



**Termbray Industries
International (Holdings) Limited**

Stock Code: 0093

INTERIM REPORT 2009/2010





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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
Mr. Lee Wing Sing Vincent

Company Secretary

Mr. Lo Tai On

Audit Committee

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

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

Tricor Standard Limited
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Telephone : (852) 2980 1768
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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

Auditor

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, 2009.

The unaudited consolidated profit attributable to owners of the Company for the six months ended 30th September, 2009 amounted to approximately HK\$16,649,000 (six months ended 30/9/2008: restated loss of HK\$8,816,000). An analysis of the Group's segment results for the period is set out on page 27 of this report.

The directors have resolved not to declare the payment of an interim dividend for the six months ended 30th September, 2009 (2008: Nil).

Review of Operations

During the current six months period under review, the Group achieved a turnover of HK\$193,301,000 (six months ended 30/9/2008: HK\$92,719,000) and made a profit attributable to owners of the Company of HK\$16,649,000 (six months ended 30/9/2008: restated loss of HK\$8,816,000).

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 continues to drop. The management has put much effort in marketing the properties and is still trying hard to improve the operation of the commercial arcades by looking for innovative trendy commodities which are attractive to the consumers in Zhongshan. The rental income earned by the Group during the period decreased by 15%. As at 30th September, 2009, 226 residential units remained to be sold, out of which 141 residential units were let out.

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

Oilfield Engineering and Consultancy Services

During the period under review, the turnover of Petro-king Group is HK\$190.2 millions (2008: HK\$89.1 millions). The turnover in current period increased by 113%. Petro-king Group has maintained very good relationship with its existing customers. It is engaged in complex oilfields services and the competition for high-end oil exploration technology is not very keen in China, therefore it is able to increase its business.

Our major customers have improved financial performance over last year and have increased their investments in overseas projects. Petro-king Group also expands its business presence worldwide along with its major customers which acquired a number of overseas oilfield projects. Petro-king Group has undertake the initial design work for several massive overseas projects. These projects output are well-accepted by our customers and will secure more jobs for Petro-king Group in the coming years.

Treasury Investment Activity

The Group still holds a substantial amount of funds of approximately HK\$0.8 billion which have been mainly placed as short term bank deposits with large financial institutions in Hong Kong.

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

During the period under review, the Group has charged trade receivables of certain customers of the Group not exceeding HK\$42,619,000 to secure the credit facilities granted by a bank. There have been no other material change in the contingent liabilities and charge on assets of the Group since 31st March, 2009.

Liquidity and Financial Resources

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

The convertible note of HK\$133,692,000 issued to King Shine Group Limited in 2007 are non interest bearing and have a tenor of 3 years to be matured on 31st December, 2010. The noteholder shall have the right to convert the note into ordinary shares of the Company, at the initial conversion price (subject to adjustments) of HK\$1.20 per conversion share, at any time and from time to time during the period commencing from 1st July, 2009 up to 31st December, 2010. On the maturity date, the noteholder shall be entitled to demand from the Company the full repayment of the outstanding principal amount of any outstanding and unconverted convertible note (if any) in cash.

As at 30th September, 2009, the Group has obtained secured bank borrowings facility of HK\$57,351,000. Out of which, \$30,766,000 (30.9.2008: Nil) are outstanding at 30th September, 2009 and are repayable within one year and carry at fixed-rate of 4.86% (30.9.2008: Nil) per annum. The Group's secured bank borrowing are denominated in United States Currency and Renminbi.

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

Order Book

As at 30th September, 2009, the outstanding orders on hand for oilfield engineering and consultancy services is approximately HK\$97,985,000 (30.9.2008: HK\$310,000,000).

Staff and Emolument Policy

As at 30th September, 2009, the Group employed 208 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

Since the outbreak of the global financial crisis in the last quarter of 2008, the global economy is definitely adversely affected. We will monitor closely how 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.

