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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, 2014**

The board of directors (the “Board”) of Termbay Industries International (Holdings) Limited (the “Company”) presents to shareholders the unaudited condensed consolidated statement of profit or loss and other comprehensive income of the Company and its subsidiaries (the “Group”) for the six months ended 30th September, 2014 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 PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*For the six months ended 30th September, 2014*

		<b>Six months ended</b>	
	<i>Notes</i>	<b>30/9/2014</b>	<b>30/9/2013</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(unaudited)</b>	<b>(unaudited)</b>
Revenue	3	<b>2,786</b>	2,714
Cost of goods sold and services rendered		<u><b>(1,225)</b></u>	<u>(1,191)</u>
		<b>1,561</b>	1,523
Other income	4	<b>505</b>	419
Other gains and losses	5	<b>2,078</b>	2,787
Administrative expenses		<b>(6,881)</b>	(7,442)
Share of result of an associate		<u><b>4,148</b></u>	<u>22,790</u>
Profit before taxation		<b>1,411</b>	20,077
Taxation	6	<u><b>(270)</b></u>	<u>(166)</u>
<b>Profit for the period attributable to owners of the Company</b>	7	<b>1,141</b>	19,911
Other comprehensive income (expense):			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising from translation of foreign operations		<b>(557)</b>	(610)
Share of exchange differences of an associate		<b>4,088</b>	3,475
Reclassification adjustment for translation reserve transferred to profit or loss upon deemed disposal of interest in an associate		<u><b>(197)</b></u>	<u>–</u>
<b>Other comprehensive income for the period</b>		<u><b>3,334</b></u>	<u>2,865</u>
<b>Total comprehensive income for the period attributable to owners of the Company</b>		<u><b>4,475</b></u>	<u>22,776</u>
		<b>HK cents</b>	<b>HK cents</b>
		<b>(unaudited)</b>	<b>(unaudited)</b>
<b>BASIC EARNINGS PER SHARE</b>	9	<u><b>0.06</b></u>	<u>1.02</u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

At 30th September, 2014

	<i>Note</i>	<b>30/9/2014</b> <b>HK\$'000</b> <b>(unaudited)</b>	31/3/2014 <b>HK\$'000</b> <b>(audited)</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>42,279</b>	42,995
Investment property		<b>29,340</b>	29,506
Interest in an associate	<i>10</i>	<b>718,536</b>	727,785
Pledged bank deposits		<b>2,000</b>	2,000
		<hr/> <b>792,155</b>	<hr/> 802,286
<b>CURRENT ASSETS</b>			
Completed properties for sale		<b>123,770</b>	122,233
Other receivables		<b>45</b>	43
Deposits and prepayments		<b>1,996</b>	2,104
Taxation recoverable		<b>119</b>	118
Bank balances and cash		<b>367,992</b>	354,739
		<hr/> <b>493,922</b>	<hr/> 479,237
<b>CURRENT LIABILITIES</b>			
Other payables and accrued charges		<b>3,295</b>	3,540
Dividend payable		<b>12,505</b>	12,505
Deposit received		<b>736</b>	725
Amount due to a related company		<b>2,557</b>	2,372
Taxation payable		<b>3,720</b>	3,629
		<hr/> <b>22,813</b>	<hr/> 22,771
<b>NET CURRENT ASSETS</b>		<hr/> <b>471,109</b>	<hr/> 456,466
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<hr/> <b>1,263,264</b>	<hr/> 1,258,752
<b>NON-CURRENT LIABILITY</b>			
Deferred tax liabilities		<hr/> <b>1,181</b>	<hr/> 1,144
<b>NET ASSETS</b>		<hr/> <b>1,262,083</b>	<hr/> 1,257,608
<b>CAPITAL AND RESERVES</b>			
Share capital		<b>156,611</b>	156,611
Reserves		<b>1,105,055</b>	1,100,580
		<hr/> <b>1,261,666</b>	<hr/> 1,257,191
Equity attributable to owners of the Company		<b>1,261,666</b>	1,257,191
Non-controlling interests		<b>417</b>	417
		<hr/> <b>1,262,083</b>	<hr/> 1,257,608
<b>TOTAL EQUITY</b>		<hr/> <b>1,262,083</b>	<hr/> 1,257,608

## 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“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.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30th September, 2014 are the same as those followed in the preparation of the Group’s consolidated annual financial statements for the year ended 31st March, 2014.

