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TERMBRAY INDUSTRIES INTERNATIONAL (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 0093)

FINAL RESULTS FOR THE YEAR ENDED 31ST MARCH, 2014

RESULTS

The board of directors (the “Board”) of Termbay Industries International (Holdings) Limited (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31st March, 2014 together with the comparative figures for the last year as follows:

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	<i>Notes</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Revenue	3	6,351	8,464
Cost of goods sold and services rendered		(2,746)	(3,833)
Gross profit		3,605	4,631
Other income	4	887	5,176
Other gains and losses	5	(6,915)	171,068
Administrative expenses		(16,042)	(13,565)
Share of result of an associate		63,618	78,048
Profit before taxation		45,153	245,358
Taxation	6	(1,603)	(364)
PROFIT FOR THE YEAR	7	43,550	244,994
OTHER COMPREHENSIVE INCOME (EXPENSE)			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising from translation of foreign operations		120	(740)
Share of other comprehensive income of an associate		11,946	711
Reclassification adjustment for translation reserve transferred to profit or loss upon deemed disposal of interest in an associate		(415)	(1,289)
OTHER COMPREHENSIVE INCOME (EXPENSE) FOR THE YEAR		11,651	(1,318)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY			
		55,201	243,676
		<i>HK cents</i>	<i>HK cents</i>
BASIC EARNINGS PER SHARE	8	2.22	12.51

Consolidated Statement of Financial Position

	<i>Note</i>	31.3.2014 HK\$'000	31.3.2013 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		42,995	44,435
Investment property		29,506	29,839
Interest in an associate	9	727,785	659,262
Pledged bank deposits		2,000	2,000
		<u>802,286</u>	<u>735,536</u>
CURRENT ASSETS			
Completed properties for sale		122,233	122,634
Other receivables		43	4,148
Deposits and prepayments		2,104	2,065
Taxation recoverable		118	429
Bank balances and cash		354,739	361,259
		<u>479,237</u>	<u>490,535</u>
CURRENT LIABILITIES			
Other payables and accrued charges		3,540	3,030
Dividend payable		12,505	12,505
Deposits received		725	710
Amount due to a related company		2,372	2,589
Taxation payable		3,629	3,767
		<u>22,771</u>	<u>22,601</u>
NET CURRENT ASSETS		<u>456,466</u>	<u>467,934</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,258,752</u>	<u>1,203,470</u>

	31.3.2014 <i>HK\$'000</i>	31.3.2013 <i>HK\$'000</i>
NON-CURRENT LIABILITIES		
Deferred tax liabilities	<u>1,144</u>	<u>1,063</u>
NET ASSETS	<u>1,257,608</u>	<u>1,202,407</u>
CAPITAL AND RESERVES		
Share capital	156,611	156,611
Reserves	<u>1,100,580</u>	<u>1,045,379</u>
Equity attributable to owners of the Company	1,257,191	1,201,990
Non-controlling interests	<u>417</u>	<u>417</u>
TOTAL EQUITY	<u>1,257,608</u>	<u>1,202,407</u>

Notes:

1. BASIS OF PREPARATION

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

The consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

The Group has applied the following new and revised HKFRSs issued by the HKICPA for the first time in the current year:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009 – 2011 Cycle
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine

Except as described below, the application of the new and revised HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

HKFRS 12 Disclosure of Interests in Other Entities

The Group has applied HKFRS 12 for the first time in the current year. HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements.

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of HKFRS 13 is broad: the fair value measurement requirements of HKFRS 13 apply to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, the Group has not made any new disclosures required by HKFRS 13 for the 2013 comparative period. Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income*

The Group has applied the amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income*. Upon the adoption of the amendments to HKAS 1, the Group's 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income'. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. Furthermore, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle ⁴
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle ²
HKFRS 9	Financial Instruments ³
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures ³
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities ¹
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ⁵
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ⁵
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions ²
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities ¹
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets ¹
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting ¹
HK(IFRIC) – Int 21	Levies ¹

¹ Effective for annual periods beginning on or after 1st January, 2014.

