and Termbray Natural Resources Limited (“Termbray NRC”), a wholly owned subsidiary of the Company entered into a Subscription Agreement, pursuant to which Termbray Petro-king shall allot and issue and TCL shall subscribe for new shares of Termbray Petro-king, representing 10% of the issued share capital of Termbray Petro-king as enlarged by the subscription (“Subscription”) for a consideration of RMB88.8 million payable in US dollars. TCL and its ultimate beneficial owners is an independent third party and not a connected person of the Company. Upon completion of the Subscription, Termbray Petro-king shall be owned as to 45.9%, 44.1% and 10.0% by Termbray NRC, King Shine and TCL, respectively.

The Subscription constitutes deemed disposal of the Company’s equity interest in a subsidiary of the Company under Rule 14.29 of the Rules Governing the Listing of Securities (the “Listing Rules”). It also constitutes a very substantial disposal of the Company under Chapter 14 of the Listing Rules. A circular containing details of the Subscription was dispatched to the shareholders of the Company on 30th September, 2010. It was approved by the shareholders at the special general meeting of the Company convened on 18th October, 2010. The Subscription was completed on 20th October, 2010.

Upon completion, Termbray Petro-king has ceased to be subsidiary of the Company and has become an associated company of the Company. The accounts of Termbray Petro-king will no longer be consolidated into the consolidated financial statements of the Group.

The Subscription would considerably strengthen Petro-king Group’s financial position and its liability to continue to expand in the oilfield engineering and consultancy services industry. The proceeds of the Subscription have also increased the liquidity of Petro-king Group and strongly position it to fund its continued expansion.

OUTLOOK

The global economy has been recovering from the global financial crisis happened in 2008. United States and China are experiencing various challenges after the global economic crisis. In United States, the recovery progress of its economy is slower than expected. In China, Central government has implemented various tightening monetary policies to cool down its economy, especially the overheated property market and high inflation rate. We believe China continues to play a key role in the future global economic recovery. The Group is confident to capitalize on these opportunities and will grasp every business opportunities available to build up its own distinctive strength and to explore new business in China.

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 yet acquired any land or properties during the period under review, but the Group will still continue to explore the investment opportunities in the property markets in the PRC in the future.

Petro-king Group has kicked-off several massive projects in overseas markets. These new projects will last for several years. These projects have completed initial design and will soon undergo production in the coming years. The oil price has maintained at a fairly stable region of around US\$80 per barrel. We expect the oil price at this level will boost substantial capital expenditure investment in new oilfields by large national oil companies. Substantial parts of these capex investment will be invested by China national oil companies in their overseas projects. As Petro-king Group has extensive overseas oilfield experience and has maintained a very good relationship with those China national oil companies, we believe that Petro-king Group is likely to be benefited from the coming capex boom. We are cautiously optimistic about the future performance of Petro-king Group.

The Group will continue to operate its property investment and development business and be engaged in oilfield engineering and consultancy services through its interest in Petro-king Group. The Group will cautiously explore investment opportunities which will result in a steady growth in the Group's long term performance. On the other hand, there exists some underlying risk factors such as oil and commodity price volatility, interest rate movements, the recovery progress of the global economy and natural disasters which cannot be ignored. The Group remains cautiously optimistic about the year ahead in respect of its business and has the confidence to strengthen its competitiveness and to build value for our shareholders.

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

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

CORPORATE GOVERNANCE

The Company has met the code provisions of the Code on Corporate Governance Practices ("the Code") as set out in Appendix 14 of the Listing Rules during the six months ended 30th September, 2010 save as disclosed below.

Pursuant to code provision A.4.2, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. The Company is subject to private act called "The Termbray Industries International (Holdings) Limited Act 1991" Section 4(g) of the said Act provides that: "Notwithstanding anything contained in the Companies Act or rule of law to the contrary, the directors of the Company shall not be required to be elected at each annual general meeting, but shall (save for any chairman or managing director) be subject to retirement by rotation". The Company had amended its existing bye-laws to provide that every director of the Company, other than directors holding the office of chairman or managing director, shall be subject to retirement by rotation at least once every three years while directors holding the office of chairman or managing director shall be subject to re-election every 3 years.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code"), as the code of conduct regarding directors' securities transactions. The Company have made specific enquiry of all directors that they have complied with the Model Code throughout the six months ended 30th September, 2010.

AUDIT COMMITTEE

The Company has established an audit committee comprising three independent non-executive directors and one non-executive director of the Company. The audit committee of the Company has reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including review of the interim report for the six months ended 30th September, 2010.

OTHER INFORMATION

The interim results of the Group for the six months ended 30th September, 2010 have been reviewed by Messrs. Deloitte Touche Tohmatsu, Certified Public Accountants.

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

Executive Directors:

Mr. Lee Lap (*Chairman*)
Mdm. Leung Lai Ping
Mr. Tommy Lee (*Vice Chairman & Chief Executive Officer*)
Mr. Wong Shiu Kee

Independent Non-Executive Directors:

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

Non-Executive Directors:

Mr. Lee Ka Sze, Carmelo
Mr. Lee Wing Sing, Vincent

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

Hong Kong, 19th November, 2010