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## **TERMBRAY INDUSTRIES INTERNATIONAL (HOLDINGS) LIMITED**

*(incorporated in Bermuda with limited liability)*

*website: [termbray.com.hk](http://termbray.com.hk)*

**(Stock Code: 0093)**

### **VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION; SUBSCRIPTION OF CONVERTIBLE NOTES; AND RESUMPTION OF TRADING**

**Financial adviser to Termbay Industries International (Holdings) Limited**

**PiperJaffray®**

**Piper Jaffray Asia Limited**

#### **Petro-king PRC Acquisition Agreement**

Further to the announcement of the Company dated 3 September 2007 relating to the LOI, the Board is pleased to announce that on 10 October 2007, Termbay Oilfield Services, the wholly-owned subsidiary of the Company, entered into the Petro-king PRC Acquisition Agreement with the PRC Vendors, pursuant to which Termbay Oilfield Services agreed to acquire and the PRC Vendors agreed to sell 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.

#### **Petro-king HK Acquisition Agreement**

On the same day, Termbay Oilfield Services also entered into the Petro-king HK Acquisition Agreement with the HK Vendors, pursuant to which (i) Termbay Oilfield Services agreed to acquire and the HK Vendors agreed to sell the Sale Shares representing 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) Termbay Oilfield Services agreed to acquire and the HK Vendors agreed to sell 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 sale and purchase of the Swap Shares shall be satisfied by (a) the allotment and issue to the HK Transferor by the Purchaser Holding Company of those shares of the Purchaser Holding Company representing 49% of the issued share capital of the Purchaser Holding Company as at the time of completion of Petro-king HK Acquisition; and (b) the assignment of 49% of the shareholders' loan advanced from Termbray and/or its subsidiaries to the Purchaser Holding Company in such an amount outstanding as at completion of Petro-king HK Acquisition.

To the best of the Director's knowledge, information and belief having made all reasonable enquiries, each of the HK Vendors and the HK Guarantors is Independent Third Party.

### **CN Subscription**

On the date of completion of the Petro-king HK Acquisition, the Company and King Shine will enter into the CN 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. The Initial Conversion Price of HK\$1.20 per Conversion Share represents a discount of about 57.6% to the closing price of the Shares on the Last Trading Day. Assuming full conversion of the Convertible Notes at the Initial Conversion Price (subject to adjustments), 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 this 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.

### **General**

As at the date of the Petro-king PRC Acquisition Agreement and Petro-king HK Acquisition Agreement, Mr. Wang Jinlong, who is a substantial shareholder of Petro-king HK and Petro-king PRC, held 56.54% of the PRC Sale Shares and 85% of the issued share capital of Petro-king HK respectively. Since Mr. Wang Jinlong will be appointed as the executive Director upon completion of the Petro-king HK Acquisition, the entering into of the Petro-king PRC Acquisition Agreement and the Petro-king HK Acquisition Agreement (including the CN Subscription Agreement) constitute connected transactions of the Company under Rule 14.A.13(1)(b)(i) of the Listing Rules.

As the applicable percentage ratios (as defined under the Listing Rules) for the transactions contemplated under the Petro-king PRC Acquisition Agreement and the Petro-king HK Acquisition Agreement are greater than 100%, the transactions contemplated under the Petro-king PRC Acquisition Agreement and the Petro-king HK Acquisition Agreement constitute very substantial acquisition and connected transaction of the Company under the Listing Rules. Therefore, both the Petro-king PRC Acquisition Agreement and the Petro-king HK Acquisition Agreement (including the CN Subscription Agreement) are therefore subject to approval of the Independent Shareholders at the SGM. Mr. Wang Jinlong and his associates are required to abstain from voting in respect of the proposed resolution to approve the Petro-king PRC Acquisition Agreement and the Petro-king HK Acquisition Agreement. As at the date of this announcement, Mr. Wang Jinlong and his associates hold no Share and therefore, as at the date of this announcement, no Shareholder is required to abstain from voting in respect of the proposed resolution to approve the Petro-king PRC Acquisition Agreement and the Petro-king HK Acquisition Agreement.