² Effective for annual periods beginning on or after 1st July, 2014.

³ Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.

⁴ Effective for annual periods beginning on or after 1st July, 2014, with limited exceptions.

⁵ Effective for annual periods beginning on or after 1st January, 2016.

The directors of the Company anticipate that the application of the new and revised HKFRSs will have no material impact on the consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

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

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Sale of properties	723	3,146
Rental income	5,628	5,318
	6,351	8,464

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 the one principal operating segment of the Group, namely property investment and development which involved property leasing and sales of properties.

Segment revenues and results

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

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Revenue from property investment and development segment	6,351	8,464
Segment (loss) profit from property investment and development segment	(1,329)	9,136
Unallocated other income	790	946
Unallocated other gains and losses	(12)	3,786
Unallocated expenses	(12,891)	(12,557)
Share of result of an associate	63,618	78,048
(Loss) gain on deemed disposal of interest in an associate	(6,626)	165,635
Profit for the year	43,550	244,994

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 (loss) profit represents the (loss) profit earned by property investment and development segment without allocation of unallocated other income, unallocated other gains and losses, unallocated expenses, share of result of an associate and (loss) gain on deemed disposal of interest in 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

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Interest income from bank balances	794	987
Sundry income	93	75
Compensation on land expropriation from PRC government (<i>Note</i>)	—	4,114
	<u>887</u>	<u>5,176</u>

Note: The amount represented the PRC government compensation on land expropriation against a piece of land held by the Group in Guangdong province which was fully written off in previous years.

The compensation of HK\$4,114,000 was included in other receivable as at 31st March, 2013 and was received during the current year.

5. OTHER GAINS AND LOSSES

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Net exchange (loss) gain	(289)	2,260
Net (loss) gain on deemed disposal of interest in an associate	(6,626)	165,635
Reversal of provisions	—	3,173
	<u>(6,915)</u>	<u>171,068</u>

6. TAXATION

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Current tax:		
Hong Kong Profits Tax	—	200
PRC Enterprise Income Tax	516	31
	<u>516</u>	<u>231</u>
Under provision in prior years:		
PRC Enterprise Income Tax	1,006	—
Deferred tax	81	133
	<u>1,603</u>	<u>364</u>

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profits arising in Hong Kong for the current year.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the year ended 31st March, 2013.

PRC Enterprise Income Tax is calculated at 25% of the estimated assessable profit for both years.

7. PROFIT FOR THE YEAR

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Profit for the year has been arrived at after charging:		
Depreciation of		
– property, plant and equipment	1,440	1,482
– investment property	333	333
	<u>1,440</u>	<u>1,482</u>

8. BASIC EARNINGS PER SHARE

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

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Earnings for the year attributable to owners of the Company for the purposes of basic earnings per share	43,550	244,994
	<u>43,550</u>	<u>244,994</u>
	Number of shares	
	'000	'000
Number of ordinary shares for the purposes of basic earnings per share	1,957,643	1,957,643
	<u>1,957,643</u>	<u>1,957,643</u>

Diluted earnings per share is not presented as there were no dilutive potential shares in issue for both years.

9. INTEREST IN AN ASSOCIATE

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Cost of investment in an associate listed in Hong Kong	286,771	295,311
Share of post-acquisition profit and other comprehensive income and effect on deemed disposal of interest in an associate	441,014	363,951
	<u>441,014</u>	<u>363,951</u>
	<u>727,785</u>	<u>659,262</u>
Market value of interest in an associate	1,022,322	1,516,445
	<u>1,022,322</u>	<u>1,516,445</u>

The financial year end date for the associate is 31st December. For the purpose of applying the equity method of accounting, the audited consolidated financial statements of the associate for the year ended 31st December, 2013 have been used as the Group considers that it is impracticable for the associate to prepare a separate set of audited financial statements as of 31st March, 2014.

