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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, 2012**

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, 2012 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, 2012

	Notes	Six months ended	
		30/9/2012 HK\$'000 (unaudited)	30/9/2011 HK\$'000 (unaudited)
Revenue	3	5,143	3,047
Cost of goods sold and services rendered		<u>(2,451)</u>	<u>(1,510)</u>
Gross profit		2,692	1,537
Other income	4	664	1,024
Other gains and losses	5	(247)	4,989
Administrative expenses		(7,064)	(8,362)
Share of result of an associate		<u>42,806</u>	<u>2,257</u>
Profit before taxation		38,851	1,445
Taxation	6	<u>(181)</u>	<u>(184)</u>
<b>Profit for the period attributable to owners of the Company</b>	7	<b>38,670</b>	<b>1,261</b>
Other comprehensive income (expense)			
Exchange differences arising from translation of financial statements of foreign operations		102	(1,419)
Share of other comprehensive (expense) income of an associate		(510)	1,778
Reclassification adjustment for exchange reserve transferred to profit or loss upon deemed disposal of interest in an associate		<u>(36)</u>	<u>–</u>
<b>Other comprehensive (expense) income for the period</b>		<b><u>(444)</u></b>	<b><u>359</u></b>
<b>Total comprehensive income for the period attributable to owners of the Company</b>		<b><u>38,226</u></b>	<b><u>1,620</u></b>
		<b>HK cents</b> <b>(unaudited)</b>	<b>HK cents</b> <b>(unaudited)</b>
<b>Basic earnings per share</b>	9	<b><u>1.98</u></b>	<b><u>0.06</u></b>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

At 30th September, 2012

	<i>Note</i>	<b>30/9/2012</b> <b>HK\$'000</b> <b>(unaudited)</b>	31/3/2012 HK\$'000 (audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>45,353</b>	46,109
Investment property		<b>30,006</b>	30,172
Interest in an associate	<i>10</i>	<b>458,239</b>	477,357
Pledged bank deposits		<b>2,000</b>	2,000
		<hr/> <b>535,598</b>	<hr/> 555,638
<b>CURRENT ASSETS</b>			
Completed properties for sale		<b>121,553</b>	122,771
Other receivables		<b>33</b>	42
Deposits and prepayments		<b>1,977</b>	1,995
Taxation recoverable		<b>429</b>	377
Dividend receivable from an associate	<i>10</i>	<b>61,200</b>	–
Bank balances and cash		<b>470,848</b>	473,155
		<hr/> <b>656,040</b>	<hr/> 598,340
<b>CURRENT LIABILITIES</b>			
Other payables and accrued charges		<b>2,547</b>	3,480
Dividend payable		<b>181,190</b>	5,002
Deposits received		<b>706</b>	652
Provisions		<b>3,173</b>	3,173
Amount due to a related company		<b>2,139</b>	1,992
Taxation payable		<b>3,953</b>	3,830
		<hr/> <b>193,708</b>	<hr/> 18,129
<b>NET CURRENT ASSETS</b>		<hr/> <b>462,332</b>	<hr/> 580,211
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<hr/> <b>997,930</b>	<hr/> 1,135,849
<b>NON-CURRENT LIABILITY</b>			
Deferred tax liabilities		<b>973</b>	930
<b>NET ASSETS</b>		<hr/> <b>996,957</b>	<hr/> 1,134,919
<b>CAPITAL AND RESERVES</b>			
Share capital		<b>156,611</b>	156,611
Reserves		<b>839,929</b>	977,891
		<hr/> <b>996,540</b>	<hr/> 1,134,502
Equity attributable to owners of the Company		<b>996,540</b>	1,134,502
Non-controlling interests		<b>417</b>	417
<b>TOTAL EQUITY</b>		<hr/> <b>996,957</b>	<hr/> 1,134,919

Notes

**1. BASIS OF PREPARATION**

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (HKAS 34) *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

**2. PRINCIPAL ACCOUNTING POLICIES**

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30th September, 2012 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31st March, 2012.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by HKICPA.