The SGM will be held to consider, and if thought fit, passing the resolutions to approve (i) the Petro-king PRC Acquisition Agreement; (ii) the Petro-king HK Acquisition Agreement; and (iii) the transactions contemplated under the Petro-king PRC Acquisition Agreement and the Petro-king HK Acquisition Agreement (including the CN Subscription Agreement). Mr. Wang Jinlong and his associates are required to abstain from voting for the approval of (i) the Petro-king PRC Acquisition Agreement; (ii) the Petro-king HK Acquisition Agreement; and (iii) the transactions contemplated under the Petro-king PRC Acquisition Agreement and the Petro-king HK Acquisition Agreement (including the CN Subscription Agreement) at the SGM. Since as at the date of this announcement, Mr. Wang Jinlong and his associates hold no Share and therefore, as at the date of this announcement, no Shareholder shall be required to abstain from voting in respect of the abovementioned resolutions at the SGM.

A circular containing, among other things, (i) further details of the Petro-king PRC Acquisition Agreement and the Petro-king HK Acquisition Agreement; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Petro-king PRC Acquisition Agreement and the Petro-king HK Acquisition Agreement and the transactions contemplated thereunder (including the issuance of the Convertible Notes); (iii) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders on the Petro-king PRC Acquisition Agreement and the Petro-king HK Acquisition Agreement and the transactions contemplated thereunder (including the issuance of the Convertible Notes); (iv) the accountants' report of Petro-king PRC and Petroking HK; (v) the proforma financial information of the Enlarged Group; and (vi) a notice of SGM for the purposes of approving the Petro-king PRC Acquisition Agreement, the Petro-king HK Acquisition Agreement and the transactions contemplated thereunder (including the issuance of the Convertible Notes) will be despatched to the Shareholders as soon as practicable.

An application will be made by the Company for the listing of, and permission to deal in, the Conversion Shares to be issued as a result of the exercise of the conversion rights attached to the Convertible Notes.

## **SUSPENSION AND RESUMPTION OF TRADING**

At the request of the Company, trading of the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 11 October 2007 pending publication of this announcement. An application has been made to the Stock Exchange for resumption of trading of the Shares with effect from 9:30 a.m. on 16 October 2007.

## **PETRO-KING PRC ACQUISITION AGREEMENT**

### **Date**

10 October 2007

### **Parties**

Termbray Oilfield Services (as the purchaser)  
The PRC Vendors (as the vendor)

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.

## **Subject matter of the transaction**

The PRC Sales Shares

## **Consideration**

The consideration payable by the Purchaser to the PRC Vendors for the PRC Sale Shares shall be RMB30,000,000 (equivalent to about HK\$30,852,000) in cash. The consideration has been arrived at after arm's length negotiations between the parties with reference to the net asset value of Petro-king PRC as at 30 June 2007, which is about RMB20.4 million based on the unaudited management accounts of Petro-king PRC for the six months ended 30 June 2007 (subject to audit).

The Company currently intends to finance the Petro-king PRC Acquisition by its internal resources. The Directors consider that the Petro-king PRC Acquisition is on normal commercial terms and the terms of the Petro-king PRC Acquisition (including the basis of consideration), which are determined on an arm's length basis and with reference to the net asset value of Petro-king PRC as at 30 June 2007, are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

## **Conditions precedent**

The conditions precedent to the completion of the Petro-king PRC Acquisition shall include, among others:

- (i) the passing of an ordinary resolution approving the Petro-king PRC Acquisition Agreement and the transactions contemplated hereunder by the Shareholders in general meeting;
- (ii) the Purchaser completing a due diligence investigation of Petro-king PRC and the Purchaser being satisfied with the results of such due diligence investigation in all respects;
- (iii) the warranties and representation given by the PRC Vendors under the Petro-king PRC Acquisition Agreement remaining true and accurate in all material respects at the time of signing at the Petro-king PRC Acquisition Agreement until the completion thereof;
- (iv) all necessary approval and registration having been duly obtained in respect of the transactions under the Petro-king PRC Acquisition Agreement;
- (v) the senior managements of Petro-king PRC having entered into and executed service contracts, which shall be in a form agreed by the Purchaser and the PRC Vendors, with Petro-king PRC;
- (vi) the Purchaser having obtained a PRC legal opinion on Petro-king PRC and the transactions contemplated under the Petro-king PRC Acquisition Agreement in form and substance satisfactory to the Purchaser issued by a qualified PRC law firm; and
- (vii) the Purchaser having obtained and being satisfied with the audited accounts of Petro-king PRC prepared in accordance with HKFRS for the three years ended 31 December 2006 and the six months ended 30 June 2007 issued by a recognised Hong Kong accounting firm of the Purchaser's choice.