The crude oil price has reverted upward in recent months and has surpassed USD70 per barrel and the trend is expected to continue. The economic revival plan starts to take effect in the leading economies in different regions, e.g. China and United States. We anticipate our PRC customers will maintain capital investment domestically and increase overseas investment to meet the huge net import consumption of China.

In addition, Petro-king Group has kicked-off several massive projects in overseas markets. These new projects will last for several years. These projects have completed initial design and will soon undergo production in the coming years. The multinational oil companies are still investing reasonably on exploitation and production of petroleum in which Petro-king Group has the expertise in the niche market. With their continual expansion of the business worldwide, these overseas customers will offer more business to Petro-king Group. We are cautiously optimistic about the future performance of Petro-king 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, 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, the global human swine flu and natural disasters which cannot be ignored. The Group remains cautiously optimistic about the year ahead in respect of the business in 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, 2009, 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") or otherwise notified pursuant to Divisions 7 to 9 of Part XV of the 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 <i>(note 2)</i>	-	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, 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 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 which 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 58.28%. 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 (note)	% 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%
	Terbray 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%
	Terbray 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) Ltd	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 58.28%. 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 Company 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 Shares Options Granted by the Company

Name of director	Number of underlying shares in respect of share option granted	Percentage of shareholding as 30th September, 2009
Mr. Wang Jinlong	20,000,000 (<i>Note 1</i>)	1.02%
	17,000,000 (<i>Note 2</i>)	0.87%

Notes:

- (1) The share options are 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) These share options were granted at an aggregate consideration of HK\$1 on 28th March, 2008 under the share option scheme of the Company. The exercise price is HK\$1.25 per share.

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, 2009, 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, 2009, the person (other than the directors as disclosed in the "Directors' interest in Shares and Options") 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 share 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 <i>(note 1)</i>	Beneficial owner	1,252,752,780	-	63.99%
First Trend Management (PTC) Limited <i>(note 1)</i>	Held by controlled corporation as trustee for Lee & Leung Family Unit Trust	1,252,752,780	-	63.99%
HSBC International Trustee Limited <i>(note 1)</i>	Held by controlled corporation as trustee for Lee & Leung Family Trust	1,252,752,780	-	63.99%
Cosmo Telecommunication Inc. <i>(note 2)</i>	Beneficial owner	151,202,960	-	7.72%
Ms. Jing Xiao Ju	Held by controlled corporation	151,202,960	-	7.72%
East Glory Trading Limited <i>(note 3)</i>	Beneficial owner	103,397,540	-	5.28%
Master Winner Limited <i>(note 3)</i>	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 <i>(note 4)</i>	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 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 58.28%, 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, 2009.

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, 2009 are as follows:

Name of directors	Number of share options outstanding at 1st April, 2009	Granted during the period	Exercised during the period	Lapsed during the period	Number of share options outstanding at 30th September, 2009
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 Jinglong at an exercise price of HK\$1.25 under the Share Option 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. All these 16,500,000 share options were lapsed during the period.
- (4) No option was granted, exercised or cancelled during the period.

Disclosure of Information Regarding Directors

Pursuant to rule 13.51 B(1) of the Listing Rules, the change and updated information regarding director of the Company is as follows:

Mr. Lee Ka Sze, Carmelo, a non-executive director of the Company, was appointed as an non-executive director of Ping An Insurance (Group) Company of China, Ltd. (Stock Code: 2318) on 9th June, 2009.

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 month ended 30th September, 2009 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, 2009.

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, 2009.