In the current interim period, the Group has applied, for the first time, the following new Interpretation and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) – Int 21	Levies

The application of the new interpretation and 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>30/9/2014</b>	<b>30/9/2013</b>
	<b>HK\$’000</b>	<b>HK\$’000</b>
Rental income	<b>2,786</b>	2,714

The following is an analysis of the Group’s results from the property investment and development segment:

	<b>Six months ended</b>	
	<b>30/9/2014</b>	<b>30/9/2013</b>
	<b>HK\$’000</b>	<b>HK\$’000</b>
Segment revenue	<b>2,786</b>	2,714
Segment profit	<b>3,129</b>	3,580
Unallocated other income	<b>404</b>	338
Unallocated other gains and losses	<b>(255)</b>	4
Unallocated expenses	<b>(6,285)</b>	(6,801)
Share of result of an associate	<b>4,148</b>	22,790
Profit for the period	<b>1,141</b>	19,911

#### 4. OTHER INCOME

	Six months ended	
	30/9/2014 HK\$'000	30/9/2013 HK\$'000
Interest income from bank balances	433	366
Sundry income	72	53
	<u>505</u>	<u>419</u>

#### 5. OTHER GAINS AND LOSSES

	Six months ended	
	30/9/2014 HK\$'000	30/9/2013 HK\$'000
Net exchange gain	2,327	2,787
Loss on deemed disposal of interest in an associate	(249)	–
	<u>2,078</u>	<u>2,787</u>

#### 6. TAXATION

	Six months ended	
	30/9/2014 HK\$'000	30/9/2013 HK\$'000
Current taxation:		
Hong Kong Profits Tax	91	122
People's Republic of China ("PRC") Enterprise Income Tax	142	16
	<u>233</u>	<u>138</u>
Deferred taxation	37	28
	<u>270</u>	<u>166</u>

#### 7. PROFIT FOR THE PERIOD

	Six months ended	
	30/9/2014 HK\$'000	30/9/2013 HK\$'000
Profit for the period has been arrived at after charging the following terms:		
Depreciation of		
– property, plant and equipment	716	725
– investment property	166	166
	<u>882</u>	<u>891</u>

## 8. DIVIDEND

No dividend was paid, declared or proposed during the current interim period. The directors of the Company have determined that no dividend will be paid in respect of the six months ended 30th September, 2014 (six months ended 30th September, 2013: Nil).

## 9. BASIC EARNINGS PER SHARE

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

	<b>Six months ended</b>	
	<b>30/9/2014</b>	<b>30/9/2013</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	<u><b>1,141</b></u>	<u>19,911</u>
	<b>Number of shares</b>	
	<b>'000</b>	<b>'000</b>
Number of ordinary shares for the purpose of basic earnings per share	<u><b>1,957,643</b></u>	<u>1,957,643</u>

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

## 10. INTEREST IN AN ASSOCIATE

	<b>30/9/2014</b>	<b>31/3/2014</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Cost of investment in an associate listed in Hong Kong	<b>283,535</b>	286,771
Share of post-acquisition profit and other comprehensive income and effect on deemed disposal of interest in an associate, net of dividends received	<u><b>435,001</b></u>	<u>441,014</u>
	<u><b>718,536</b></u>	<u>727,785</u>
Market value of interest in an associate	<u><b>783,780</b></u>	<u>1,022,322</u>

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, 2014 have been used.

Included in the cost of investment in an associate is goodwill of HK\$172,956,000 (31/3/2014: HK\$174,930,000) 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.

During the period ended 30th September, 2014, the Group's shareholding in the associate was diluted from 31.73% to 31.54% as the associate has issued approximately 12,289,000 shares for share options exercise. As a result, a net loss on deemed disposal of interest in an associate of HK\$249,000 was recognised in profit or loss and the relevant accumulated translation reserve of HK\$197,000 was reclassified to profit or loss.

## **INTERIM DIVIDEND**

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30th September, 2014 (2013: Nil).

## **REVIEW OF OPERATIONS**

During the current six months period under review, the Group achieved a turnover of HK\$2,786,000 (six months ended 30/9/2013: HK\$2,714,000) and made a profit for the period of HK\$1,141,000 (six months ended 30/9/2013: HK\$19,911,000).

The significant decrease in profit for current period under review is primarily due to the decrease in the Group's share of operation results from Petro-king Oilfield Services Limited ("Petro-king") and its subsidiaries (collectively, the "Petro-king Group") (Stock Code: 2178) for the six months ended 30th June, 2014 ("1H2014"). According to the interim report 2014 issued by Petro-king, the net profit attributable to the owners of Petro-king Group was dropped to approximately HK\$13.5 million in the current period from approximately HK\$68.6 million in the last corresponding period, representing a decrease of approximately 80%. There was a general slowdown in business activities of Petro-king Group's major customers in China, while the slowdown in business activities in South America was due to the risk control measures taken by Petro-king Group in order to tackle the issue of slow settlement of Petro-king Group's accounts receivables from a major customer in South America.