Amendments to HKFRS 7	Financial Instruments: Disclosures – Transfers of Financial Assets
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

**3. REVENUE AND SEGMENT INFORMATION**

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

	<b>Six months ended</b>	
	<b>30/9/2012</b>	<b>30/9/2011</b>
	<b>HK\$’000</b>	<b>HK\$’000</b>
Sale of properties	<b>2,546</b>	476
Rental income	<b>2,597</b>	2,571
	<b>5,143</b>	3,047

Segment information reported to the chief operating decision maker, the executive directors of the Company, for the purposes of resource allocation and assessment of segment performance focuses on one principal operating segment of the Group, namely property investment and development which involved property leasing and sales of properties.

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

	<b>Six months ended</b>	
	<b>30/9/2012</b>	<b>30/9/2011</b>
	<b>HK\$’000</b>	<b>HK\$’000</b>
Segment revenue	<b>5,143</b>	3,047
Segment profit	<b>1,894</b>	3,985
Unallocated other income	<b>607</b>	844
Unallocated other gains and losses	<b>(296)</b>	1,197
Unallocated expenses	<b>(6,341)</b>	(7,022)
Share of result of an associate	<b>42,806</b>	2,257
Profit for the period	<b>38,670</b>	1,261

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit represents the profit earned by property investment and development segment without allocation of unallocated other income, unallocated other gains and losses, unallocated expenses, and share of result of an associate. 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

	<b>Six months ended</b>	
	<b>30/9/2012</b>	<b>30/9/2011</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Interest income from bank balances	628	839
Sundry income	36	185
	<u>664</u>	<u>1,024</u>

#### 5. OTHER GAINS AND LOSSES

	<b>Six months ended</b>	
	<b>30/9/2012</b>	<b>30/9/2011</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Net exchange (loss) gain	(69)	4,989
Loss on deemed disposal of interest in an associate	(178)	–
	<u>(247)</u>	<u>4,989</u>

#### 6. TAXATION

	<b>Six months ended</b>	
	<b>30/9/2012</b>	<b>30/9/2011</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Current tax:		
Hong Kong Profits Tax	123	125
People's Republic of China ("PRC") Enterprise Income Tax	15	16
	<u>138</u>	<u>141</u>
Deferred tax	43	43
	<u>181</u>	<u>184</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, 2012 are 16.5% (2011: 16.5%) and 25% (2011: 25%), respectively.

#### 7. PROFIT FOR THE PERIOD

	<b>Six months ended</b>	
	<b>30/9/2012</b>	<b>30/9/2011</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Profit for the period has been arrived at after charging the following items:		
Cost of inventories recognised as expense	1,195	189
Depreciation of		
– property, plant and equipment	755	630
– investment property	167	166
	<u>1,195</u>	<u>189</u>

## 8. DIVIDENDS

During the current interim period, a final dividend of HK9 cents per share in respect of the year ended 31st March 2012 (six months ended 30th September 2011: nil) was declared to the owners of the Company. The aggregate amount of the final dividend declared in the interim period and paid subsequent to the end of the interim period amounted to HK\$176,188,000 (six months ended 30th September 2011: nil).

The directors have resolved not to declare the payment of an interim dividend for the six months ended 30th September 2012. Subsequent to the end of the six months ended 30th September 2011, the directors resolved and paid an interim dividend of HK6 cents per share to shareholders of the Company.

## 9. BASIC EARNINGS PER SHARE

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

	<b>Six months ended</b>	
	<b>30/9/2012</b>	<b>30/9/2011</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Earnings for the period attributable to owners of the Company for the purposes of basic earnings per share	<b>38,670</b>	1,261
	<b>Number of shares</b>	
	<b>'000</b>	<b>'000</b>
Number of ordinary shares for the purposes of basic earnings per share	<b>1,957,643</b>	1,957,643

No diluted earnings per share is presented as there were no potential dilutive shares during the period.

## 10. INTEREST IN AN ASSOCIATE

	<b>30/9/2012</b>	<b>31/3/2012</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Cost of unlisted investment in an associate	<b>412,412</b>	473,826
Share of post-acquisition profit and other comprehensive income	<b>45,827</b>	3,531
	<b>458,239</b>	477,357

The financial year end date for the associate is 31st December. For the purpose of applying the equity method of accounting, the management accounts of the associate for the six months period ended 30th June, 2012 have been used. Appropriate adjustments have been made accordingly for the effects of significant transactions between that date and 30th September, 2012.

The amortisation on intangible assets in relation to incomplete contracts is HK\$232,000 (six months ended 30th September 2011: HK\$31,853,000) for the period which sets off with the share of post-acquisition profit and other comprehensive income.

