



**Termbray Industries
International (Holdings) Limited**

Stock Code: 0093



I N T E R I M R E P O R T 2 0 0 8 / 2 0 0 9

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Corporate Information

Executive Directors

Mr. Lee Lap, Chairman
Mr. Tommy Lee, Vice Chairman
Mr. Wang Jinlong, Chief Executive Officer
Mdm. Leung Lai Ping
Mr. Wong Shiu Kee

Independent Non-executive Directors

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

Non-executive Director

Mr. Lee Ka Sze, Carmelo

Qualified Accountant

Mr. Wong Shiu Kee

Company Secretary

Mr. Lo Tai On

Audit Committee

Mr. Lee Ka Sze, Carmelo
Mr. Chan Siu Kang
Mr. Lo Yiu Hee
Mr. Tong Hin Wor

Remuneration Committee

Mr. Lee Lap
Mr. Chan Siu Kang
Mr. Lo Yiu Hee

Registered Office

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Hamilton HM11
Bermuda

Head Office and Principal Place of Business

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Hong Kong Registrar and Transfer Office

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Listing Information

The Listing Code of the Company's share on
The Stock Exchange of Hong Kong Limited
0093

Principal Banker

The Hongkong & Shanghai Banking
Corporation Limited
Hang Seng Bank Limited

Legal Advisors in Hong Kong

Woo, Kwan, Lee & Lo

Auditors

Deloitte Touche Tohmatsu

The board of directors of Termbray Industries International (Holdings) Limited (the "Company") presents to shareholders the interim report together with the unaudited condensed consolidated financial statements of the Company and its subsidiaries (together the "Group") for the six months ended 30th September, 2008.

The unaudited consolidated loss attributable to equity holders for the six months ended 30th September, 2008 amounted to approximately HK\$5,950,000 (six months ended 30/9/2007: profit of HK\$8,638,000). An analysis of the Group's segment results for the period is set out on page 26 of this report.

The directors have resolved not to declare the payment of an interim dividend for the six months ended 30th September, 2008 (2007: Nil).

Review of Operations

During the current six months period under review, the Group achieved a turnover of HK\$92,719,000 (six months ended 30/9/2007: HK\$3,425,000) and made a loss attributable to equity holders of HK\$5,950,000 (six months ended 30/9/2007: profit of HK\$8,638,000).

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. Due to the vacancy of the commercial arcades, the occupancy rate of the residential units is also dropped. The management has put much effort in marketing the properties. The rental income earned by the Group during the period is decreased by 5.9%. As at 30th September, 2008, 227 residential units remained to be sold, out of which 182 residential units were let out. The set up of a larger scale computer and computer peripherals retail centre in western district of Shi Qi city caused a negative impact on the customer flow of the commercial arcades. The original tenant has early terminated the tenancy agreement for the commercial arcades in early this year.

Since June 2008, the Group has operated the commercial arcades itself with a business partner who has experience in running similar retail centre. The Group has 51% interest in the operating company. However, the occupancy rate is still not much improved, and the performance is not satisfactory. In November 2008, the Group has taken over the whole operation of the commercial arcades. The management is still trying hard to improve the situation by looking for innovative trendy commodities which is attractive to the consumers in Zhongshan.

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

Last year, the Group succeeded in diversifying its principal activities into the oilfield related industry. The acquisition of Petro-king International Company Limited ("Petro-king HK") and Petro-king Oilfield Technology Limited ("Petro-king PRC", together with Petro-king HK as "Petro-king Group") was completed on 31st December, 2007.

During the period under review, the turnover of Petro-king Group slightly increased by 16% compared with the last corresponding period. The growth in business is consistent with the seasonal pattern. We still manage to open up Middle East and Asia-Pacific markets. We have already completed most of the pre-requisite contract processes. The demand for specific machinery tools are still very keen in the market. The lead time for delivery of our ordered tools is lengthy. We will try hard to complete most of the scheduled contract work done this year.

Treasury Investment Activity

The Group still holds a substantial amount of funds of approximately HK\$0.7 billion which have been placed as short term bank deposit or investments in money market accounts with international financial institutions or fixed income notes generating a stable source of income to the Group. Subsequent to the balance sheet date of the current six months period and in view of the global financial crisis, the Group has realized most of the investments in money market accounts into cash and has transferred the cash to large financial institutions in Hong Kong.

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

There have been no material change in the contingent liabilities and charge on assets of the Group since 31st March, 2008.

Liquidity and Financial Resources

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

The convertible notes of HK\$133,692,000 issued to King Shine Group Limited in last year 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 notes (if any) in cash.

