



**Termbray Industries  
International (Holdings) Limited**

Stock Code: 0093



**INTERIM REPORT  
2010/2011**

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## Corporate Information

### Executive Directors

Mr. Lee Lap, Chairman  
Mr. Tommy Lee, Vice Chairman &  
Chief Executive Officer  
Mr. Wang Jinlong  
(resigned on 1st November, 2010)  
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 Directors

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

Clarendon House, Church Street  
Hamilton HM11  
Bermuda

### Head Office and Principal Place of Business

Flat B, 8/F, Waylee Industrial Centre,  
30-38 Tsuen King Circuit,  
Tsuen Wan, New Territories, Hong Kong  
Telephone: (852) 2487 5211  
Facsimile : (852) 2480 4214  
E-mail : group@termbray.com.hk  
Website : www.termbray.com.hk

### Hong Kong Registrar and Transfer Office

Tricor Standard Limited  
26th Floor, Tesbury Centre,  
28 Queen's Road East,  
Wanchai, Hong Kong  
Telephone: (852) 2980 1768  
Facsimile : (852) 2528 3158

### 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 Termbay 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, 2010.

The unaudited consolidated profit for the six months ended 30th September, 2010 amounted to approximately HK\$8,802,000 (six months ended 30/9/2009: profit of HK\$43,333,000). The unaudited consolidated profit attributable to owners of the Company for the six months ended 30th September, 2010 amounted to approximately HK\$1,325,000 (six months ended 30/9/2009: profit of HK\$16,649,000). An analysis of the Group's segment results for the period is set out on page 29 to 30 of this report.

The directors have resolved not to declare the payment of an interim dividend for the six months ended 30th September, 2010 (2009: Nil).

## Review of Operations

During the current six months period under review, the Group achieved a turnover (continuing and discontinued operations) of HK\$99,982,000 (six months ended 30/9/2009: HK\$193,301,000) and made a profit for the period (continuing and discontinued operations) HK\$8,802,000 (six months ended 30/9/2009: profit of HK\$43,333,000). The decrease in turnover and profit for the period is due to the decrease in contribution from Petro-king Group.

## Property Investment and Development

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

The Group's completed properties for sale – Ever Success Plaza, comprising of over 440 residential units standing on 3 levels of commercial arcades and car parks, is located at a convenient and prime location with a river view in Zhongshan, Guangdong Province. The competition of the property market in Zhongshan is keen. There are abundant supplies of properties with modern design. 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 from Ever Success Plaza during the period is decreased by 16.9%. The Group has sold 4 residential units during the period under review. As at 30th September, 2010, 229 residential units remained to be sold, out of which 138 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\$95.6 millions (2009: HK\$190.2 millions). The turnover in current period was decreased by 49.7%. During the period, the progress of some projects and delivery of equipments were a bit delayed. The management expect the progress of job orders will be caught up in coming quarters and the performance of Petro-king Group will be improved.

Our major customers have acquired several massive overseas oil reserves, therefore the demand for experienced oilfield engineering and consultancy services have upsurged substantially. Petro-king Group have the technical knowhow to provide the comprehensive oilfield development design and consultancy services. We have obtained awards of tender bid for several overseas massive projects which will last for several years. Petro-king Group is now working hard on them and their preparation work is in good order and this will secure business growth of Petro-king Group in future.

Petro-king Group have strengthened its technical communication with its domestic customers and introduced advanced technology from abroad to them. The domestic sales are picking up. The business for domestic market will be increased in coming years.

## Treasury Investment Activity

The Group still holds a substantial amount of funds of approximately HK\$0.7 billion which have been mainly placed as short term bank deposits with large financial institutions in Hong Kong.

## Others

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

During the period under review, the Group has charged trade receivables of certain customers of the Group not exceeding HK\$72,656,000 and pledged bank deposit of HK\$39,326,000 to secure the credit facilities granted by banks. Save as aforesaid, there have been no other material change in the contingent liabilities and charge on assets of the Group since 31st March, 2010.

## 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 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 note (if any) in cash.

As at 30th September, 2010, the Group has obtained secured bank borrowings facility of HK\$151,533,000 (30/9/2009: HK\$57,351,000), out of which, HK\$109,889,000 (30/9/2009: HK\$30,766,000) are utilized. The utilized bank borrowings of HK\$106,189,000 (2009: HK\$30,766,000) are repayable within one year, HK\$1,200,000 (30/9/2009: Nil) are repayable more than one year but not exceeding two years, HK\$2,500,000 (30/9/2009: Nil) are repayable more than two years but not more than five years. The bank borrowings of HK\$21,506,000 and HK\$88,383,000 carried fixed interest rate of 5.10% per annum and variable market rates with the ranging from 2.60% to 5.31% per annum respectively (30/9/2009: 4.86% per annum). The Group's bank borrowings are denominated in United States dollar and Hong Kong dollar.