By order of the Board

Lee Lap

Chairman

Hong Kong, 11th December, 2009

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 18 to 36, which comprises the condensed consolidated statement of financial position of Termbray Industries International (Holdings) Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) as of 30th September, 2009 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows 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 of the Company 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 inquiries, 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, 11th December, 2009

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30th September, 2009

		Six months ended	
		30/9/2009	30/9/2008
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
		(unaudited)	(unaudited and restated)
Revenue	3	193,301	92,719
Cost of goods sold and services rendered		<u>(88,288)</u>	<u>(47,949)</u>
Gross profit		105,013	44,770
Other income	4	3,596	9,261
Selling and distribution expenses		(21,657)	(8,232)
Administrative expenses		(19,867)	(36,792)
Losses arising from changes in fair value of investments held for trading		–	(3,143)
Finance costs	5	<u>(4,031)</u>	<u>(3,029)</u>
Profit before taxation		63,054	2,835
Taxation	6	<u>(19,721)</u>	<u>(3,595)</u>
Profit (loss) for the period	7	<u>43,333</u>	<u>(760)</u>
Other comprehensive income for the period			
Exchange differences arising from translation of financial statements of foreign operations		<u>(137)</u>	<u>2,592</u>
Total comprehensive income for the period		<u>43,196</u>	<u>1,832</u>

	Six months ended	
	30/9/2009	30/9/2008
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited and restated)
Profit (loss) for the period attributable to:		
Owners of the Company	16,649	(8,816)
Minority interests	26,684	8,056
	<u>43,333</u>	<u>(760)</u>
Total comprehensive income attributable to:		
Owners of the Company	16,512	(6,224)
Minority interests	26,684	8,056
	<u>43,196</u>	<u>1,832</u>
	<i>HK cents</i>	<i>HK cents</i>
	(unaudited)	(unaudited and restated)
Basic and diluted earnings (loss) per share	<u>0.85</u>	<u>(0.45)</u>
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Condensed Consolidated Statement of Financial Position

At 30th September, 2009

	<i>Notes</i>	30/9/2009 HK\$'000 (unaudited)	31/3/2009 HK\$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		19,385	17,138
Prepaid lease payments for leasehold land		65,780	66,077
Investment property		3,314	3,370
Pledged bank deposits	<i>15(b)</i>	2,034	2,034
Goodwill	<i>9</i>	246,901	243,318
Intangible assets		6,720	8,213
		344,134	340,150
CURRENT ASSETS			
Properties for sale		115,101	114,812
Inventories		35,849	38,419
Trade and other receivables	<i>10 & 15(a)</i>	190,009	149,524
Deposits and prepayments		16,506	3,345
Prepaid lease payments for leasehold land		598	598
Available-for-sale investments		386	7,012
Taxation recoverable		—	2,871
Pledged bank deposits	<i>15(a)</i>	3,123	3,121
Bank balances and cash		766,166	744,961
		1,127,738	1,064,663
CURRENT LIABILITIES			
Trade and other payables and accrued charges	<i>11</i>	18,407	28,812
Deposits received		1,942	1,487
Provision	<i>12</i>	3,173	3,173
Amount due to a related company	<i>16(b)</i>	2,945	2,092
Amount due to a director		23,412	23,967
Taxation payable		25,568	7,691
Secured bank borrowings		30,766	21,705
		106,213	88,927
NET CURRENT ASSETS		1,021,525	975,736
TOTAL ASSETS LESS CURRENT LIABILITIES		1,365,659	1,315,886

	<i>Notes</i>	30/9/2009 HK\$'000 (unaudited)	31/3/2009 HK\$'000 (audited)
NON-CURRENT LIABILITIES			
Convertible note		125,510	122,324
Deferred tax liabilities		6,188	4,766
		<u>131,698</u>	<u>127,090</u>
NET ASSETS		<u>1,233,961</u>	<u>1,188,796</u>
CAPITAL AND RESERVES			
Share capital	<i>13</i>	156,611	156,611
Reserves		985,966	967,485
Equity attributable to owners of the Company		1,142,577	1,124,096
Minority interests		91,384	64,700
TOTAL EQUITY		<u>1,233,961</u>	<u>1,188,796</u>

