



TERMBRAY INDUSTRIES INTERNATIONAL (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 0093)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2007

The board of directors (the “Board”) of Termbray Industries International (Holdings) Limited (the “Company”) is pleased to present the unaudited condensed consolidated income statement of the Company and its subsidiaries (the “Group”) for the six months ended 30th September, 2007 and the Group’s unaudited condensed consolidated balance sheet at that date together with the comparative figures for the last year as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

| | | Six months ended | |
|--|-------|---------------------|----------------|
| | | 30/9/2007 | 30/9/2006 |
| | | (unaudited) | (unaudited) |
| | Notes | HK\$'000 | HK\$'000 |
| TURNOVER | | 3,425 | 3,268 |
| Rental outgoings | 3 | <u>(991)</u> | <u>(906)</u> |
| Rental income less outgoings | | 2,434 | 2,362 |
| Other income | 4 | 14,987 | 13,389 |
| Exchange (losses) gains | | (2,544) | 1,618 |
| Gains arising from changes in fair value of investments held for trading | | 162 | 2,870 |
| Administrative expenses | | <u>(6,336)</u> | <u>(6,170)</u> |
| PROFIT BEFORE TAXATION | 5 | 8,703 | 14,069 |
| Taxation | 6 | <u>(65)</u> | <u>(65)</u> |
| PROFIT FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY | | <u>8,638</u> | <u>14,004</u> |
| | | <i>HK Cent</i> | <i>HK Cent</i> |
| EARNINGS PER SHARE | 7 | | |
| BASIC | | <u>0.50</u> | <u>0.84</u> |
| DILUTED | | <u>N/A</u> | <u>0.82</u> |

CONDENSED CONSOLIDATED BALANCE SHEET

| | <i>Note</i> | 30/9/2007 (unaudited) HK\$'000 | 31/3/2007 (audited) HK\$'000 |
|---|-------------|---|------------------------------------|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | 7,588 | 8,107 |
| Prepaid lease payments for land | | 66,975 | 67,273 |
| Investment properties | | 3,531 | 3,585 |
| Pledged bank deposits | | 2,024 | 2,024 |
| | | <u>80,118</u> | <u>80,989</u> |
| CURRENT ASSETS | | | |
| Properties for sale | | 108,866 | 105,934 |
| Trade and other receivables | 8 | 6,424 | 5,543 |
| Deposits and prepayments | | 8,904 | 2,461 |
| Prepaid lease payments for land | | 598 | 598 |
| Available-for-sale investments | | 260,531 | 225,537 |
| Investments held for trading | | 153,928 | 187,977 |
| Pledged bank deposits | | 465 | 465 |
| Bank balances and cash | | 225,656 | 223,983 |
| | | <u>765,372</u> | <u>752,498</u> |
| CURRENT LIABILITIES | | | |
| Other payables and accrued charges | | 2,656 | 2,710 |
| Deposits received | | 1,160 | 1,165 |
| Provisions | | 3,173 | 3,173 |
| Amount due to a related company | | 929 | 716 |
| Taxation liabilities | | 3,309 | 3,244 |
| | | <u>11,227</u> | <u>11,008</u> |
| NET CURRENT ASSETS | | <u>754,145</u> | <u>741,490</u> |
| NET ASSETS | | <u>834,263</u> | <u>822,479</u> |
| CAPITAL AND RESERVES | | | |
| Share capital | | 137,971 | 137,971 |
| Reserves | | 695,876 | 684,092 |
| Equity attributable to equity holders of the Company | | <u>833,847</u> | <u>822,063</u> |
| Minority interests | | 416 | 416 |
| TOTAL EQUITY | | <u>834,263</u> | <u>822,479</u> |

Notes:

1. BASIS OF PREPARATION

The condensed consolidated financial statement have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and with Hong Kong Accounting Standard No. 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

2. SIGNIFICANT 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.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the annual consolidated financial statements of the company and the subsidiaries (the “Group”) for the year ended 31st March, 2007.

In the current interim period, the Group has applied, for the first time, the following new standard, amendment and interpretations (“new HKFRSs”) issued by the HKICPA, which are effective for the Group’s financial year beginning on 1st April, 2007.

| | |
|--------------------|--|
| HKAS 1 (Amendment) | Capital disclosures ¹ |
| HKFRS 7 | Financial instruments: disclosures ¹ |
| HK(IFRIC) – INT 7 | Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies ² |
| HK(IFRIC) – INT 8 | Scope of HKFRS 2 ³ |
| HK(IFRIC) – INT 9 | Reassessment of embedded derivatives ⁴ |
| HK(IFRIC) – INT 10 | Interim financial reporting and impairment ⁵ |
| HK(IFRIC) – INT 11 | HKFRS 2 – Group and treasury share transactions ⁶ |