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

## **Order Book**

As at 30th September, 2010, the outstanding orders on hand for oilfield engineering and consultancy services is approximately HK\$654,770,000 (30/9/2009: HK\$97,985,000).

## **Staff and Emolument Policy**

As at 30th September, 2010, the Group employed 230 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.

## **Deemed Disposal Arising from Subscription for New Shares by an Investor in Petro-King Group**

On 3rd September, 2010, Termbray Petro-king Oilfield Services (BVI) Limited ("Termbray Petro-king"), a non-wholly owned subsidiary of the Company, TCL Industries Holdings (HK) Limited ("TCL"), King Shine Group Limited ("King Shine") and Termbray Natural Resources Limited ("Termbray NRC"), a wholly owned subsidiary of the Company entered into a Subscription Agreement, pursuant to which Termbray Petro-king shall allot and issue and TCL shall subscribe for new shares of Termbray Petro-king, representing 10% of the issued share capital of Termbray Petro-king as enlarged by the subscription ("Subscription") for a consideration of RMB88.8 million payable in US dollars. TCL and its ultimate beneficial owners is an independent third party and not a connected person of the Company. Upon completion of the Subscription, Termbray Petro-king shall be owned as to 45.9%, 44.1% and 10.0% by Termbray NRC, King Shine and TCL, respectively.

The Subscription constitutes deemed disposal of the Company's equity interest in a subsidiary of the Company under Rule 14.29 of the Rules Governing the Listing of Securities (the "Listing Rules"). It also constitutes a very substantial disposal of the Company under Chapter 14 of the Listing Rules. A circular containing details of the Subscription was dispatched to the shareholders of the Company on 30th September, 2010. It was approved by the shareholders at the special general meeting of the Company convened on 18th October, 2010. The Subscription was completed on 20th October, 2010.

Upon completion, Termbay Petro-king has ceased to be subsidiary of the Company and has become an associated company of the Company. The accounts of Termbay Petro-king will no longer be consolidated to the consolidated financial statements of the Group.

The Subscription would considerably strengthen Petro-king Group's financial position and its liability to continue to expand in the oilfield engineering and consultancy services industry. The proceeds of the Subscription has also increased the liquidity of Petro-king Group and strongly position it to fund its continued expansion.

## Outlook

The global economy has been recovering from the global financial crisis happened in 2008. United States and China are experiencing various challenges after the global economic crisis. In United States, the recovery progress of its economy is slower than expected. In China, Central government has implemented various tightening monetary policies to cool down its economy, especially the overheated property market and high inflation rate. We believe China 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.



Property investment and development has been the principal business of the Group for all these years and the Group has spent many resources to look for investment opportunities in the property markets in the PRC, especially Guangdong province. However, due to the intense competition of the property market in Guangdong province, the Group has not yet acquired any land or properties during the period under review, but the Group will still continue to explore the investment opportunities in the property markets in the PRC in the future.

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 oil price has maintained at a fairly stable region of around US\$80 per barrel. We expect the oil price at this level will boost substantial capital expenditure investment in new oilfields by large national oil companies. Substantial parts of these capex investment will be invested by China national oil companies in their overseas projects. As Petro-king Group has extensive overseas oilfield experience and has maintained a very good relationship with those China national oil companies, we believe that Petro-king Group is likely to be benefited from the coming capex boom. We are cautiously optimistic about the future performance of Petro-king Group.

The Group will continue to operate its property investment and development business and be engaged in oilfield engineering and consultancy services through its interest in Petro-king Group. The Group will cautiously explore investment opportunities which will result in a steady growth in the Group's long term performance. On the other hand, there exists some underlying risk factors such as oil and commodity price volatility, interest rate movements, the recovery progress of the global economy and natural disasters which cannot be ignored. The Group remains cautiously optimistic about the year ahead in respect of its business and has the confidence to strengthen its competitiveness and to build value for our shareholders.

## Directors' Interests in Shares and Debentures

As at 30th September, 2010, 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 in 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. Lee Wing Sing, Vincent	39,387,120	-	-	1,252,752,780 <i>(note 1)</i>	1,292,139,900	Shares	66%
Mr. Wang Jimlong	-	-	HK\$133,692,000	-	HK\$133,692,000	Debenture	-
	-	-	111,410,000 <i>(note 2)</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, Mr. Lee Wing Sing, Vincent 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 Mr. Lee Wing Sing, Vincent) 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 44.83%. As such, Mr. Wang Jinlong is deemed to be interested in the 111,410,000 underlying shares pursuant to Part XV of SFO.
- (3) Mr. Wang Jinlong resigned as a director and the chief executive officer of the Company on 1st November, 2010.