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th September, 2009

	Attributable to owners of the Company								
	Share capital	Share premium	Exchange translation reserve	Convertible note equity reserve	Share option reserve	Retained profits	Total	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 st April, 2008 (audited)	156,611	404,370	13,992	18,892	6,609	511,776	1,112,250	34,849	1,147,099
(Loss) profit for the period	-	-	-	-	-	(8,816)	(8,816)	8,056	(760)
Exchange differences arising from translation of financial statements of foreign operations	-	-	2,592	-	-	-	2,592	-	2,592
Total comprehensive income for the period	-	-	2,592	-	-	(8,816)	(6,224)	8,056	1,832
Recognition of share-based payments	-	-	-	-	9,160	-	9,160	-	9,160
Capital contribution by a minority shareholder	-	-	-	-	-	-	-	273	273
At 30th September, 2008 (unaudited and restated)	156,611	404,370	16,584	18,892	15,769	502,960	1,115,186	43,178	1,158,364
At 1st April, 2009 (audited)	156,611	404,370	16,405	18,892	22,671	505,147	1,124,096	64,700	1,188,796
Profit for the period	-	-	-	-	-	16,649	16,649	26,684	43,333
Exchange differences arising from translation of financial statements of foreign operations	-	-	(137)	-	-	-	(137)	-	(137)
Total comprehensive income for the period	-	-	(137)	-	-	16,649	16,512	26,684	43,196
Recognition of share-based payments	-	-	-	-	1,969	-	1,969	-	1,969
Effects of vested share options forfeited under share options scheme	-	-	-	-	(3,991)	3,991	-	-	-
At 30th September, 2009 (unaudited)	156,611	404,370	16,268	18,892	20,649	525,787	1,142,577	91,384	1,233,961

Condensed Consolidated Statement of Cash Flows

For the six months ended 30th September, 2009

	Six months ended	
	30/9/2009	30/9/2008
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
NET CASH FROM OPERATING ACTIVITIES	13,456	16,221
INVESTING ACTIVITIES		
Net cash outflow from acquisition of a subsidiary (note 14)	(6,110)	–
Interest received	1,131	8,508
Purchase of available-for-sale investments	–	(54,767)
Proceeds from disposal of available-for-sale investments	6,626	474,275
Other investing activities	(1,680)	(2,193)
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(33)	425,823
FINANCING ACTIVITIES		
New secured bank borrowings raised	34,614	–
Repayments of secured bank borrowings	(25,547)	–
Other financing activities	(741)	17,646
NET CASH FROM FINANCING ACTIVITIES	8,326	17,646
NET INCREASE IN CASH AND CASH EQUIVALENTS	21,749	459,690
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	744,961	40,904
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(544)	493
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u>766,166</u>	<u>501,087</u>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	766,166	371,459
Deposits with a financial institution	–	129,628
	<u>766,166</u>	<u>501,087</u>

Cash comprises cash on hand and demand deposits. Cash equivalents, 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, 2009

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated 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, 2009.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations (“new and revised HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants, which are effective for the Group’s financial year beginning on 1st April, 2009.

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC)-Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC)-Int 13	Customer Loyalty Programmes
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC)-Int 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2009

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

HKAS 1 (Revised 2007) has introduced a number of terminology changes, including revised titles for the condensed consolidated financial statements, and has resulted in a number of changes in presentation and disclosure.

HKFRS 8 is a disclosure standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally to the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. The predecessor standard, HKAS 14 "Segment Reporting", required the identification of two sets of segments (business and geographical) using a risks and returns approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments. In prior periods, the Group's primary reporting format was business segments. The application of HKFRS 8 has resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14 (see note 3).

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

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

The adoption of HKFRS 3 (Revised 2008) "Business Combinations" may affect the Group's accounting for business combinations for which the acquisition dates are on or after 1st April, 2010. HKAS 27 (Revised 2008) "Consolidated and Separate Financial Statements" will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary that do not result in loss of control of the subsidiary. Changes in the Group's ownership interest that do not result in loss of control of the subsidiary will be accounted for as equity transactions.