During the current period, the Group's shareholdings in the associate was diluted by 0.5% from 45.9% to 45.4% as the associate has issued 102 shares during the period. As a result, a loss on deemed disposal of interest in an associate of HK\$178,000 was recognised in profit or loss and the relevant accumulated other comprehensive income of HK\$36,000 was reclassified as well. During the current period, a dividend of HK\$61,200,000 from pre-acquisition profit was declared by the associate to the Group and was deducted from the cost of investment in an associate.

## **INTERIM DIVIDEND**

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30th September, 2012 (2011: HK6 cents per share).

## **REVIEW OF OPERATIONS**

During the current six months period under review, the Group achieved a turnover of HK\$5,143,000 (six months ended 30/9/2011: HK\$3,047,000) and made a profit for the period of HK\$38,670,000 (six months ended 30/9/2011: HK\$1,261,000). The increase in profit for the period is mainly due to the contribution from Termbray Petro-king Group. The effect of offset of the share of operating results of Termbray Petro-king Group by the amortization of the intangible assets in relation to incomplete contracts of Termbray Petro-king Group of HK\$232,000 (six months ended 30/9/2011: HK\$31,853,000) is minimal during the period under review.

### **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. The commercial arcades is still vacant and the occupancy rate of the residential units is kept at almost the same level as last period. The management has put much effort in marketing the properties and is still trying hard to improve the operation of the commercial arcades. The rental income earned by the Group from Ever Success Plaza during the period is slightly increased by 3.2%. The Group has sold 5 residential units during the period under review. As at 30th September, 2012, 218 residential units remained to be sold, out of which 123 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**

Upon completion of the subscription by TCL Industries Holdings (HK) Limited ("TCL") in October 2010, Termbray Petro-king Oilfield Services Limited (formerly known as "Termbray Petro-king Oilfield Services (BVI) Limited", "Termbray Petro-king") is owned as to 45.9%, 44.1% and 10.0% by Termbray Natural Resources Limited, a wholly owned subsidiary of the Group, King Shine Group Limited and TCL respectively. Termbray Petro-king has ceased to be subsidiary of the Company and has become an associate of the Company. The assets and liabilities of Termbray Petro-king is no longer consolidated to the consolidated financial statements of the Group.

During the period under review, the Group has applied the equity method of accounting for the results of Termbray Petro-king Group as an associate for the six months period from 1st January, 2012 to 30th June, 2012. Any significant transaction for the period from 1st July, 2012 to 30th September, 2012 has been adjusted.

For the period under review, Termbray Petro-king Group achieved a turnover of HK\$506 million. Termbray Petro-king Group has a steady growth in the consultancy servicing business and has expanded in the business of manufacturing and sales of tools and equipments. It gained substantial recognition on its capability of provision of high and oilfield technical solutions in Mainland China and the overseas. To further enhance its competency in oilfield technology, Termbray Petro-king Group entered into research and development and manufacture of oilfield equipments through acquisitions of relevant subsidiary and associate in 2011. The directors considered that the overall performance of Termbray Petro-king Group for the period under review is satisfactory.

Included in the net fair value of the Group's share of Termbray Petro-king Group's identifiable assets and liabilities is intangible assets in relation to incomplete contracts of HK\$66.3 million, determined based on the income-based method. Such intangible assets are amortised according to the management expectation of realization of profits of the incomplete contracts over their estimated useful lives of one to two years since October 2010.

Most of the contracts completed by Termbray Petro-king Group during the current period under review are contracts entered into after October 2010. The effect of offset of the Group's share of operating result of Termbray Petro-king Group by the amortisation of the intangible assets in relation to incomplete contracts for the current period under review is minimal. The amortisation of the intangible assets is HK\$0.2 million for the current period (30/9/2011: HK\$31.9 million). The balance of the intangible assets is expected to be amortised in the financial year ending 31st March, 2013.

For the six months period ended 30th June 2012, Termbray Petro-king Group has shifted substantial part of its oilfield project service activities to China, Russia and South America and has achieved substantial growth in revenue from the oilfield project services in China. The growth was partly resulted from the strengthened marketing effort of Termbray Petro-king Group and partly due to the booming of the product enhancement business as a result of the recent speeding-up in the development of tight gas and tight oil in Northern China.