### (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%
	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 Co., Limited	5,000,000	100%
	深圳市百勤石油技術有限公司	20,000,000	100%
	德州嘉誠石油裝備有限公司	10,000,000	100%
	Top Select Holdings Limited	10,000	100%

*Notes:*

- (1) 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 44.83%. 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. 深圳市百勤石油技術有限公司 is interested in 100% of the issued shares of 德州嘉誠石油裝備有限公司. Petro-king International Co., Limited is interested in 100% of the issued shares of Top Select Holdings Limited. 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 Co., Limited, 深圳市百勤石油技術有限公司, 德州嘉誠石油裝備有限公司 and Top Select Holdings Limited respectively.
- (2) Mr. Wang Jinlong resigned as a director and the chief executive officer of the Company on 1st November, 2010.

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

<b>Name of director</b>	<b>Number of underlying shares in respect of share option granted</b>	<b>Percentage of shareholding as 30th September, 2010</b>
Mr. Wang Jinlong	20,000,000 ( <i>Note 1</i> )	1.02%
	17,000,000 ( <i>Note 2</i> )	0.87%

*Notes:*

- (1) These 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.
- (3) Mr. Wang Jinlong resigned as a director and the chief executive officer of the Company on 1st November, 2010.

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, 2010, 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, 2010, 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:

### Long Positions in Shares of the Company

Name of shareholders	Capacity	Number of issued shares of HK\$0.08 each held	Number of underlying shares of HK\$0.08 each	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%

*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 (including Mr. Tommy Lee and Mr. Lee Wing Sing, Vincent) and the offspring of such children.
- (2) Cosmo Telecommunication Inc. is 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 44.83%, is the holder of the convertible notes in the aggregate principal amount of HK\$133,692,000 pursuant to which King Shine Group Limited 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, 2010.

## 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, 2010 are as follows:

<b>Name of director</b>	<b>Number of share options outstanding at 1st April 2010 and 30th September, 2010</b>
Mr. Wang Jinlong	20,000,000 ( <i>note 1</i> ) 17,000,000 ( <i>note 2</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 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) No option was granted, exercised, cancelled or lapsed 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, 2010 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 ended 30th September, 2010.

## 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, 2010.

By Order of the Board  
Termbray Industries International (Holdings) Limited

**Lee Lap**  
*Chairman*

Hong Kong, 19th November, 2010

## 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 40, 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, 2010 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

19th November, 2010

## Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30th September, 2010

		<b>Six months ended</b>	
		<b>30/9/2010</b>	<b>30/9/2009</b>
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Continuing operations:</b>			
Revenue	3	<b>4,346</b>	3,117
Cost of goods sold and services rendered		<u><b>(1,958)</b></u>	<u>(1,383)</u>
Gross profit		<b>2,388</b>	1,734
Other income and gains	4	<b>3,987</b>	1,714
Administrative expenses		<b>(9,397)</b>	(11,616)
Finance costs	5	<u><b>(3,330)</b></u>	<u>(3,186)</u>
Loss before taxation		<b>(6,352)</b>	(11,354)
Taxation	6	<u><b>(127)</b></u>	<u>(73)</u>
Loss for the period from continuing operations		<b>(6,479)</b>	(11,427)
<b>Discontinued operations:</b>			
Profit for the period from discontinued operations	7	<u><b>15,281</b></u>	<u>54,760</u>
<b>Profit for the period</b>	8	<u><b>8,802</b></u>	<u>43,333</u>
<b>Other comprehensive income (expense) for the period</b>			
Exchange differences arising from translation of financial statements of foreign operations		<u><b>2,395</b></u>	<u>(137)</u>
<b>Total comprehensive income for the period</b>		<u><b>11,197</b></u>	<u>43,196</u>



## Condensed Consolidated Statement of Financial Position

At 30th September, 2010

	Notes	30/9/2010 HK\$'000 (unaudited)	31/3/2010 HK\$'000 (restated)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		73,868	84,956
Investment property		3,206	3,261
Pledged bank deposits	16(c)	2,000	2,034
Goodwill		–	247,121
Intangible assets		–	5,226
		<u>79,074</u>	<u>342,598</u>
<b>CURRENT ASSETS</b>			
Completed properties for sale		117,273	116,105
Inventories		–	44,743
Trade and other receivables	10 & 16(a)	42	125,620
Deposits paid to suppliers and prepayments		2,453	18,518
Taxation recoverable		171	598
Pledged bank deposits	16(a) & (b)	–	12,811
Bank balances and cash		734,119	825,367
		<u>854,058</u>	<u>1,143,762</u>
Assets classified as held for sale	11	649,939	–
		<u>1,503,997</u>	<u>1,143,762</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables and accrued charges	12	3,118	26,418
Deposits received		766	9,516
Provisions	13	3,173	3,173
Amount due to a related company	17(b)	2,956	1,992
Convertible note		132,026	128,696
Taxation payable		3,465	15,368
Bank borrowings		–	29,448
		<u>145,504</u>	<u>214,611</u>
Liabilities associated with assets classified as held for sale	11	163,284	–
		<u>308,788</u>	<u>214,611</u>
<b>NET CURRENT ASSETS</b>		<u>1,195,209</u>	<u>929,151</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>1,274,283</u>	<u>1,271,749</u>