¹ Effective for annual periods beginning on or after 1st January, 2007

² Effective for annual periods beginning on or after 1st March, 2006

³ Effective for annual periods beginning on or after 1st May, 2006

⁴ Effective for annual periods beginning on or after 1st June, 2006

⁵ Effective for annual periods beginning on or after 1st November, 2006

⁶ Effective for annual periods beginning on or after 1st March, 2007

The adoption of these new HKFRSs had no material effect on the results or 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 the following new standards and interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these new standards and interpretations will have no material impact on the results and the financial position of the Group.

| | |
|--------------------|--|
| HKAS 23 (Revised) | Borrowing Costs ¹ |
| HKFRS 8 | Operating Segments ¹ |
| HK(IFRIC) – INT 12 | Service Concession Arrangements ² |
| HK(IFRIC) – INT 13 | Customer Loyalty Programmes ³ |
| HK(IFRIC) – INT 14 | HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction ² |

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

² Effective for annual periods beginning on or after 1st January, 2008

³ Effective for annual periods beginning on or after 1st July, 2008

3. TURNOVER AND SEGMENT INFORMATION

Turnover represents rental income from leasing of properties.

The Group is principally engaged in property development and property investment. There were no property development activities in the periods ended 30th September, 2007 and 2006.

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

| | Turnover | | Contribution to profit before taxation | |
|-------------------------------------|---------------------|---------------------|--|----------------------|
| | Six months ended | | Six months ended | |
| | 30/9/2007 | 30/9/2006 | 30/9/2007 | 30/9/2006 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Property development | – | – | – | – |
| Property investment | <u>3,425</u> | <u>3,268</u> | <u>2,434</u> | <u>2,362</u> |
| | <u><u>3,425</u></u> | <u><u>3,268</u></u> | | |
| Other income (<i>note</i>) | | | <u>15,149</u> | <u>17,877</u> |
| Unallocated administrative expenses | | | <u>(8,880)</u> | <u>(6,170)</u> |
| Profit before taxation | | | <u>8,703</u> | <u>14,069</u> |
| Taxation | | | <u>(65)</u> | <u>(65)</u> |
| Profit for the period | | | <u><u>8,638</u></u> | <u><u>14,004</u></u> |

Note: Other income represents mainly net income from short-term treasury activities, including investments in securities and money market funds and the placement of bank deposits.

4. OTHER INCOME

| | Six months ended | |
|----------------------------------|----------------------|----------------------|
| | 30/9/2007 | 30/9/2006 |
| | (unaudited) | (unaudited) |
| | HK\$'000 | HK\$'000 |
| Interest income from | | |
| – available-for-sale investments | <u>6,092</u> | <u>5,143</u> |
| – investments held for trading | <u>2,967</u> | <u>3,961</u> |
| – bank deposits | <u>5,559</u> | <u>4,172</u> |
| Others | <u>369</u> | <u>113</u> |
| | <u><u>14,987</u></u> | <u><u>13,389</u></u> |

5. PROFIT BEFORE TAXATION

| | Six months ended | |
|--|-------------------------|--------------------|
| | 30/9/2007 | 30/9/2006 |
| | (unaudited) | (unaudited) |
| | HK\$'000 | HK\$'000 |
| Profit before taxation has been arrived at after charging: | | |
| Amortisation of prepaid lease payments for land | 298 | 299 |
| Deprecation of | | |
| – property, plant and equipment | 532 | 763 |
| – investment properties | 54 | 53 |
| | <u>584</u> | <u>1,115</u> |

6. TAXATION

The tax expense for the year represents the Hong Kong Profits Tax calculated at 17.5% (2006: 17.5%) on estimated assessable profit.

7. EARNINGS PER SHARE

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

| | Six months ended | |
|--|-------------------------|--------------------|
| | 30/9/2007 | 30/9/2006 |
| | (unaudited) | (unaudited) |
| | HK\$'000 | HK\$'000 |
| Profit for the period attributable to equity holders of the Company for the purposes of basic and diluted earnings per share | <u>8,638</u> | <u>14,004</u> |
| | Number of shares | |
| | '000 | '000 |
| Number of ordinary shares for the purpose of basic earnings per share | 1,724,643 | 1,667,594 |
| Effect of dilutive potential ordinary shares | | |
| – share options | <u>–</u> | <u>32,623</u> |
| Number of ordinary shares for the purpose of diluted earnings per share | <u>1,724,643</u> | <u>1,700,217</u> |

No diluted earnings per share has been presented for the six months ended 30th September, 2007 as there were no potential shares during that period.

8. TRADE AND OTHER RECEIVABLES

Rentals receivable are payable in accordance with the terms of the relevant agreements.

The Group does not generally provide any credit period to its tenants.