Exchange risk of the Group is minimal as the assets of the Group comprised substantially of cash, fixed income notes or money market funds denominated in United States currency which is officially pegged to the Hong Kong currency. No financial instrument are needed for hedging purposes in respect of interest rate and currency.

Order Book

As at 30th September, 2008, the outstanding orders on hand for oilfield engineering and consultancy services is approximately HK\$310,000,000.

Staff and Emolument Policy

As at 30th September, 2008, the Group employed 174 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 sustained a stable and balance growth during the first half of this year. With the outbreak of the global financial crisis in recent months, the global economy is definitely adversely affected. We will need to monitor carefully how the economy is being affected and when it can be recovered. 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.

Despite the fact that economic activities are expected to slow down, the demand for petroleum is still very keen but is maintained at a more reasonable pace. The multinational oil companies are still investing heavily on exploitation and production of petroleum in which Petro-king Group have the expertise in this niche market. Our existing client base is very solid and we have maintained very good relationship with them. They are still willing to keep on investing in oil exploitation activities and therefore we expect there are still orders from them for the coming years. We are cautiously optimistic about the future performance of Petro-king Group.

On 6th August, 2008, Petro-king PRC entered into an acquisition agreement with Beijing Hendrun Energy Environment Technology Limited to acquire the entire registered and paid up capital of Beijing Enruida Technology Co., Limited ("Enruida PRC") at a consideration of RMB40,000,000. On the same date, Petro-king Holding Limited also entered into an acquisition agreement with Wisdom Boom Investments Limited to acquire the entire issue share capital of Hendrun Technologies Industrial R&D Co., Limited ("Enruida HK", collectively with Enruida PRC referred as "Enruida Group") at a consideration of such sum equivalent to RMB135,000,000. Such consideration shall be payable partly in cash and partly by way of issue and allotment of the IPO shares of the listing vehicle of the Petro-king Group.

The relevant details of the acquisition of Enruida Group were announced on the Company's and the Stock Exchange's website on 12th August, 2008.

The Enruida Group provides oilfield engineering and technical consultancy services for domestic oilfields as well as environmental protection services in the oilfields including sewage treatment, waste management and pollution control.

In view of the global financial crisis and current stock market condition, the parties to the Enruida PRC Acquisition Agreements and the Enruida HK Acquisition Agreement (the "Acquisition Agreements") have reassessed the appropriateness of timing and merits of the terms of the Acquisition Agreements and mutually agreed on 31st October, 2008 not to proceed with the Acquisition Agreements. Each party to the Acquisition Agreements shall bear its own costs and disbursements in relation to the Acquisition.

The Group has incurred due diligence expenses of approximately HK\$5,100,000 so far in assessing and evaluating the Enruida Group. The termination of the Acquisition Agreements has no material adverse impact on the business development of the Group.

It is the Group's ongoing strategy to gain a foothold and develop in the natural resources sector by way of cautiously exploring different kinds of investment opportunities which will result in a steady growth in the Group's long term performance. On the other hand, we cannot ignore the fact that there exists some underlying risk factors such as oil and commodity price volatility, interest rate movements, the impact of global financial crisis, the recovery progress of the global economy and natural disasters. The Group remains cautiously optimistic about the year ahead in respect of diversification of business into natural resources sector and has the confidence to strengthen its competitiveness and to build value for our shareholders.

Directors' Interests in Shares and Options

As at 30th September, 2008, the interests of the Company's directors, chief executive and their associates in the shares, underlying shares and debentures of the Company and its associated corporations as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), were as follows:

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

Name of directors	Personal interest	Family interest	Corporate interest	Other interest	Total	Type of securities	Percentage of total issued shares
Mr. Lee Lap	-	-	-	1,252,752,780 <i>(note 1)</i>	1,252,752,780	Shares	63.99%
Mdm. Leung Lai Ping	-	-	-	1,252,752,780 <i>(note 1)</i>	1,252,752,780	Shares	63.99%
Mr. Tommy Lee	-	-	-	1,252,752,780 <i>(note 1)</i>	1,252,752,780	Shares	63.99%
Mr. Wang Jinlong	-	-	-	-	HK\$133,692,000	Debenture	-
	-	-	111,410,000	-	111,410,000	Underlying shares	5.69%
	-	-	(111,410,000) <i>(note 3)</i>	-	(111,410,000)	Underlying shares	5.69%

Notes:

- (1) The 1,252,752,780 shares included under the other interest of Mr. Lee Lap and Mdm. Leung Lai Ping and Mr. Tommy Lee are held by Lee & Leung (B.V.I.) Limited. Lee & Leung (B.V.I.) Limited is wholly-owned by First Trend Management (PTC) Limited (formerly known as First Trend Management Limited) as trustee for Lee & Leung Family Unit Trust. All the units in Lee & Leung Family Unit Trust are held by HSBC International Trustee Limited as trustee for Lee & Leung Family Trust. Mr. Lee Lap is the settlor of the Lee & Leung Family Trust. The discretionary beneficiaries of the Lee & Leung Family Trust are Mdm. Leung Lai Ping, the children of Mr. Lee Lap and Mdm. Leung Lai Ping (including Mr. Tommy Lee) and the offspring of such children.