	<i>Notes</i>	<b>30/9/2010</b> <i>HK\$'000</i> <b>(unaudited)</b>	31/3/2010 <i>HK\$'000</i> (restated)
<b>NON-CURRENT LIABILITIES</b>			
Bank borrowings		–	4,300
Deferred tax liabilities		<b>759</b>	5,797
		<b>759</b>	10,097
<b>NET ASSETS</b>			
		<b><u>1,273,524</u></b>	<b><u>1,261,652</u></b>
<b>CAPITAL AND RESERVES</b>			
Share capital	<i>15</i>	<b>156,611</b>	156,611
Reserves		<b><u>997,182</u></b>	994,192
Equity attributable to owners of the Company		<b>1,153,793</b>	1,150,803
Non-controlling interests		<b><u>119,731</u></b>	110,849
<b>TOTAL EQUITY</b>		<b><u>1,273,524</u></b>	<b><u>1,261,652</u></b>

## Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th September, 2010

	Attributable to owners of the Company								
	Share capital	Share premium	Exchange translation reserve	Convertible note equity reserve	Share option reserve	Retained profits	Total	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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 (expense) 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)	<u>156,611</u>	<u>404,370</u>	<u>16,268</u>	<u>18,892</u>	<u>20,649</u>	<u>525,787</u>	<u>1,142,577</u>	<u>91,384</u>	<u>1,233,961</u>
At 1st April, 2010 (audited)	<u>156,611</u>	<u>404,370</u>	<u>16,582</u>	<u>18,892</u>	<u>22,233</u>	<u>532,115</u>	<u>1,150,803</u>	<u>110,849</u>	<u>1,261,652</u>
Profit for the period	-	-	-	-	-	1,325	1,325	7,477	8,802
Exchange differences arising from translation of financial statements of foreign operations	-	-	990	-	-	-	990	1,405	2,395
Total comprehensive income for the period	-	-	990	-	-	1,325	2,315	8,882	11,197
Recognition of share-based payments	-	-	-	-	675	-	675	-	675
At 30th September, 2010 (unaudited)	<u>156,611</u>	<u>404,370</u>	<u>17,572</u>	<u>18,892</u>	<u>22,908</u>	<u>533,440</u>	<u>1,153,793</u>	<u>119,731</u>	<u>1,273,524</u>



**Condensed Consolidated Statement of Cash Flows**

For the six months ended 30th September, 2010

	<b>Six months ended</b>	
	<b>30/9/2010</b>	<b>30/9/2009</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>NET CASH (USED IN) FROM OPERATING ACTIVITIES,</b> including discontinued operations	<b>(126,085)</b>	13,456
<b>INVESTING ACTIVITIES</b>		
Net cash outflow from acquisition of a subsidiary	–	(6,110)
Interest received	<b>1,007</b>	1,131
Proceeds on disposal of available-for-sale investments	–	6,626
Increase in pledged bank deposits	<b>(26,481)</b>	–
Acquisition of interest in an associate	<b>(10)</b>	–
Other investing activities	<b>(2,161)</b>	(1,680)
<b>NET CASH USED IN INVESTING ACTIVITIES,</b> including discontinued operations	<b>(27,645)</b>	(33)
<b>FINANCING ACTIVITIES</b>		
New bank borrowings raised	<b>108,031</b>	34,614
Repayments of bank borrowings	<b>(32,417)</b>	(25,547)
Other financing activities	–	(741)
<b>NET CASH FROM FINANCING ACTIVITIES,</b> including discontinued operations	<b>75,614</b>	8,326
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(78,116)</b>	21,749
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>	<b>825,367</b>	744,961
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>	<b>566</b>	(544)
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD,</b> represented by bank balances and cash	<b><u>747,817</u></b>	<u>766,166</u>
<b>Analysis of balances of cash and cash equivalents</b>		
Cash and cash equivalents of continuing operations		
– Bank balances and cash	<b>734,119</b>	766,166
Cash and cash equivalents included in assets held for sale		
– Bank balances and cash	<b><u>13,698</u></b>	–
	<b><u>747,817</u></b>	<u>766,166</u>

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2010

### 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".

As explained in notes 7 and 19, on 3rd September, 2010, Termbay Petro-king Oilfield Services (BVI) Limited ("Termbay Petro-king"), a 51% owned subsidiary of the Company entered into a subscription agreement to allot and issue new shares to an independent third party, which reduced the Group's shareholding to 45.9% upon completion in October, 2010. The related operations, being the provision of oilfield engineering and consultancy services, were considered as discontinued in the current interim period and comparative figures of the condensed consolidated statement of comprehensive income have been re-presented to conform with the current period's presentation.