The following is an aged analysis of trade receivables at the reporting date:

| | 30/9/2007 | 31/3/2007 |
|-------------------|---------------------|------------------|
| | HK\$'000 | HK\$'000 |
| 1-90 days | 594 | 233 |
| Over 90 days | 3,670 | 2,848 |
| | <u>4,264</u> | <u>3,081</u> |
| Other receivables | 2,160 | 2,462 |
| | <u>6,424</u> | <u>5,543</u> |

INTERIM DIVIDEND

The directors have resolved not to pay an interim dividend for the six months ended 30th September, 2007 (2006: Nil).

REVIEW OF OPERATIONS

During the current six months period under review, the Group achieved a turnover of HK\$3,425,000 (2006: HK\$3,268,000) and made a profit attributable to shareholders of HK\$8,638,000 (2006: HK\$14,004,000).

The operating environment for the Group's current core business – property investment and development 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. During the period, the management has launched a series of advertising campaign and put much effort in marketing the properties. The rental income earned by the Group during the period is increased by 4.8%. As at 30th September, 2007, 228 residential units remained to be sold, out of which 207 residential units were let out. All the floor area of the commercial arcades were let out. Due to the set up of a larger scale computer and computer peripherals retail centre in western district of Shi Qi city, it caused a negative impact on the customer flow of the commercial arcades. The tenant is still tried hard to improve the situation. Meanwhile, we are looking for new potential tenant to take up the tenancy arrangement.

With regard to the investment in Cong Hua White Swan Bow Yuen Real Estate Development Limited ("Cong Hua Bow Yuen"), the Group has continued the negotiation with the PRC joint venture partner for extension of the joint venture period. 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 year.

The Group still holds a substantial amount of funds of approximately HK\$0.6 billion which have been placed as short term bank deposit or invested in money market funds with international financial institutions or fixed income notes generating a stable source of income to the Group. The upward trend in interest rate environment has resulted in an improved income earned by the Group from these assets.

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

There have been no material change in the contingent liabilities and charge on assets of the Group since 31st March, 2007.

LIQUIDITY AND FINANCIAL RESOURCES

The Group remains cash rich and has no bank borrowing and no material capital expenditure commitment or financial obligations at 30th September, 2007. All operations are financed internally by shareholders' fund. There is no maturity profile of debt and obligation.

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

ORDER BOOK

Due to its business nature, the Group has no order book at 30th September, 2007. The Group has no new product and services to be introduced to the market.

STAFF

As at 30th September, 2007, the Group employed 65 staff at market remunerations with staff benefits such as insurance, provident fund scheme, discretionary bonus and share option scheme.

OUTLOOK

The global economy sustained a stable and balance growth during the period under review. China continues to act as a key driver in the global economic growth. 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.

With the substantial available fund on hand, the Group has always been actively seeking for investment opportunities so as to achieve a diversification in business activities which will result in a steady growth in the Group's long term performance.

The directors believe that the natural resources sector offers significant development potential and has been considering opportunities in this sector.

On 8th August, 2007, the Company entered into an Option Agreement with an independent third party to purchase potential oil producing assets in Kazakhstan ("Potential Assets"). The purchase option permits the Company to assess an investment in the Potential Assets without commitment or significant expenditure on the part of the Company and secures for the Company an ability to acquire the Potential Assets. The relevant details of the Option Agreement were announced on the Company's and the Stock Exchange's website on 10th August, 2007.

On 3rd September, 2007, the Company entered into a letter of intent with 7 individuals for the acquisition of 51% equity interest in Petro-king International Company Limited ("Petro-king HK") and Petro-king Oilfield Technology Limited ("Petro-king PRC", together with Petro-king HK as "Petro-king Group"). The directors believe that the Petro-king Group has significant growth potential and would be a significant profit contributor to the Group.

Furthermore, the experience of the Petro-king Group in oilfield related engineering and consultancy services would grant the Group the expertise required to expand and be successful in the oil sector. The directors believe the acquisitions present an unique opportunity for the Group to make a big step forward in pursuing its natural resources strategy.

On 10th October, 2007, Termbray Oilfield Services Limited (“Termbray Oilfield Services”), a wholly-owned subsidiary of the Company, entered into an acquisition agreement with 7 individuals (“PRC Vendors”), pursuant to which Termbray Oilfield Services agreed to acquire the entire registered and paid-up capital of Petro-king PRC at the consideration of RMB30,000,000. The consideration will be satisfied in cash. To the best of the director’s knowledge, information and belief having made all reasonable enquiries, each of the PRC vendors is independent third party.