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2009

3. REVENUE AND SEGMENT INFORMATION

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

	Six months ended	
	30/9/2009	30/9/2008
	HK\$'000	HK\$'000
Sale of goods	132,935	81,163
Sale of properties	386	367
Rental income	2,731	3,223
Service income	57,249	7,966
	<u>193,301</u>	<u>92,719</u>

As set out in Note 2, the Group has adopted HKFRS 8 with effect from 1st April, 2009. In prior periods, primary segment information was analysed on the basis of the types of goods and services identified on a risks and returns approach, and the business segments reported were property development, property investment, engineering projects and provision of consultancy service on well drilling. However, information reported to the chief operating decision maker, the executive directors of the Company, for the purposes of resource allocation and performance assessment focuses more specifically on the two principal operating segments of the Group, namely property investment and development, and oilfield engineering and consultancy services. These operating segments represent the Group's reportable segments under HKFRS 8.

Information regarding the above segments is reported below. Amounts reported for the prior period have been restated to conform to the requirements of HKFRS 8.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2009

3. REVENUE AND SEGMENT INFORMATION (Continued)

Segment information is presented below:

	Revenue		Segment profit	
	Six months ended		Six months ended	
	30/9/2009	30/9/2008	30/9/2009	30/9/2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(restated)
Property investment and development	3,117	3,590	1,711	1,228
Oilfield engineering and consultancy services	<u>190,184</u>	<u>89,129</u>	<u>54,855</u>	<u>16,778</u>
	<u>193,301</u>	<u>92,719</u>		
			<u>56,566</u>	<u>18,006</u>
Unallocated other income			928	8,397
Unallocated corporate expenses			(9,006)	(11,831)
Share option expense			(1,969)	(9,160)
Losses arising from changes in fair value of investments held for trading			–	(3,143)
Effective interest expense on convertible note			<u>(3,186)</u>	<u>(3,029)</u>
Profit (loss) for the period			<u>43,333</u>	<u>(760)</u>

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

Segment profit represents the profit earned by each segment without allocation of unallocated other income, unallocated corporate expenses, share option expense, losses arising from changes in fair value of investments held for trading and effective interest expense on convertible note. This is the measure reported to the chief operating decision maker of the Group for the purposes of resource allocation and performance assessment.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2009

4. OTHER INCOME

	Six months ended	
	30/9/2009	30/9/2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest income from		
– available-for-sale investments	3	6,943
– investments held for trading	–	787
– bank balances and deposits with a financial institution	1,128	778
Net exchange gain	1,119	–
Sundry income	1,346	753
	<u>3,596</u>	<u>9,261</u>

5. FINANCE COSTS

	Six months ended	
	30/9/2009	30/9/2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Effective interest expense on convertible note	3,186	3,029
Interest on secured bank borrowings wholly repayable within five years	845	–
	<u>4,031</u>	<u>3,029</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2009

6. TAXATION

	Six months ended	
	30/9/2009 <i>HK\$'000</i>	30/9/2008 <i>HK\$'000</i> (restated)
Current tax:		
Hong Kong Profits Tax	5,505	2,302
People's Republic of China ("PRC") Enterprise Income Tax	7,908	2,160
	13,413	4,462
Underprovision in prior years:		
Hong Kong Profits Tax	4,747	–
PRC Enterprise Income Tax	139	306
	4,886	306
Deferred tax	1,422	(1,173)
	19,721	3,595

Hong Kong Profits Tax and PRC Enterprise Income Tax are recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for Hong Kong Profits Tax and PRC Enterprise Income Tax for the six months ended 30th September, 2009 are 16.5% (2008: 16.5%) and 25% (2008: 25%), respectively.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2009