### 2. PRINCIPAL ACCOUNTING POLICIES

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

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, 2010 except as described below.

#### **Non-current assets (disposal groups) held for sale and discontinued operations**

Non-current assets or disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (or disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2010

### 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

#### Interest in an associate

An associate is an entity, including an unincorporated entity such as a partnership, over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of the associate are incorporated in these condensed consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, the investment is carried in the condensed consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate, the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

#### Application of new and revised Hong Kong Financial Reporting Standards

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 ("HKICPA"), which are effective for the Group's financial year beginning on 1st April, 2010.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009 that are effective for annual periods beginning on or after 1st July, 2009 and 1st January, 2010, as appropriate
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 32 (Amendment)	Classification of Right Issues
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2010

### 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

#### Application of new and revised Hong Kong Financial Reporting Standards (Continued)

#### **HKFRS 3 (Revised) *Business Combinations* and HKAS 27 (Revised) *Consolidated and Separate Financial Statements***

The Group applied HKFRS 3 (Revised) *Business Combinations* prospectively to business combinations for which the acquisition date is on or after 1st April, 2010. The requirements in HKAS 27 (Revised) *Consolidated and Separate Financial Statements* in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1st April, 2010.

As there was no business combination occurred during the current interim period in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods. Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs are applicable.

#### **Amendment to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations***

The amendment to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* issued in 2009 as part of the *Improvements to HKFRSs* clarifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It states that disclosure requirements of other HKFRSs do not apply to non-current assets (or disposal groups) classified as held for sale or discontinued operations unless those HKFRSs have specific disclosure requirement in respect of such assets (or disposal groups); or the disclosures relate to the measurement of an individual asset or assets as part of a disposal group which follows other HKFRSs and the information is not disclosed elsewhere in the financial statements.

#### **Amendment to HKAS 17 *Leases***

As part of *Improvements to HKFRSs* issued in 2009, HKAS 17 *Leases* has been amended in relation to the classification of leasehold land. Before the amendment to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the condensed consolidated statement of financial position. The amendment to HKAS 17 has removed such a requirement. The amendment requires that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2010

### 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

#### Application of new and revised Hong Kong Financial Reporting Standards (Continued)

##### Amendment to HKAS 17 Leases (Continued)

In accordance with the transitional provisions set out in the amendment to HKAS 17, the Group reassessed the classification of unexpired leasehold land at 1st April, 2010 based on information that existed at the inception of leases. Leasehold lands that qualified for finance lease classification have been reclassified from prepaid lease payment to property, plant, and equipment retrospectively. This resulted in a reclassification of prepaid lease payment with previous carrying amount of HK\$66,077,000 as at 1st April, 2010 to property, plant and equipment that are measured at cost model. Accordingly, the carrying amount of property, plant and equipment is increased from HK\$18,879,000 as at 1st April, 2010 to HK\$84,956,000. The application of the amendments to HKAS 17 did not affect the financial results of the Group for current or prior accounting period.

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

HKFRSs (Amendments)	Improvements to HKFRSs 2010 <sup>1</sup>
HKAS 24 (Revised)	Related Party Disclosures <sup>3</sup>
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters <sup>2</sup>
HKFRS 7 (Amendment)	Disclosures – Transfers of Financial Assets <sup>4</sup>
HKFRS 9	Financial Instruments <sup>5</sup>
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement <sup>3</sup>
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st July, 2010 and 1st January, 2011, as appropriate

<sup>2</sup> Effective for annual periods beginning on or after 1st July, 2010

<sup>3</sup> Effective for annual periods beginning on or after 1st January, 2011

<sup>4</sup> Effective for annual periods beginning on or after 1st July, 2011

<sup>5</sup> Effective for annual periods beginning on or after 1st January, 2013

HKFRS 9 *Financial Instruments* introduces new requirements for the classification and measurement of financial assets and will be effective from 1st January, 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

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, 2010

### 3. REVENUE AND SEGMENT INFORMATION

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

	<b>Six months ended</b>	
	<b>30/9/2010</b>	<b>30/9/2009</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Continuing operations</b>		
Sales of properties	<b>1,803</b>	386
Rental income	<b>2,543</b>	2,731
	<b>4,346</b>	3,117
<b>Discontinued operations</b>		
Sale of equipments	<b>48,048</b>	132,935
Consultancy service income	<b>47,588</b>	57,249
	<b>95,636</b>	190,184
	<b>99,982</b>	193,301