### **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 generally slack. 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 higher than that of the last corresponding period. 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 period increased by approximately 34% from that of the last corresponding period. The Group has not sold any residential unit during the period under review. As at 30th September, 2014, 216 residential units remained to be sold, out of which 154 residential units were let out.

### **Oilfield Engineering and Consultancy Services**

The Group held 31.73% interest as at 1st April, 2014 in Petro-king as an associate through Termbray Natural Resources Company Limited, a wholly owned subsidiary of the Group. During the period under review, 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. The Group's shareholding in Petro-king as at 30th September, 2014 is 31.54%.

During the period under review, the Group has applied the equity method of accounting for the results of Petro-king Group as an associate for the six months ended 30th June, 2014.

According to the interim report issued by Petro-king, in 1H2014, Petro-king Group recorded a revenue of HK\$353 million, representing a decrease of approximately 29% from that of HK\$496 million for the six months ended 30th June, 2013 (“1H2013”). The decrease in revenue was partly due to the general slowdown in business activities of the Petro-king Group’s major customers in China and partly due to the risk control measures taken by Petro-king Group in order to tackle the issue of slow settlement of the Petro-king Group’s accounts receivable from a major customer in South America. The net profit attributable to the owners of Petro-king Group was dropped to approximately HK\$13.5 million in the current period from approximately HK\$68.6 million in 1H2013, representing a decrease of approximately 80%.

In the China market, Petro-king Group’s business was affected by the fact that China oilfield services industry had experienced a general slowdown in 1H2014 compared to that of 1H2013. There was a general decline in volume of the multistage fracturing activities for tight gas/oil wells. The management of Petro-king Group believe that the general slowdown in 1H2014 is temporary and the industry will recover in the near future at a much more healthy way and with more open market biddings.

Expanding its customer base and diversifying its markets for the overseas operations has been major strategies for Petro-king Group’s overseas market development since 2013. During the period, Petro-king Group was proactively promoting its high-end oilfield services and well completion tools in Iraq, Kuwait, and Abu Dhabi. Petro-king Group has established a wholly owned subsidiary in Dubai, the United Arab Emirates (“UAE”) as its regional headquarters responsible for the business development in the Middle East.

In 1H2014, Petro-king Group have progressed well in the market diversification strategy and had gained certain achievements in the Middle East. Further to the provision of tools and services to certain Chinese national oil companies (“NOCs”) owned oilfields in Iraq, Petro-king Group had started winning biddings and gaining service contracts for the provision of high-end oilfield services (such as directional drilling, well completion and production enhancement services) for the oilfield projects owned by international oil companies (“IOCs”) in Iraq.

Petro-king Group’s Huizhou Base including mainly two factory buildings with offices and a staff quarters has been substantially completed in 1H2014, and is expected for commercialized operations in the third quarter of 2014. The Huizhou Base was designed to enhance the production capacity of Petro-king Group’s self-developed tools and equipment for better supporting Petro-king Group’s oilfield services business, lower the reliance on major suppliers, optimize the cost structure of principal operations and enhance the product and service qualities. The Huizhou Base will provide a solid foundation for Petro-king Group’s business development in future and maintain its market position as a leading China-based service provider of high-end oilfield services.

### **Treasury Investment Activity**

The Group still holds a substantial amount of funds of approximately HK\$368 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, 2014. The Group has no new product and service to be introduced to the market.

## **STAFF AND EMOLUMENT POLICY**

As at 30th September, 2014, the Group employed 40 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. 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 been looking 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.

It is Petro-king Group's strategy to maintain a well balanced business development in both China market and overseas markets in a medium to long term.

In the China market, the management of Petro-king Group believe that the state-owned enterprise reform and deregulation in oil and gas industry will, in the long-run, give rise to more market-based operations such as public tendering in most of the major oilfields in China. High-end oilfield service providers with their proprietary technology and self-made tools will be benefited from such developments. Production enhancement services for unconventional gas projects (including those for shale gas and tight gas wells) will continue to be Petro-king Group's major business focus in China. Petro-king Group will continue its efforts in technology innovation so as to provide its customers with much more cost-effective and environmental friendly solutions in the provision of production enhancement services for the unconventional gas projects.

For the overseas market, following the establishment of its regional headquarters in the UAE, Petro-king Group will continue to explore the business opportunities to provide high-end oilfield services for Chinese national oil companies and international oil companies in the Middle East.

Looking ahead to the second half of 2014, Petro-king Group will continue its marketing efforts in both China and the overseas market and will continue to maintain balanced proportion of its domestic and overseas business in terms of business activities and revenue.

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 six months ended 30th September, 2014.

## **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 months ended 30th September, 2014 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, 2014.

## **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, 2014.

## **OTHER INFORMATION**

The interim results of the Group for the six months ended 30th September, 2014 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, 21st November, 2014