Included in the cost of investment in an associate is goodwill of HK\$174,930,000 (2013: HK\$180,139,000) which is the difference between the initial cost of investment and the Group's share of the net value of the associate's identifiable assets and liabilities as at the date of acquisition of the associate.

The Group's shareholding in the associate was diluted from 32.85% to 31.90% as at 31st December, 2013 as the associate has issued approximately 8,881,000 and 21,720,000 shares for additional investment of a subsidiary and share options exercise respectively. As a result, a net loss on deemed disposal of interest in an associate of HK\$6,626,000 was recognised in profit or loss and the relevant accumulated translation reserve of HK\$415,000 was reclassified to profit or loss.

During the year ended 31st March, 2013, the Group's shareholdings in the associate was diluted from 45.90% to 32.85% as the associate has issued 102 shares for acquisition of a subsidiary and 287,500,000 shares for Global Offering ("Global Offering") in June 2012 and March 2013, respectively. As a result, a net gain on deemed disposal of interest in an associate of HK\$165,635,000 was recognised in profit or loss and the relevant accumulated translation reserve of HK\$1,289,000 was reclassified to profit or loss.

During the year ended 31st March, 2013, 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.

As at 31st March, 2014 and 2013, the Group had interest in the following associate:

Name of entity	Form of equity	Country of incorporation	Country of operation	Class of shares held	Proportion of nominal value of issued capital held by the Group		Proportion of voting power held		Principal activity
					2014	2013	2014	2013	
Petro-king Oilfield Services Limited (formerly known as "Termbay Petro-king Oilfield Services Limited")	Incorporated	British Virgin Islands	PRC	Ordinary	31.73%	32.85%	31.73%	32.85%	Manufacturing and sales of tools and equipment and provision for oilfield consultancy service

Summarised financial information of material associate

Summarised financial information in respect of the Group's associate is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with International Financial Reporting Standards.

The Group's associate is accounted for using the equity method in these consolidated financial statements.

Petro-king Oilfield Services Limited

	31.12.2013 HK\$'000	31.12.2012 HK\$'000
Current assets	<u>1,955,249</u>	<u>1,090,707</u>
Non-current assets (excluding goodwill)	<u>416,638</u>	<u>264,350</u>
Current liabilities	<u>609,010</u>	<u>729,676</u>
Non-current liabilities	<u>14,589</u>	<u>11,821</u>

	Year ended 31.12.2013 HK\$'000	Year ended 31.12.2012 HK\$'000
Revenue	1,060,435	1,057,393
Profit from continuing operations	210,506	174,082
Profit from discontinued operations	–	10,609
Profit for the year	210,506	184,691
Other comprehensive income for the year	37,657	1,665
Total comprehensive income for the year	248,163	186,356
Attributable to:		
Owners of the Company	233,214	179,921
Non-controlling interests	14,949	6,435
	248,163	186,356
Dividends received from an associate during the year	–	61,200
Reconciliation of the above summarised financial information to the carrying amount of the interest in an associate recognised in the consolidated financial statements:		
	31.12.2013 HK\$'000	31.12.2012 HK\$'000
Total assets and liabilities of an associate	1,748,288	613,560
Less: Non-controlling interests	(34,524)	(38,235)
Less: Reserves not attributable to the Group	9,422	(21,346)
Equity attributable to shareholders of the Group	1,723,186	553,979
Proportion of the Group's ownership interest in an associate (<i>Note 1</i>)	31.90%	32.85%
Goodwill	174,930	180,139
Significant transactions adjustment (<i>Note 2</i>)	–	293,982
Other adjustments	3,159	3,159
Carrying amount of the Group's interest in an associate	727,785	659,262

Note 1: The proportion as at 31st December, 2012 represented the proportion after the adjustment for the Global Offering of the associate in March 2013.

Note 2: Significant transactions adjustment represented the share of net proceeds for the Global Offering of the associate in March 2013 as mentioned above.

RESULTS

During the current year under review, the Group achieved a revenue of HK\$6,351,000 and recorded a profit for the year of HK\$43,550,000, compared with the revenue of HK\$8,464,000 and profit for the year of HK\$244,994,000 recorded in last year.