- (2) King Shine Group Limited is the holder of the convertible notes in the aggregate principal amount of HK\$133,692,000 pursuant to which King Shine Group Limited is entitled to convert into an aggregate of 111,410,000 new shares upon exercise of the conversion right. King Shine Group Limited is beneficially owned by Mr. Wang Jinlong as to 55.28%. As such, Mr. Wang Jinlong is deemed to be interested in the 111,410,000 underlying shares pursuant to Part XV of SFO.
- (3) The convertible notes referred to in Note (2) above is charged to the Company as security for King Shine Group Limited and its guarantors' liabilities in respect of the representation and warranties and the profit guarantee given under the agreement for the acquisition of Petro-king International Company Limited. For the relationship of King Shine Group Limited and Mr. Wang Jinlong mentioned under Note 2 above, Mr. Wang Jinlong is deemed to have a short position in the 111,410,000 underlying shares pursuant to Part XV of SFO.

(B) Long Positions in Shares of Associated Corporations

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

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

Name of director	Name of subsidiary	Number of ordinary shares	% of total issued ordinary shares
Mr. Wang Jinlong	Termbray Petro-king Oilfield Services (BVI) Limited	98	49%
	Petro-king Holding Limited	10,000	100%
	Petro-king International Company Limited	100	100%
	深圳市百勤石油技術有限公司	5,000,000	100%

Note: The above 49% ordinary shares in Termbray Petro-king Oilfield Services (BVI) Limited are held directly by King Shine Group Limited, which is beneficially owned by Mr. Wang Jinlong as to 55.28%. Termbray Petro-king Oilfield Services (BVI) Limited is interested in 100% of the issued shares of Petro-king Holding Limited, which in turn is interested in 100% of the issued shares of Petro-king International Co. Limited and 深圳市百勤石油技術有限公司 respectively. Mr. Wang Jinlong is therefore deemed to be interested in 49% of the issued shares of Termbray Petro-king Oilfield Services (BVI) Limited, 100% of the issued shares of Petro-king Holding Limited, Petro-king International Company Limited and 深圳市百勤石油技術有限公司 respectively.

(C) Long Positions in Underlying Shares in respect of Share Options Granted by the Company

Name of director	Number of underlying shares in respect of share option granted	Percentage of shareholding as 30th September, 2008
Mr. Wang Jinlong	20,000,000	1.02%
	17,000,000	0.87%

Note: The share options are held by the director personally as beneficial owner. Details of the share option are disclosed in the section "SHARE OPTION SCHEME" in this report.

Save as disclosed above and apart from the share option scheme of the Company, at no time during the period was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Saved as disclosed herein, as at 30th September, 2008, none of the directors or chief executive of the Company had any interest or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO.

Substantial Shareholders

As at 30th September, 2008, the person interested in 5% or more of the issued share capital of the Company as recorded in the register kept by the Company pursuant to Section 336 of the SFO were as follows:

Ordinary shares of the Company

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

Master Winner Limited (note 3)	Held by controlled corporation	103,397,540	-	5.28%
Mr. Yuan Qinghua	Held by controlled corporation	103,397,540	-	5.28%
King Shine Group Limited (note 4)	Beneficial owner	-	111,410,000	5.69%
		-	(111,410,000)	(5.69%)

Notes:

- (1) The 1,252,752,780 shares are held by Lee & Leung (B.V.I.) Limited which is wholly-owned by First Trend Management (PTC) Limited (formerly known as First Trend Management Limited) as trustee for Lee & Leung Family Unit Trust. All the units in Lee & Leung Family Unit Trust are held by HSBC International Trustee Limited as trustee for Lee & Leung Family Trust. Mr. Lee Lap is the settlor of the Lee & Leung Family Trust. The discretionary beneficiaries of the Lee & Leung Family Trust are Mdm. Leung Lai Ping, the children of Mr. Lee Lap and Mdm. Leung Lai Ping and the offspring of such children.
- (2) Cosmo Telecommunication Inc. is a wholly owned by Ms. Jing Xiao Ju.
- (3) East Glory Trading Limited is wholly owned by Master Winner Limited, which in turn is wholly owned by Mr. Yuan Qinghua.
- (4) King Shine Group Limited, which is beneficially owned by Mr. Wang Jinlong as to 55.28%, is the holder of the convertible notes in the aggregate principal amount of HK\$133,692,000 pursuant to which King Shine Group Limited is entitled to convert into an aggregate of 111,410,000 new shares upon exercise of the conversion right.