Information reported to the chief operating decision maker, the executive directors of the Company, for the purposes of resource allocation and performance assessment focuses specifically on the two principal operating segments of the Group, namely property investment and development, and oilfield engineering and consultancy services. The Group's operations in oilfield engineering and consultancy services were discontinued upon classification as disposal group held for sale since September, 2010. Details and results of the discontinued operations are set out in note 7.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2010

### 3. REVENUE AND SEGMENT INFORMATION (Continued)

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

#### Continuing operations

	Six months ended	
	30/9/2010 HK\$'000	30/9/2009 HK\$'000
Revenue	<u>4,346</u>	<u>3,117</u>
Segment results	4,824	1,806
Unallocated other income and gains	975	928
Unallocated expenses	(8,273)	(9,006)
Share option expense	(675)	(1,969)
Effective interest expense on convertible note	<u>(3,330)</u>	<u>(3,186)</u>
Loss for the period	<u>(6,479)</u>	<u>(11,427)</u>

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

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of unallocated other income, unallocated expenses, share option expense 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, 2010

### 4. OTHER INCOME AND GAINS

#### Continuing operations

	Six months ended	
	30/9/2010	30/9/2009
	HK\$'000	HK\$'000
Interest income from		
– available-for-sale investments	–	3
– bank balances and deposits with a financial institution	995	1,105
Net exchange gain	2,727	523
Sundry income	265	83
	<u>265</u>	<u>83</u>
	<u><b>3,987</b></u>	<u>1,714</u>

### 5. FINANCE COSTS

The finance costs incurred for continuing operations represent effective interest expense on convertible note.

### 6. TAXATION

#### Continuing operations

	Six months ended	
	30/9/2010	30/9/2009
	HK\$'000	HK\$'000
Current tax:		
Hong Kong Profits Tax	113	50
People's Republic of China ("PRC") Enterprise Income Tax	14	23
	<u>113</u>	<u>23</u>
	<u><b>127</b></u>	<u>73</u>

Hong Kong Profits Tax and PRC Enterprise Income Tax are recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for Hong Kong Profits Tax and PRC Enterprise Income Tax for the six months ended 30th September, 2010 are 16.5% (2009: 16.5%) and 25% (2009: 25%), respectively.



## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2010

### 7. DISCONTINUED OPERATIONS

On 3rd September, 2010, Termbray Petro-king entered into a Subscription Agreement with Termbray Natural Resources Limited ("Termbray NRC"), a wholly owned subsidiary of the Company; King Shine Group Limited ("King Shine"), the non-controlling interest of the Group which held 49% equity interest on Termbray Petro-king and an investor ("Investor"), an independent third party to the Group, pursuant to which Termbray Petro-king shall allot and issue and Investor shall subscribe for new shares of Termbray Petro-king (the "Subscription Shares"), representing 10% of the issued share capital of Termbray Petro-king as enlarged by the subscription ("Subscription") for a consideration of RMB88.8 million payable in United States dollars.

Termbray Petro-king and its subsidiaries carried out all of the Group's oilfield engineering and consultancy services. Upon completion of the Subscription, Termbray Petro-king shall be owned as to 45.9%, 44.1% and 10.0% by Termbray NRC, King Shine and Investor, respectively. The assets and the liabilities attributable to the oilfield engineering and consultancy services business have been classified as a disposal group held for sale and are separately presented in the condensed consolidated statement of financial position as at 30th September, 2010 set out in note 11.

The results and cash flows of Termbray Petro-king and its subsidiaries have been group under discontinued operations. An analysis of the results and cash flows of the discontinued operations included in the condensed consolidated statement of comprehensive income and the condensed consolidated statement of cash flows is as follows:

#### Profit for the period from discontinued operations

	Six months ended	
	30/9/2010 HK\$'000	30/9/2009 HK\$'000
Revenue (note 3)	95,636	190,184
Cost of goods sold and services rendered	(51,703)	(86,905)
Gross profit	43,933	103,279
Other income and gains	8,290	1,882
Selling and distribution expenses	(18,229)	(21,657)
Administrative expenses	(14,019)	(8,251)
Share of results of an associate	340	-
Finance costs	(919)	(845)
<b>Profit before taxation</b>	<b>19,396</b>	74,408
Taxation	(4,115)	(19,648)
<b>Profit for the period from discontinued operations</b>	<b>15,281</b>	54,760
<b>Profit for the period from discontinued operations attributable to:</b>		
Owners of the Company	7,804	28,076
Non-controlling interests	7,477	26,684
	<b>15,281</b>	54,760