The significant decrease in profit for the year is mainly due to the non-occurrence of the following one-off items recorded in the Group's financial statements for the last year ended 31st March, 2013:

- net gain of approximately HK\$166 million from the deemed disposal of its interest in Petro-king Group from approximately 45.4% to approximately 32.9% upon the successful listing of Petro-king on the main board of the Stock Exchange on 6th March, 2013; and
- compensation of approximately HK\$4 million on land expropriation by the local PRC authorities in respect of the Group's investment in the property held through Cong Hua Bow Yuen.

In addition, there is a decrease in the Group's share of operation results of Petro-king Group for the year ended 31st March, 2014 due to the decrease in the Group's shareholding in Petro-king Group from approximately 45.9% as at 31st March, 2012 to approximately 32.9% as at 31st March, 2013, and further diluted to 31.9% as at 31st December, 2013, despite Petro-king Group demonstrated an improved operating result for the year ended 31st December, 2013.

The dilutions in the Group's shareholding in Petro-king Group mentioned above is caused by the exercise of share options by employees of Petro-king Group and the issue of new shares by Petro-king for the acquisition of the remaining 49% interest of a non-wholly owned subsidiary engaged in the manufacturing and sales of oilfield tools and equipments in Singapore. Such dilutions resulted in a loss of approximately HK\$7 million on deemed disposal of its interest in Petro-king Group.

DIVIDEND

No interim dividend was paid by the Company for the six months ended 30th September, 2013 (2012: Nil).

The Board does not recommend the payment of a final dividend for the year ended 31st March, 2014 (2013: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 1st September, 2014 to Friday, 5th September, 2014 (both days inclusive), during which no transfer of shares will be effected. In order to qualify for attendance of annual general meeting to be held on 5th September, 2014, all completed transfer forms accompanied with the relevant share certificates must be lodged with the Company's share registrar, Tricor Standard Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 29th August, 2014.

REVIEW OF OPERATIONS

Property investment and Development

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

The Group's completed properties for sale – Ever Success Plaza, comprising of over 440 residential units standing on 3 levels of commercial arcades and car parks, is located at a convenient and prime location with a river view in Zhongshan, Guangdong Province. The competition of the property market in Zhongshan is keen. There are abundant supplies of properties with modern design. The commercial arcades is still vacant and the occupancy rate of the residential units is slightly higher than that of last year. The management has put a lot of effort in marketing the properties and is endeavouring to improve the operation of the commercial arcades. The rental income earned by the Group from Ever Success Plaza during the year slightly increased by 16.4%. The Group has sold one residential unit during the year under review. As at 31st March, 2014, 216 residential units remained to be sold, out of which 158 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 Group has made full provision for impairment loss against the property held by Cong Hua Bow Yuen in the financial statements of the Group in the prior years. In last financial year, Cong Hua Bow Yuan has entered into a settlement agreement with the local PRC authorities for compensation on land expropriation. Pursuant to the settlement agreement, the Group has received all the compensation in the current year.

Oilfield engineering and consultancy services

Upon successful listing of Petro-king Oilfield Services Limited (formerly known as Termbray Petro-king Oilfield Services Limited ("Petro-king"), (Stock code 2178)) on The Stock Exchange of Hong Kong Limited ("the Stock Exchange") on 6th March, 2013, the Group held 32.85% interest as at 1st April, 2013 in Petro-king as an associate through Termbray Natural Resources Company Limited, a wholly owned subsidiary of the Group.

During the year, there are further dilutions in the Group's shareholding in Petro-king due to the exercise of share options by employees of Petro-king Group and the issue of new shares by Petro-king for acquisition of the remaining 49% interest in a non-wholly owned subsidiary engaged in the manufacturing and sales of oilfield tools and equipments in Singapore. The Group's shareholding in Petro-king as at 31st December, 2013 and 31st March, 2014 is 31.90% and 31.73% respectively.

During the year under review, the Group has applied the equity method of accounting for the results of Petro-king Group as an associate for the year ended 31st December, 2013.