Saved as disclosed above, the Company has not been notified of any other interests or short positions in the shares or the underlying shares of the Company representing 5% or more of the issued share capital of the Company as at 30th September, 2008.

Share Option Scheme

The existing share option scheme ("Scheme") of the Company was adopted on 18th August, 2006 as an incentive to attract, retain and motivate talented participants to strive for future developments and expansion of the Group and to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the participants. The Scheme is for a period of 10 years from the

date of adoption on 18th August, 2006. The directors may, at their discretion, make an offer to any participant to take up options. An option is deemed to have been granted and accepted by the grantee upon his or her signing the duplicate letter comprising acceptance of the option and paying HK\$1 by way of consideration for the grant thereof.

The subscription price for shares of the Company under the Scheme will be highest of (i) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet on the offer date (which date must be a business day); (ii) a price being the average of the closing prices of the shares of the Company as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the offer date; and (iii) the nominal value of a share of the Company.

The total number of shares of the Company which may be issued upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company shall not in aggregate exceed 10 per cent. of the total number of shares of the Company in issue as at the date of approval of the Scheme. An option may be exercised during a period to be determined by the directors in its absolute discretion and in any event such period shall not be longer than 10 years from the date upon which the option is granted.

The total number of shares issued and to be issued upon exercise of the options granted to each participant under the Scheme in any 12-month period shall not exceed 1 per cent of the total number of shares in issue of the Company. Any further grant of options in excess of the 1 per cent limit shall be subject to shareholders' approval in a general meeting with such participant and his or her associates abstaining from voting.

Movement of the share options during the six months ended 30th September, 2008 are as follows:

Name of directors	Number of share options outstanding at 1st April, 2008	Granted during the period	Exercised during the period	Number of shares options outstanding at 30th September, 2008
Mr. Wang Jinlong	20,000,000	-	-	20,000,000 <i>(note 1)</i>
	17,000,000	-	-	17,000,000 <i>(note 2)</i>
Employee of the Group	-	16,500,000	-	16,500,000 <i>(note 3)</i>

Notes:

- (1) These share options were granted at an aggregate consideration of HK\$1 on 25th February, 2008 as approved by the shareholders of the Company on 22nd February, 2008 and are exercisable at HK\$1.20 per share at any time between 25th February, 2008 and 24th February, 2011. Mr. Wang Jinlong is entitled to (a) exercise the option to subscribe for one-half of the option shares at any time during the period commencing on 25th February, 2008 until 24th February, 2011 (both dates inclusive); and (b) exercise the option to subscribe for the remaining one-half of the option shares at any time during the period commencing on 25th February, 2009 until 24th February, 2011 (both dates inclusive).
- (2) On 28th March, 2008, 17,000,000 share options were granted at an aggregate consideration of HK\$1 to Mr. Wang Jinlong at an exercise price of HK\$1.25 under the Scheme and are exercisable during the periods from 28th March, 2009 for 5,666,666 share options, from 28th March, 2010 for 5,666,667 share options and from 28th March, 2011 for 5,666,667 share options, until 27th March, 2018.

- (3) On 29th May, 2008, 16,500,000 share options were granted at an aggregate consideration of HK\$1 to an employee of the Group at an exercise price of HK\$1.14 under the Scheme and are exercisable during the periods from 29th May, 2009 for 6,666,666 share options, from 29th May, 2010 for 6,666,667 share options and from 29th May, 2011 for 3,166,667 share options, until 28th May, 2018. The closing price immediately before the date on which the said share options were granted was HK\$1.14 per share.

The fair value of 16,500,000 share options as at the grant date is HK\$11,410,000.

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

Share price at grant date	HK\$1.14 per share
Exercise price	HK\$1.14 per share
Volatility	75%
Risk free rate	3.20%
Dividend yield	0% per annum

The valuation is subjective and uncertain as it is subject to a number of assumptions and limitations of the model.

- (4) No option was exercised, lapsed or cancelled during the period.

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, 2008 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 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 six months period ended 30th September, 2008

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 results for the six months ended 30th September, 2008.

By order of the Board

Lee Lap

Chairman

Hong Kong, 12th December, 2008

Report on Review of Interim Financial Information

Deloitte.