7. PROFIT (LOSS) FOR THE PERIOD

	Six months ended	
	30/9/2009	30/9/2008
	HK\$'000	HK\$'000
		(restated)
Profit (loss) for the period has been arrived at after charging:		
Amortisation of		
– prepaid lease payments for leasehold land	297	297
– intangible assets, included in administrative expenses	1,493	6,793
Cost of inventories sold	70,645	38,406
Depreciation of		
– property, plant and equipment	1,818	1,555
– investment property	56	56
Net exchange loss	–	84
Share option expense	1,969	9,160
	<u>1,969</u>	<u>9,160</u>

8. BASIC AND DILUTED EARNINGS (LOSS) PER SHARE

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

	Six months ended	
	30/9/2009	30/9/2008
	HK\$'000	HK\$'000
		(restated)
Earnings (loss) for the period attributable to owners of the Company for the purpose of basic and diluted earnings (loss) per share	<u>16,649</u>	<u>(8,816)</u>
	Number of shares	
	'000	'000
Number of ordinary shares for the purpose of basic and diluted earnings (loss) per share	<u>1,957,643</u>	<u>1,957,643</u>

For the six months ended 30th September, 2009 and 2008, the computation of diluted earnings (loss) per share does not assume the conversion of the Company's outstanding convertible note and the exercise of the Company's outstanding share options since the exercise of convertible note would result in an increase in earnings per share/a decrease in loss per share and the exercise prices of the Company's share options were higher than the average market price for shares.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2009

9. GOODWILL

	<i>HK\$'000</i>
Carrying values	
At 1st April, 2009	243,318
Arising from acquisition of a subsidiary (<i>note 14</i>)	3,583
	<hr/>
At 30th September, 2009	246,901
	<hr/> <hr/>

The goodwill as at 1st April, 2009 which amounted to HK\$243,318,000 arose from the acquisition of subsidiaries during the year ended 31st March, 2008 in which the goodwill was determined on a provisional basis for the six months ended 30th September, 2008.

A valuation report, prepared by an independent qualified professional valuer, Vigers Appraisal & Consulting Limited received during the year ended 31st March, 2009 showing that the fair values of customer-related intangible assets and intangible assets in relation to non-competition agreements of the acquired subsidiaries at the date of acquisition, determined based on the income-based method, were approximately HK\$24,867,000 and HK\$11,947,000 respectively. The comparative figures of 2008 have been restated as if the initial accounting had been completed from the acquisition date:

	Six months ended 30/9/2008 <i>HK\$'000</i>
Increase in administrative expenses	6,793
Decrease in taxation	<u>(1,173)</u>
Increase in loss for the period	<u><u>5,620</u></u>

During the six months ended 30th September, 2009, goodwill amounting to HK\$3,583,000 which arose from an acquisition of a subsidiary was determined on a provisional basis as the nature and fair value of the identifiable assets acquired have been determined on a provisional basis only. The directors of the Company are in the process of assessing the fair value. It may be adjusted upon the completion of the initial accounting. The details of the acquisition are set out in note 14.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2009

10. TRADE AND OTHER RECEIVABLES

The Group allows a credit period of 90 days after invoice date to most of its customers in respect of the oilfield engineering and consultancy services. The rental receivables are payable in accordance with the terms of the relevant agreements.

The following is an analysis of trade receivables by age, presented based on the payment due date, net of allowance for doubtful debts:

	30/9/2009	31/3/2009
	HK\$'000	HK\$'000
Current	142,915	107,175
1-90 days	5,279	15,175
91-180 days	22,015	3,533
181-365 days	8,901	2,878
1-2 years	2,520	1,286
Over 2 years	1,038	–
	182,668	130,047
Other receivables	7,341	19,477
	190,009	149,524

11. TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

The following is an analysis of trade payables by age, presented based on the invoice date:

	30/9/2009	31/3/2009
	HK\$'000	HK\$'000
1-90 days	9,547	9,477
Over 90 days	5,775	16,025
Trade and other payables	15,322	25,502
Accrued charges	3,085	3,310
	18,407	28,812

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2009

12. PROVISION

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 set out in note 15(c). The timing of payment of such costs and expenses is dependent upon finalisation of certain matters requiring the approval of the local authorities of PRC, therefore it is not practicable to estimate with certainty the timing of payment at this stage.