2013 was an important year for Petro-king Group's corporate development, technological development as well as business strategies implementation. Subsequent to successful listing in March 2013, Petro-king Group had speeded up the following medium term business expansion plans:

- Started to build research and development and manufacturing facilities in Huizhou ("Huizhou Base")
- Invested in research and development for new services and technologies including drilling, fracturing and well completion

- Speeded up its vertical integration by addition of machinery and increased the production capacity of completion tools, fracturing tools and surface control systems
- Acquired necessary tools and equipment to enhance Petro-king Group's service capability and capacity in fracturing and directional drilling, and introduced new technologies for fracturing and drilling
- Established marketing and sales offices in Dubai, Australia and Canada

In 2013, Petro-king Group recorded a revenue of HK\$1,060 million, representing a slight increase of 0.3% from HK\$1,057 million in 2012. Offsetting the effects of the HK\$47.7 million one-off gain on disposal of a jointly controlled entity in 2012, Petro-king Group's profit for the year recorded a significant increase by HK\$37 million from HK\$174 million in 2012 to HK\$211 million in 2013. The operating profit margin increased from 17% in 2012 to 24% in 2013.

In 2013, the revenue growth was mainly attributable to the overseas markets, which has increased by 40% in 2013 as compared to 2012. Petro-king Group's revenue from the China market dropped by 16% mainly due to the unexpected delay in production enhancement jobs from various customers in China, a drop in average revenue per well for multistage fracturing services and a decrease in revenue from drilling services resulted by the transitional period of replacing leased tools by our self-developed tools. On the other hand, regional political instabilities in Venezuela and the Middle East had delayed Petro-king Group's business development in these areas. The significant improvement in the operating profit margin was mainly attributable to the significant costs saving in the cost of materials and tools as a result of the utilisation of self-made tools in our oilfield services projects.

Despite the challenges as mentioned above, Petro-king Group had achieved certain business goals in 2013: expanded its customer bases; increased utilisation of its self developed and manufactured tools; and enhanced its service capability and capacity in various high-end oilfield service lines.

Petro-king Group achieved a balanced development in the China market and the overseas market. Unconventional oil and gas (including tight gas, tight oil and shale gas) sector continued to be Petro-king Group's focus in the China market. Petro-king Group had started providing multistage fracturing services in China market and also conducted proactive marketing activities in other overseas markets, such as the Middle East, Australia, Canada and Indonesia. Petro-king Group also set up marketing and sales offices in Dubai, Australia and Canada.

Petro-king Group had continued to seek advancement in technology and enhancement in service capability and capacity. It also started batch production of its self-developed tools with a target of increasing the proportion of self-made tools used for multistage fracturing projects to above 50% of all tools. In addition, it had successfully developed its own turbine drilling tools.

The directors considered that the overall performance of Petro-king Group for the year under review is satisfactory.

TREASURY INVESTMENT ACTIVITY

The Group still holds an amount of funds of approximately HK\$355 million which have been placed as short term bank deposits with large financial institutions in Hong Kong.

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. Both of the debt crisis in Europe and the progress of stop buying of national debts by the US Government have an unpredictable impact on the recovery of global economy. 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 looked 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 year under review, but the Group will still continue to explore the investment opportunities in the property markets in the PRC.

Globally, exploration of oil and gas and drilling are gathering momentum. However, the politically unstable environment in the Middle East and the recent regional political turmoil in Eastern Europe and South America have put on some uncertainties on Petro-king Group's business development in the overseas market. Petro-king Group is cautiously optimistic about the overseas market in 2014. Nevertheless, Petro-king Group will continue to maintain a well balanced business development strategy in both China and the overseas markets in a medium to long term.

For the overseas markets, overseas investment of Chinese national oil companies ("NOCs") were still keen in 2013 and Petro-king Group has participated in bidding in various projects in the Middle East, Central Asia, South East Asia, Australia and Canada, and is actively following its customers on their business development plans overseas. It is Petro-king Group's intention to maintain its current business operations in Venezuela in 2014. However, the management of Petro-king Group will closely monitor for any new development of the political situation and will make necessary assessment on the business environment in Venezuela from time to time.