德勤

**TO THE BOARD OF DIRECTORS OF
TERMBRAY INDUSTRIES INTERNATIONAL (HOLDINGS) LIMITED**

(incorporated in Bermuda with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 19 to 34, which comprises the condensed consolidated balance sheet of Termbray Industries International (Holdings) Limited as of 30th September, 2008 and the related condensed consolidated income statement, statement of changes in equity and cash flow statement for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong, 12th December, 2008

Condensed Consolidated Income Statement

For the six months ended 30th September, 2008

		Six months ended	
		30/9/2008	30/9/2007
		(unaudited)	(unaudited)
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
REVENUE	3	92,719	3,425
Cost of goods and services		<u>(47,949)</u>	<u>(991)</u>
Gross profit		44,770	2,434
Other income	4	9,261	14,987
Exchange losses, net		(84)	(2,544)
Selling and distribution expenses		(8,232)	–
Administrative expenses		(28,803)	(6,336)
Other operating expenses		(1,112)	–
(Losses) gains arising from changes in fair value of investments held for trading		(3,143)	162
Finance costs	5	<u>(3,029)</u>	<u>–</u>
PROFIT BEFORE TAXATION		9,628	8,703
Income tax expenses	6	<u>(4,768)</u>	<u>(65)</u>
PROFIT FOR THE PERIOD	7	<u>4,860</u>	<u>8,638</u>
(LOSS) PROFIT ATTRIBUTABLE TO:			
EQUITY HOLDERS OF THE COMPANY		(5,950)	8,638
MINORITY INTERESTS		<u>10,810</u>	<u>–</u>
		<u>4,860</u>	<u>8,638</u>
		HK cents	<i>HK cents</i>
(LOSS) EARNINGS PER SHARE	8		
Basic		<u>(0.30)</u>	<u>0.50</u>
Diluted		<u>N/A</u>	<u>N/A</u>

Condensed Consolidated Balance Sheet

At 30th September, 2008

	<i>Notes</i>	30/9/2008 (unaudited) HK\$'000	31/3/2008 (audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		18,370	17,400
Prepaid lease payments for land		66,378	66,675
Investment properties		3,422	3,478
Pledged bank deposits	16(a)	2,027	2,034
Goodwill	9	258,678	258,678
		348,875	348,265
CURRENT ASSETS			
Properties for sale		111,813	109,995
Inventories		22,839	16,926
Trade and other receivables	10	114,808	92,599
Deposits and prepayments		4,325	3,293
Prepaid lease payments for land		598	598
Available-for-sale investments	11	212,900	633,247
Investments held for trading		54,092	103,839
Taxation recoverable		–	123
Amounts due from related parties		–	730
Deposits with a financial institution		129,628	–
Bank balances and cash		371,459	40,904
		1,022,462	1,002,254
CURRENT LIABILITIES			
Trade and other payables and accrued charges	12	28,489	44,804
Deposits received		2,681	2,064
Provisions	13	3,173	3,173
Amount due to a related company	17(b)	1,274	405
Taxation payable		8,238	10,151
Amount due to a director		24,214	6,465
Amounts due to minority shareholders		18,000	18,103
		86,069	85,165
NET CURRENT ASSETS		936,393	917,089
TOTAL ASSETS LESS CURRENT LIABILITIES		1,285,268	1,265,354

	<i>Notes</i>	30/9/2008 (unaudited) HK\$'000	31/3/2008 (audited) HK\$'000
NON-CURRENT LIABILITY			
Convertible notes		<u>119,296</u>	<u>116,267</u>
NET ASSETS			
		<u>1,165,972</u>	<u>1,149,087</u>
CAPITAL AND RESERVES			
Share capital	14	156,611	156,611
Reserves		<u>969,982</u>	<u>964,180</u>
Equity attributable to equity holders of the Company		1,126,593	1,120,791
Minority interests		<u>39,379</u>	<u>28,296</u>
TOTAL EQUITY		<u>1,165,972</u>	<u>1,149,087</u>