13. SHARE CAPITAL

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

	Number of shares '000	Share capital HK\$'000
At 1st April and 30th September, 2009	<u>1,957,643</u>	<u>156,611</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2009

14. ACQUISITION OF A SUBSIDIARY

Pursuant to an agreement entered into between Petro-king Oilfield Technology Limited ("Petro-king SZ"), a 51% indirect subsidiary of the Company and third parties on 2nd April, 2009, Petro-king SZ acquired 100% equity interest of 德州嘉誠石油裝備有限公司 at a total consideration of RMB6,150,000 (equivalent to approximately HK\$6,952,000). The acquisition was completed on 1st May, 2009.

The net assets acquired in the transaction, and the goodwill arising, are as follows:

	Acquiree's company carrying amount and provisional fair value at acquisition date
	<i>HK\$'000</i>
Net assets acquired:	
Property, plant and equipment	2,439
Inventories	1,319
Trade and other receivables	338
Bank balances and cash	164
Trade and other payables and accrued charges	(891)
	<u>3,369</u>
Goodwill	<u>3,583</u>
Total consideration	<u><u>6,952</u></u>
Satisfied by:	
Cash	6,105
Consideration payable	678
Directly attributable costs	169
	<u><u>6,952</u></u>
Net cash outflow arising on acquisition	
Cash consideration paid	6,105
Directly attributable costs paid	169
Bank balances and cash acquired	(164)
	<u><u>6,110</u></u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2009

15. PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

Details of assets pledged and contingent liabilities of the Group outstanding at the end of the reporting period are as follows:

- (a) Bank deposits of HK\$3,123,000 (31/3/2009: HK\$3,121,000) were pledged and floating charge over trade receivables of certain customers of the Group not exceeding RMB37,500,000 (equivalent to approximately HK\$42,619,000) (31/3/2009: Nil) were arranged to secure the credit facilities granted to the Group. Such bank deposits and trade receivables have been charged to secure short-term bank borrowings and are therefore classified as current assets.
- (b) Guarantees were issued to banks by a subsidiary in respect of mortgage loans granted to property purchasers by banks amounted to approximately HK\$107,000 (31/3/2009: HK\$119,000) and, in this connection, the Group's bank deposits of HK\$2,034,000 (31/3/2009: HK\$2,034,000) were pledged to the banks as security. These guarantees provided by the subsidiary to the banks would be released upon receiving the building ownership certificate of the respective property by the banks 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.
- (c) 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 the 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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2009

16. RELATED PARTY TRANSACTIONS

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

- (a) Pursuant to the tenancy agreements 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 30/9/2008: HK\$120,000). Certain directors of the Company held beneficial interests in Panda Investment.
- (b) At 30th September, 2009, the Group had an amount of approximately HK\$2,945,000 (31/3/2009: HK\$2,092,000) due to Panda Investment which is unsecured, interest-free and repayable on demand.
- (c) Pursuant to a tenancy agreement entered into between Mr. Lee Wing Keung, a son of certain directors of the Company, and a wholly owned subsidiary, Tembray (Fujian) Land Development Company Limited ("Tembray 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. The rental income recognised during the period is HK\$1,140,000 (six months ended 30/9/2008: HK\$1,140,000).
- (d) A director and a minority shareholder of a non-wholly owned subsidiary, Petro-king Holding Limited, act as guarantors of the secured bank borrowing of the Group for US\$1,617,000 (31/3/2009: US\$1,617,000) (equivalent to approximately HK\$12,535,000 (31/3/2009: HK\$12,533,000)) each.
- (e) 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\$4,988,000 (six months ended 30/9/2008: HK\$4,636,000) and share-based payments attributable to a director of the Company, amounted to HK\$1,614,000 (six months ended 30/9/2008: 6,560,000).

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