On the same day, Termbray Oilfield Services also entered into the Petro-king HK acquisition agreement with 3 individuals (“HK Vendors”), pursuant to which (i) Termbray Oilfield Services agreed to acquire 51% of the entire issued share capital of Petro-king HK at the consideration of RMB225,000,000 (equivalent to about HK\$231,390,000) to be satisfied in cash; and (ii) Termbray Oilfield Services agreed to acquire the swap shares representing 49% of the issued share capital of Petro-king HK as at the date of the Petro-king HK acquisition agreement and immediately prior to the completion of the Petro-king HK acquisition. The consideration for the purchase of the swap shares shall be satisfied by (a) the allotment and issue of 49% of the issued share capital of the purchaser holding company, a holding company of Termbray Oilfield Services, as at the time of completion of Petro-king HK acquisition; and (b) the assignment of 49% of the shareholders’ loan advanced from the Group to the purchaser holding company in such an amount outstanding as at completion of Petro-king HK acquisition. To the best of the directors’ knowledge, information and belief having made all reasonable enquiries, each of the HK Vendors is independent third party.

On the date of completion of the Petro-king HK acquisition, the Company and King Shine, will enter into a convertible notes subscription agreement, pursuant to which the Company agrees to issue and King Shine agrees to subscribe for the convertible notes in the principal amount of HK\$133,692,000 at the initial conversion price (subject to adjustments) of HK\$1.20 per conversion share. Assuming full conversion of the convertible notes at the initial conversion price, a total of 111,410,000 conversion shares will be issued, representing (i) about 6.46% of the issued ordinary share capital of the Company as at the date of the announcement; and (ii) about 6.07% of the issued ordinary share capital of the Company as enlarged by the issue of the conversion shares upon full conversion of the convertible notes.

The relevant details of the above transactions were announced on the Company’s and the Stock Exchange’s website on 15th October, 2007. A circular containing relevant details of the above transactions was dispatched to the shareholders on 12th December, 2007.

Due to the reasons including the parties to the Option Agreement dated 8th August, 2007 for the Potential Assets not reaching mutual agreement on the terms of the acquisition agreement, the purchase option for the Potential Assets was not exercised by the Company and has lapsed on 9th November, 2007.

It is the Group’s ongoing strategy to gain a foothold and develop in the natural resources sector by way of exploring different kinds of investment opportunities. Despite the lapse of the purchase option, the Group will continue to seek other investment opportunities in the natural resources sector. The Group has submitted a bid to acquire another producing oilfield in Eurasia and is in negotiation with the vendor to be granted exclusivity for the acquisition. No final terms and conditions have been agreed in this respect.

The Group remains cautiously optimistic about the year ahead in respect of diversification of business into natural resources sector.

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, 2007 save as disclosed below.

Pursuant to paragraph A.2.1, the roles of chairman and chief executive officer of an issuer should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. Mr. Lee Lap is currently the chairman and chief executive officer of the Group. Having considered the current business operation and the size of the Group, the Board is of the view that Mr. Lee Lap acting as both the chairman of the Board and also as the chief executive officer of the Group is acceptable and in the best interest of the Group. The Board will review this situation periodically.

Pursuant to code provision A.4.2, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. The Company is subject to a private act called "The Termbray Industries International (Holdings) Limited Act 1991" Section 4(g) of the said Act provides that: "Notwithstanding anything contained in the Companies Act or rule of law to the contrary, the directors of the Company shall not be required to be elected at each annual general meeting, but shall (save for any chairman or managing director) be subject to retirement by rotation in such manner and at such frequency as the bye-laws may provide." Accordingly, the chairman and managing director of the Company may not be made subject to retirement by rotation. The Company had amended its existing bye-laws to provide that every director of the Company, other than directors holding the office of chairman or managing director, shall be subject to retirement by rotation at least once every three years while directors holding the office of chairman or managing director shall be subject to re-election once every 3 years.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code"), as the code of conduct regarding directors' securities transactions. The Company have made specific enquiry of all directors that they have complied with the Model Code throughout the six months ended 30th September, 2007.

AUDIT COMMITTEE

The Company has established an audit committee comprising three independent non-executive directors and one non-executive director of the Company. The audit committee of the Company has reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including review of the interim results for the six months ended 30th September, 2007.

OTHER INFORMATION

The interim results of the Group for the six months ended 30th September, 2007 have been reviewed by Deloitte Touche Tohmatsu, Certified Public Accountants.

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

Executive Directors:

Mr. Lee Lap, *Chairman & CEO*
Mdm. Leung Lai Ping
Mr. Wong Shiu Kee

Independent Non-Executive Directors:

Dr. The Hon. Lee Tung Hai, Leo G.B.M., G.B.S., L.L.D., J.P.
Mr. Chan Siu Kang
Mr. Lo Yiu Hee

Non-Executive Director:

Mr. Lee Ka Sze, Carmelo

By order of the Board
Lee Lap
Chairman & CEO

Hong Kong, 14th December, 2007