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2010

### 7. DISCONTINUED OPERATIONS (Continued)

#### Cash flows from discontinued operations

	Six months ended	
	30/9/2010 HK\$'000	30/9/2009 HK\$'000
Net cash (used in) from operating activities	(120,214)	14,614
Net cash used in investing activities	(28,556)	(7,563)
Net cash from financing activities	<u>75,614</u>	<u>8,326</u>
Net (decrease) increase in cash flows	<u>(73,156)</u>	<u>15,377</u>

### 8. PROFIT FOR THE PERIOD

	Six months ended					
	Continuing operations		Discontinued operations		Consolidated	
	30/9/2010 HK\$'000	30/9/2009 HK\$'000	30/9/2010 HK\$'000	30/9/2009 HK\$'000	30/9/2010 HK\$'000	30/9/2009 HK\$'000
Profit for the period has been arrived at after (charging) crediting:						
Amortisation of intangible assets, included in administrative expenses	-	-	(1,493)	(1,493)	(1,493)	(1,493)
Cost of goods sold and services rendered	(1,958)	(1,383)	(51,703)	(86,905)	(53,661)	(88,288)
Cost of inventories sold	(992)	(252)	(31,239)	(70,645)	(32,231)	(70,897)
Depreciation of						
– property, plant and equipment	(1,059)	(1,221)	(1,447)	(894)	(2,506)	(2,115)
– investment property	(55)	(56)	-	-	(55)	(56)
Finance costs	(3,330)	(3,186)	(919)	(845)	(4,249)	(4,031)
Other income and gains	3,987	1,714	8,290	1,882	12,277	3,596
Share option expense	(675)	(1,969)	-	-	(675)	(1,969)
	<u>(675)</u>	<u>(1,969)</u>	<u>-</u>	<u>-</u>	<u>(675)</u>	<u>(1,969)</u>

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2010

### 9. EARNINGS (LOSS) PER SHARE

#### From continuing and discontinued operations

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

	<b>Six months ended</b>	
	<b>30/9/2010</b>	<b>30/9/2009</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Earnings for the period attributable to owners of the Company for the purposes of basic and diluted earnings per share	<u>1,325</u>	<u>16,649</u>
	<b>Number of shares</b>	
	<b>'000</b>	<b>'000</b>
Number of ordinary shares for the purposes of basic and diluted earnings per share	<u>1,957,643</u>	<u>1,957,643</u>

#### From continuing operations

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

	<b>Six months ended</b>	
	<b>30/9/2010</b>	<b>30/9/2009</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Earnings for the period attributable to owners of the Company for the purposes of basic and diluted earnings per share	<u>1,325</u>	<u>16,649</u>
Less:		
Profit attributable to owners of the Company from discontinued operations	<u>(7,804)</u>	<u>(28,076)</u>
Loss for the period attributable to owners of the Company for the purposes of basic and diluted loss per share	<u>(6,479)</u>	<u>(11,427)</u>

The denominators used are the same as those detailed above for both basic and diluted earnings (loss) per share.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2010

### 9. EARNINGS (LOSS) PER SHARE *(Continued)*

#### From discontinued operations

Basic and diluted earnings per share for the discontinued operation are HK0.4 cents per share (six months ended 30th September, 2009: HK1.43 cents per share), based on the profit attributable to owners of the Company from the discontinued operations of HK\$7,804,000 (six months ended 30th September, 2009: HK\$28,076,000) and the denominators detailed above for both basic and diluted earnings per share.

For the six months ended 30th September, 2010 and 2009, the computation of diluted earnings 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 assumed conversion of convertible note would result in an increase in earnings per share and the exercise prices of the Company's share options were higher than the average market price for shares.

### 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 receivables from sales of properties and rental receivables are collected in accordance with the terms of the relevant agreements.

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

	<b>30/9/2010</b>	31/3/2010
	<b>HK\$'000</b>	HK\$'000
Current	<b>79,541</b>	30,873
1-90 days	<b>10,458</b>	18,312
91-180 days	<b>930</b>	8,182
181-365 days	<b>43,238</b>	46,342
1-2 years	<b>15,694</b>	6,942
Over 2 years	<b>4,209</b>	3,108
	<b>154,070</b>	113,759
Less: Included in disposal group held for sale <i>(note 11)</i>	<b>(154,070)</b>	–
	–	113,759
Other receivables	<b>42</b>	11,861
	<b>42</b>	125,620



## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2010

### 12. TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

The following is an analysis of trade and other payables by age, presented based on the invoice date at the end of the reporting period:

	<b>30/9/2010</b>	31/3/2010
	<b>HK\$'000</b>	HK\$'000
1-90 days	<b>29,874</b>	17,725
Over 90 days	<b>3,238</b>	5,339
	<hr/>	<hr/>
Trade and other payables	<b>33,112</b>	23,064
Less: Included in disposal group held for sale (note 11)	<b>(32,785)</b>	–
	<hr/>	<hr/>
	<b>327</b>	23,064
Accrued charges	<b>2,791</b>	3,354
	<hr/>	<hr/>
	<b>3,118</b>	26,418
	<hr/> <hr/>	<hr/> <hr/>

### 13. PROVISIONS

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 16(d).