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th September, 2008

	Attributable to equity holders of the Company								
	Share capital HK\$'000	Share premium HK\$'000	Exchange translation reserve HK\$'000	Convertible notes equity reserve HK\$'000	Share option reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1st April, 2007 (audited)	137,971	143,410	8,058	-	-	532,624	822,063	416	822,479
Arising from translation of financial statements of foreign operations recognised directly in equity	-	-	3,146	-	-	-	3,146	-	3,146
Profit for the period	-	-	-	-	-	8,638	8,638	-	8,638
Total recognised income for the period	-	-	3,146	-	-	8,638	11,784	-	11,784
At 30th September, 2007 (unaudited)	<u>137,971</u>	<u>143,410</u>	<u>11,204</u>	<u>-</u>	<u>-</u>	<u>541,262</u>	<u>833,847</u>	<u>416</u>	<u>834,263</u>
At 1st April, 2008 (audited)	156,611	404,370	13,992	18,892	6,609	520,317	1,120,791	28,296	1,149,087
Arising from translation of financial statements of foreign operations recognised directly in equity	-	-	2,592	-	-	-	2,592	-	2,592
(Loss) profit for the period	-	-	-	-	-	(5,950)	(5,950)	10,810	4,860
Total recognised income and expense for the period	-	-	2,592	-	-	(5,950)	(3,358)	10,810	7,452
Recognition of share based payments	-	-	-	-	9,160	-	9,160	-	9,160
Capital contribution by a minority shareholder	-	-	-	-	-	-	-	273	273
At 30th September, 2008 (unaudited)	<u>156,611</u>	<u>404,370</u>	<u>16,584</u>	<u>18,892</u>	<u>15,769</u>	<u>514,367</u>	<u>1,126,593</u>	<u>39,379</u>	<u>1,165,972</u>

Condensed Consolidated Cash Flow Statement

For the six months ended 30th September, 2008

	Six months ended	
	30/9/2008	30/9/2007
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
NET CASH FROM OPERATING ACTIVITIES	16,221	24,186
INVESTING ACTIVITIES		
Interest received	8,508	14,930
Purchase of available-for-sale investments	(54,767)	(46,673)
Proceeds from disposal of available-for-sale investments	474,275	10,203
Other investing activities	(2,193)	(13)
NET CASH FROM (USED IN) INVESTING ACTIVITIES	425,823	(21,553)
NET CASH FROM FINANCING ACTIVITIES	17,646	–
NET INCREASE IN CASH AND CASH EQUIVALENTS	459,690	2,633
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	40,904	223,983
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	493	(960)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	501,087	225,656
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	371,459	225,656
Deposits with a financial institution	129,628	–
	501,087	225,656

Cash comprises cash on hand and demand deposits. Cash equivalent, including bank balances and deposits with a financial institution, are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2008

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 (the "Listing Rules") and with Hong Kong Accounting Standard ("HKAS 34"), "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

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, 2008.

In the current interim period, the Group has applied, for the first time, the following new amendments and interpretations ("new HKFRSs") issued by HKICPA, which are effective for the Group's financial year beginning on 1st April, 2008.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of these new HKFRSs had no material effect on the results of financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recongised.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2008

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

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

HKFRSs (Amendments)	Improvements to HKFRSs ¹
HKAS 1 (Revised)	Presentation of Financial Statements ²
HKAS 23 (Revised)	Borrowing Costs ²
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ³
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation ²
HKAS 39 (Amendment)	Eligible Hedged Items ³
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate ²
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations ²
HKFRS 3 (Revised)	Business Combinations ³
HKFRS 8	Operating Segments ²
HK(IFRIC) – Int 13	Customer Loyalty Programmes ⁴
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate ²
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation ⁵

¹ Effective for annual periods beginning on or after 1st January, 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1st July, 2009

² Effective for annual periods beginning on or after 1st January, 2009

³ Effective for annual periods beginning on or after 1st July, 2009

⁴ Effective for annual periods beginning on or after 1st July, 2008

⁵ Effective for annual periods beginning on or after 1st October, 2008

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st July, 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company anticipate that the application of the other new or revised standards or interpretation will have no material impact on the results and the financial position of the Group.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2008

3. REVENUE AND SEGMENT INFORMATION

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

	Six months ended	
	30/9/2008 HK\$'000	30/9/2007 HK\$'000
Sale of goods	81,530	–
Rental income	3,223	3,425
Service income	7,966	–
	<u>92,719</u>	<u>3,425</u>

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

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

	Revenue		Contribution to profit for the period	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Property development	2,450	2,705	822	1,714
Property investment	1,140	720	1,140	720
Engineering projects	81,163	–	27,782	–
Provision of consultancy service on well drilling	7,966	–	5,682	–
	<u>92,719</u>	<u>3,425</u>		
Unallocated income (<i>note</i>)			9,261	15,149
Unallocated corporate expenses			(22,870)	(8,880)
Share option expense			(9,160)	–
Finance costs			(3,029)	–
Profit before taxation			9,628	8,703
Income tax expenses			(4,768)	(65)
Profit for the period			<u>4,860</u>	<u>8,638</u>

Note: Unallocated income represents mainly net income from short-term treasury activities, including investments in securities and deposits in money market accounts and the placement of bank deposits and deposits with a financial institution.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2008

4. OTHER INCOME

	Six months ended	
	30/9/2008	30/9/2007
	HK\$'000	HK\$'000
Interest income from		
– available-for-sale investments	6,943	6,092
– investments held for trading	787	2,967
– bank deposits and deposits with a financial institution	778	5,559
Sundry income	753	369
	<u>9,261</u>	<u>14,987</u>

5. FINANCE COSTS

Finance costs represent effective interest expenses on convertible notes.