Domestically, the Chinese Government has shown a very strong determination to resolve air pollution problem in China. It is expected that continuous deregulation in oil and gas industry will encourage more and more private sector investments, led by investments in unconventional upstream resources, such as shale gas. Unconventional gas in China will continue to be the major focus of Petro-king Group's production enhancement services in 2014. In addition to the purchase of high-pressure pumping fracturing equipment, Petro-king Group will continue to expand its professional engineering team and further develop new fracturing technology and tools, and further enhance its leading position as a high-end oilfield services provider in China.

Petro-king Group has completed the structural construction works of two plants and a staff quarter in Huizhou Base in 2013. The Huizhou Base, upon its expected commencement of commercial production in the second half of 2014, will significantly increase Petro-king Group's product development, manufacturing capability and capacity of its well completion tools, drilling tools, surface control systems, fracturing tools and accessories.

Looking ahead to 2014, Petro-king Group will keep upgrading its capability and capacity and continue its marketing efforts in both China and the overseas market. Barring from unforeseeable adverse circumstances (if any) from the political turmoil in certain overseas markets, the management of Petro-king Group is confident that its overall business operations will be further developed in 2014, amid the numerous business opportunities in China and the overseas markets.

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 opportunity 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.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st March, 2014, the Group remains cash-rich and no material capital expenditure commitments. The operations are financed by capital and reserves.

Bank balances and cash amounted to HK\$355 million and accounted for 74% of total current assets.

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.

STAFF

As at 31st March, 2014, the Group employed 41 staff at market remunerations with staff benefits such as insurance, provident fund scheme and discretionary bonus and share option scheme.

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

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

CORPORATE GOVERNANCE

The Company are committed to maintaining a high standard of corporate governance and firmly believe that to maintain a good, solid and sensible framework of corporate governance will ensure the Company to run its business in the best interests of its shareholders as a whole.

The Company adopted all the code provisions in the Corporate Governance Code ("the Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as its own code on corporate governance practices.

The Company has complied during the year ended 31st March, 2014 with the Code 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 a private act called “The Termbray Industries International (Holdings) Limited Act 1991”. Section 4(g) of the said Act provides that: “Notwithstanding anything contained in the Companies Act or rule of law to the contrary, the directors of the Company shall not be required to be elected at each annual general meeting, but shall (save for any chairman or managing director) be subject to retirement by rotation in such manner and at such frequency as the bye-laws may provide.” Accordingly, the chairman and managing director of the Company may not be made subject to retirement by rotation. The Company has amended its 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 3 years, while directors holding the office of chairman or managing director shall be subject to re-election once every 3 years.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the “Model Code”), as the code of conduct regarding directors’ securities transactions.

The Company have made specific enquiry of all directors that they have complied with the Model Code throughout the year ended 31st March, 2014.

In addition, the Board also established written guidelines on no less exacting terms than the Model Code for senior management of the Company in respect of their dealings in the securities of the Company.

AUDIT COMMITTEE

The audit committee, which is chaired by Mr. Lo Yiu Hee has been established with defined terms of reference in alignment with the recommendations set out in “A Guide for Effective Audit Committees” issued by the Hong Kong Institute of Certified Public Accountants and the code provisions set out in the Code of the Listing Rules. Other members are Mr. Lee Ka Sze, Carmelo, Mr. Tong Hin Wor and Mr. Siu Lok Chow, Gabriel.

The audit committee of the Company has reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including review of the annual results for the year ended 31st March, 2014.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31st March, 2014 as set out in the preliminary announcement have been agreed by the Group’s auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

OTHER INFORMATION

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

Executive Directors:

Mr. Lee Lap (*Chairman*)

Mr. Tommy Lee (*Vice Chairman & Chief Executive Officer*)

Mdm. Leung Lai Ping

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, 20th June, 2014