Leverage on its strong technical capability with extensive international experience, Termbray Petro-king Group has successfully gained a significant contract from a new customer in South America, with a delivery timetable before the end of current financial year.

In addition, Termbray Petro-king Group's major manufacturing arm in Singapore and China has gained substantial progress in adding production capacity for down hole completion tools and has obtained API licenses for most of its major products.

The Group's interest in Termbray Petro-king Group has been diluted to 45.4% upon the exchange of newly issued shares of Termbray Petro-king Group of 1.01% for the additional interest of 5.5% in the shareholding of its jointly controlled entity ("JCE"), which is engaged in the manufacturing and sales of oilfield tools and equipments, in Singapore. The JCE becomes a 51% owned subsidiary of Termbray Petro-king Group since June 2012. The Group's share of the unaudited gain on disposal of the JCE by Termbray Petro-king Group of approximately HK\$19 million (representing 45.4% share) is already included in the share of result of an associate for the current period.

### **Treasury Investment Activity**

The Group still holds a substantial amount of funds of approximately HK\$471 million 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.

## **LIQUIDITY AND FINANCIAL RESOURCES**

The Group remains cash-rich and has no material capital expenditure commitments. The operations are financed by capital and reserves.

Foreign currency risk of the Group is not significant as the assets of the Group comprised 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**

Due to its business nature, the Group has no order book at 30th September, 2012. The Group has no new product and services to be introduced to the market.

## **STAFF AND EMOLUMENT POLICY**

As at 30th September, 2012, the Group employed 42 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.

## **OUTLOOK**

The global economy has been recovering from the global financial crisis happened in 2008. However, the debt crisis in Europe today has an unpredictable impact on the recovery of global economy. 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 will continue to play a key role in the future global economic recovery. The Group is confidence in capitalising on these opportunities and will grasp every business opportunities available to build up its own distinctive strength and to explore new businesses in China.

Property investment and development has been the principal business of the Group for all these years and the Group has spent a lot of 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.

Further to the successful strategic relocation of its resources and service capability to China and South America, the management of Termbray Petro-king Group expects that Termbray Petro-king Group will be able to maintain a balanced development of its major domestic market in China as well as the overseas market. There is a trend of emphasis on unconventional gas resources development in China and an expected aggressive pursuit of overseas exploration and production projects by Chinese national oil companies (“NOC”) in order to ensure adequate supplies of oil and gas to meet domestic consumption growth in China. While focusing on the provision of high end oilfield services to the Chinese NOC (both in China and for their overseas investments), Termbray Petro-king Group will strive to gain substantial revenue growth from its international customers, especially from those customers in Russia and in South America.

To cope with the surge in market demand of tools for high end oilfield service in China, Termbray Petro-king Group is planning to expand its production capacity of oilfield tools and equipment in China by establishing a new manufacturing base in Huizhou, Guangdong. The construction work of the manufacturing base is planned to be kicked-off early next year.

The management are cautiously optimistic about the future performance of Termbray Petro-king Group.

The Board was informed by the management of Termbray Petro-king that on 16th August, 2012, Termbray Petro-king submitted a listing application form (Form A1) to The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) for the listing of, and permission to deal in, the shares of Termbray Petro-king to issue and to be issued under public offer in Hong Kong and international placing (together, the “Global Offering”) on the main board of the Stock Exchange (the “Proposed Separate Listing”). The Board was further informed by the management of Termbray Petro-king that details in respect of the Proposed Separate Listing, including the size and structure of the Global Offering, the extent of the decrease in percentage shareholding of the Company in Termbray Petro-king and the expected timetable, had not yet been finalised. The Proposed Separate Listing is subject to, among others, the final decision of the board of directors of Termbray Petro-king and the approval from the Stock Exchange, and may or may not proceed.

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 Termbray 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 Corporate Governance Code as set out in Appendix 14 of the Rules governing the listing of securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”) during the six month ended 30th September, 2012 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 period ended 30th September, 2012.

## **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, 2012.

## **OTHER INFORMATION**

The interim results of the Group for the six months ended 30th September, 2012 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. Lo Yiu Hee  
Mr. Tong Hin Wor  
Mr. Siu Lok Chow, Gabriel

*Non-Executive Director:*

Mr. Lee Ka Sze, Carmelo

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

Hong Kong, 23 November 2012