6. INCOME TAX EXPENSES

	Six months ended	
	30/9/2008	30/9/2007
	HK\$'000	HK\$'000
Current tax:		
– Hong Kong	2,302	65
– People's Republic of China ("PRC") Enterprise Income Tax	2,160	–
Underprovision in prior years:		
– PRC Enterprise Income Tax	306	–
	<u>4,768</u>	<u>65</u>

Hong Kong Profits Tax is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. On 26th June, 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which includes the reduction in corporate profit tax rate by 1% to 16.5% effective from the year of assessment 2008-2009. The effect of such decrease has been reflected in measuring the current and deferred tax for the six months ended 30th September, 2008. The estimated average annual tax rate used is 16.5% (2007: 17.5%) for the six months ended 30th September, 2008.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2008

6. INCOME TAX EXPENSES *(Continued)*

Taxation arising in PRC is 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 is 25% (2007: Nil) for the six months ended 30th September, 2008.

On 16th March, 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6th December, 2007, the State Council of the PRC issued Implementation Regulation of the New Law. The New Law and the Implementation Regulation have changed the tax rate from 33% to 25% for the Group's subsidiaries from 1st January, 2008.

7. PROFIT FOR THE PERIOD

Six months ended	
30/9/2008	30/9/2007
HK\$'000	HK\$'000

Profit for the period has been arrived at after charging:

Amortisation of prepaid lease payments for land	297	298
Cost of inventories sold	38,406	–
Depreciation of		
– property, plant and equipment	1,555	532
– investment properties	56	54
	<u>56</u>	<u>54</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2008

8. (LOSS) EARNINGS PER SHARE

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

	Six months ended	
	30/9/2008	30/9/2007
	HK\$'000	HK\$'000
(Loss) earnings for the period attributable to equity holders of the Company for the purposes of basic (loss) earnings per share	<u>(5,950)</u>	<u>8,638</u>
	Number of shares	
	'000	'000
Number of ordinary shares for the purpose of basic (loss) earnings per share	<u>1,957,643</u>	<u>1,724,643</u>

For the six months ended 30th September, 2008, no diluted loss per share has been presented as the exercise of share option and the conversion of convertible note would result in a decrease in loss per share. For the six months ended 30th September, 2007, no potential ordinary shares outstanding during the six months ended 30th September, 2007 would result a dilutive effect to the earnings per share.

9. GOODWILL

	HK\$'000
Arising on acquisition of subsidiaries, carrying amount at 1st April, 2008 and 30th September, 2008	<u>258,678</u>

The goodwill was arisen from the acquisition of subsidiaries during the year ended 31st March, 2008. It was determined on a provisional basis as the nature and fair value of the identifiable assets acquired can be determined on a provisional value only. The Company is in process of obtaining independent valuation to assess the fair value. It may be adjusted upon the completion of the initial accounting.

The Group uses business segments as its primary segment for reporting segment information. For the purposes of impairment testing, goodwill has been allocated to the cash generating units of engineering projects and provision of consultancy services on well drilling.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2008

10. TRADE AND OTHER RECEIVABLES

The Group allows a normal credit period of 90 to 120 days to its customers in respect of the engineering projects and provision for consultancy services on well drilling. The Group also allows longer credit period for its strategic customers.

Rentals receivable are receivable in accordance with the terms of the relevant agreements. The Group does not generally provide any credit period to its tenants.

The following is an aged analysis of trade receivables net of allowance for doubtful debts at the balance sheet date:

	30/9/2008	31/3/2008
	HK\$'000	HK\$'000
0-90 days	44,222	36,328
Over 90 days	49,670	34,254
	93,892	70,582
Other receivables	20,916	22,017
	114,808	92,599

11. AVAILABLE-FOR-SALE INVESTMENTS

The available-for-sale investments represent deposits in money market accounts which are managed by international financial institutions and are redeemable on demand. Such money market funds are carried at their fair value at respective balance sheet dates. The fair value is determined based on valuation provided by the counterparty financial institutions.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2008

12. TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

The following is an aged analysis of trade payables at the balance sheet date:

	30/9/2008	31/3/2008
	HK\$'000	HK\$'000
0-90 days	17,167	11,970
Over 90 days	10,066	21,974
Trade and other payables	27,233	33,944
Accrued charges	1,256	10,860
	<u>28,489</u>	<u>44,804</u>

13. PROVISIONS

HK\$'000

At 1st April, 2008 and at 30th September, 2008

3,173

The provision represents management's best estimate of the costs and expenses required to discharge the Group's obligations and liabilities under the warranties and undertakings given in connection with the disposal of subsidiaries in prior years as referred to in note 16(b). The timing of payment of such costs and expenses is dependent upon finalisation of certain matters requiring the approval of the local authorities of the PRC, therefore it is not practicable to estimate with certainty the timing of payments at this stage.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2008

14. SHARE CAPITAL

(a) Ordinary shares of HK\$0.08 each, issued and fully paid

	Number of share '000	Share capital HK\$'000
At 1st April, 2008 and 30th September, 2008	<u>1,957,643</u>	<u>156,611</u>

(b) Share options

On 29th May, 2008, the Company granted certain options to an employee to subscribe for a total of 16,500,000 ordinary shares in the Company at the subscription price of HK\$1.14 per share.

15. CAPITAL COMMITMENTS

At 30th September, 2008, the Group had commitments for capital expenditure of approximately HK\$597,000 (31/3/2008: Nil) in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements.

16. PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

Details of assets pledged and contingent liabilities of the Group outstanding at the balance sheet date are as follows:

- (a) Guarantees were issued to banks by a subsidiary in respect of mortgage loans granted to property purchasers by banks amounted to approximately HK\$134,000 (31/3/2008: HK\$140,000) and, in this connection, the Group's bank deposits of HK\$2,027,000 (31/3/2008: HK\$2,034,000) were pledged to the banks as security. These guarantees provided by the subsidiary to the banks would be released by banks upon receiving the building ownership certificate of the respective property from the customers as a pledge for security to the mortgage loan granted. The directors considered that the fair value of such guarantee on initial recognition was insignificant.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2008

16. PLEDGE OF ASSETS AND CONTINGENT LIABILITIES *(Continued)*

- (b) In connection with the disposal in 1999 of the subsidiaries engaged in the business of manufacture and sale of printed circuit boards, the Group has given warranties and undertakings to the purchaser as specified in the agreement for the disposal of these subsidiaries. During the year ended 31st March, 2001, the Group received notification from the purchaser raising claims against the Group arising from the warranties and undertakings. It is the intention of management to contest the claims vigorously. No legal proceedings have yet been instituted against the Group for these claims. Based upon legal advice obtained, management is of the opinion that such claims, if materialised, would not result in any material liabilities to the Group in excess of the amounts already provided for in the condensed consolidated financial statements.

17. RELATED PARTY TRANSACTIONS

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

- (a) Pursuant to the tenancy agreement entered into between Panda Investment Company Limited ("Panda Investment") and a wholly-owned subsidiary, Termbray Electronics Company Limited ("Termbray Electronics"), Termbray Electronics leased certain office premises and warehouses from Panda Investment during the period at the agreed rental of HK\$120,000 (six months ended 30/9/2007: HK\$120,000). The Company's directors, Mr. Lee Lap and Madam Leung Lai Ping, have controlling interests in Panda Investment.
- (b) At 30th September, 2008, the Group had an amount of approximately HK\$1,274,000 (31/3/2008: HK\$405,000) due to Panda Investment which is unsecured, interest free and repayable on demand.
- (c) Pursuant to the tenancy agreement entered into between Mr. Lee Wing Keung, a son of Mr. Lee Lap, and a wholly owned subsidiary, Termbray (Fujian) Land Development Company Limited ("Termbray Fujian"), Termbray Fujian leased its land and building to Mr. Lee Wing Keung for a period of 3 years commencing from 16th March, 2008 at the monthly rental of HK\$190,000 determined by reference to the market rental value of the property as valued by a property valuer. The rental income recognised during the period is HK\$1,140,000. (six months ended 30/9/2007: HK\$720,000).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2008

17. RELATED PARTY TRANSACTIONS *(Continued)*

- (d) The compensation of key management personnel paid or payable by the Group in respect of the period, substantially all of which comprised of short term benefits attributable to the directors of the Company, amounted to HK\$4,636,000 (six months ended 30/9/2007: HK\$3,343,000) and share-based payments attributable to a director of the Company, amounted to HK\$6,560,000 (six months ended 30/9/2007: Nil).

The remuneration of key management personnel is determined by the remuneration committee having regard to the performance of individuals and market trends.