### 14. BANK BORROWINGS

During the period, the Group repaid bank borrowings amounting to HK\$32,417,000 (1/4/2009 to 30/9/2009: HK\$25,547,000) and obtained new bank borrowings amounting to HK\$108,031,000 (1/4/2009 to 30/9/2009: HK\$34,614,000). The bank borrowings are unsecured and repayable within one year from the end of the reporting period. For the bank borrowings obtained in the current period, principal amount of HK\$21,506,000 and HK\$86,525,000 carried fixed interest rate of 5.10% per annum and variable market rates ranging from 2.60% to 5.31% per annum respectively. The entire bank borrowings as at 30th September, 2010 have been classified as part of a disposal group held for sale.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2010

### 15. 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, 2010	<u>1,957,643</u>	<u>156,611</u>

### 16. 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\$3,128,000 (31/3/2010: HK\$3,106,000) were pledged and floating charge over trade receivables of certain customers of the Group not exceeding RMB62,500,000 (31/3/2010: RMB37,500,000) (equivalent to approximately HK\$72,656,000 (31/3/2010: HK\$42,731,000)) were arranged to secure the credit facilities granted to the Group. Such bank deposits have been charged to secure short-term bank borrowings. The entire bank deposit of HK\$3,128,000 as at 30th September, 2010 have been classified as part of a disposal group held for sale.
- (b) Bank deposits of approximately HK\$36,198,000 (31/3/2010: HK\$9,705,000) were pledged to obtain irrevocable letters of guarantee amounting to approximately US\$4,664,000 (31/3/2010: US\$1,250,000) (equivalent to approximately HK\$36,198,000 (31/3/2010: HK\$9,705,000)) for tenders. The entire bank deposit of HK\$36,198,000 as at 30th September, 2010 have been classified as part of a disposal group held for sale.
- (c) The Group's bank deposits of HK\$2,000,000 (31/3/2010: HK\$2,034,000) were pledged to the banks as security in respect of mortgage loans granted to property purchasers by banks.
- (d) In connection with the disposal of the subsidiaries engaged in the business of manufacture and sale of printed circuit boards in 1999, 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, 2010

### 17. 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 the Group, the Group leased certain office premises and warehouses from Panda Investment during the period at the agreed rental of HK\$120,000 (six months ended 30/9/2009: HK\$120,000). Certain directors of the Company held beneficial interests in Panda Investment.
- (b) At 30th September, 2010, the Group had an amount of approximately HK\$2,956,000 (31/3/2010: HK\$1,992,000) and HK\$1,942,000 (31/3/2010: nil) due to Panda Investment and due from an associate, respectively, which are 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 the Group, the Group 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 30/9/2009: HK\$1,140,000).
- (d) A director of the Company and a non-controlling shareholder of a non-wholly owned subsidiary, act as guarantors of the secured bank borrowing of the Group for US\$1,617,000 (31/3/2010: US\$1,617,000) (equivalent to approximately HK\$12,549,000 (31/3/2010: HK\$12,554,000)) each and unsecured bank borrowing of the Group for HK\$5,880,000 (31/3/2010: HK\$5,880,000 each).
- (e) The compensation of key management personnel paid or payable by the Group in respect of the period, substantially all of which comprised short term benefits attributable to the directors of the Company, amounted to HK\$4,988,000 (six months ended 30/9/2009: HK\$4,988,000) and share-based payments attributable to a director of the Company, amounted to HK\$675,000 (six months ended 30/9/2009: HK\$1,614,000).

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

- (f) Sale to an associate amounted to approximately HK\$531,000 (six months ended 30/9/2009: nil).



## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2010

### 18. 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 ("德州嘉誠") at a total consideration of RMB6,150,000 (equivalent to approximately HK\$6,952,000). The acquisition was completed on 1st May, 2009.

The details of the net assets acquired in the transaction, and the goodwill arising, are set out in the consolidated financial statements of the Group for the year ended 31st March, 2010:

### 19. SUBSEQUENT EVENT AFTER REPORTING PERIOD

Pursuant to the signing of the Subscription Agreement as set out in note 7, the completion of the Subscription was subject to and conditional upon the fulfilment of the conditions precedent, including but not limited to the approval by the shareholders of the Company for the allotment and issue of the Subscription Shares at a special general meeting of the Company which has already been held in October 2010.

The Subscription was completed on 20th October, 2010, at which time, Termbray Petro-king ceased to be a subsidiary of the Company and became an associate company of the Company since then. The directors of the Company are in the progress of ascertaining the financial impact on the deemed disposal of Termbray Petro-king to the Group.