In the event that not all the conditions precedent have been fulfilled or waived by the Purchaser on or before 31 March 2008, the Petro-king PRC Acquisition Agreement shall lapse and be of no further effect.

### **Completion of the Petro-king PRC Acquisition**

Completion of the Petro-king PRC Acquisition shall take place on the 10th Business Day immediately after the conditions precedent of the Petro-king PRC Acquisition Agreement are fulfilled.

## **PETRO-KING HK ACQUISITION AGREEMENT**

### **Date**

10 October 2007

### **Parties**

Termbray Oilfield Services (as the purchaser)  
The HK Vendors (as the vendor)  
The Company (as the Purchaser's guarantor)  
The HK Guarantors (as the HK Vendors' guarantor)  
The Purchaser Holding Company

To the best of the Director's knowledge, information and belief having made all reasonable enquiries, each of the HK Vendors and the HK Guarantors is Independent Third Party.

### **Subject matter of the transaction**

51% equity interest in Petro-king HK (the Sale Shares)  
49% equity interest in Petro-king HK (the Swap Shares)

### **Consideration**

The consideration for the sale and purchase of the Sale Shares payable by the Purchaser to the HK Transferor shall be RMB225,000,000 (equivalent to about HK\$231,390,000) and shall be settled by cash and in HK\$ at the Final Exchange Rate. The consideration has been arrived at after arm's length negotiations between the parties and having taken into account the sale and purchase of the Swap Shares and the Petro-king PRC Acquisition (as the Petro-king HK Acquisition Agreement is conditional upon the Petro-king PRC Acquisition Agreement) and the provision of Profit Guarantee by the HK Guarantors.

The consideration for the sale and purchase of the Swap Shares shall be satisfied by (a) the allotment and issue to the HK Transferor by the Purchaser Holding Company of those shares of the Purchaser Holding Company, representing 49% of the issued share capital of the Purchaser Holding Company as at the time of completion of the Petro-king HK Acquisition; and (b) the assignment of 49% of the shareholders' loan advanced from the Company and/or its subsidiaries to the Purchaser Holding Company in such amount outstanding as of completion of Petro-king HK Acquisition. Such shareholders' loan shall be non-interest bearing and repayable as the shareholders have unanimously agreed.

The Company currently intends to finance the Petro-king HK Acquisition by its internal resources. The Directors consider that the Petro-king HK Acquisition is on normal commercial terms and the terms of the Petro-king HK Acquisition (including the basis of consideration), which are determined on an arm's length basis, are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

### **Profit Guarantee**

The HK Guarantors jointly and severally guaranteed and will procure the HK Transferor to guarantee that the aggregated amount of the audited consolidated net profits of Petro-king HK and Petro-king PRC as ascertained from the audited financial statements of Petro-king HK and Petro-king PRC prepared in accordance with HKFRS for the two years ending 31 December 2007 and 31 December 2008 shall not be less than RMB45,000,000 and RMB55,000,000 respectively. Provided that if the aggregated amount of the audited consolidated net profits of Petro-king HK and Petro-king PRC for the two years ending 31 December 2008 shall be less than RMB100,000,000, an amount as shall be equivalent to such shortfall times the equity interest of 51% multiplied by 5 times, which shall be limited to RMB255,000,000, the HK Transferor and the HK Guarantors shall reimburse the Company or its subsidiaries in HK\$ for such shortfall amount in cash at the Final Exchange Rate. Further announcement will be made in the event that the Profit Guarantee is not met.

As security for (i) the liability of the HK Transferor and the HK Guarantors under the Profit Guarantee and (ii) the liability of the HK Vendors and the HK Guarantors in respect of the representation, warranties, undertakings and indemnities given under the Petro-king HK Acquisition Agreement, the HK Guarantors have undertaken to charge or procure King Shine to charge by way of first fixed charge on the Convertible Notes in favour of the Company. Such charge will be released after 30 June 2009 if the Profit Guarantee is met (but to the extent that if there are any outstanding bona fide claims against the HK Vendors and the HK Guarantors in respect of the breach of representation, warranties, undertakings and indemnities given under the Petro-king HK Acquisition Agreement, the principal amount of the Convertible Notes to be released shall be reduced by an equivalent amount equal to the amount so claimed against the HK Vendors and the HK Guarantors mentioned above and the reduced portion of the principal amount of the Convertible Notes shall remain the subject of the aforesaid first fixed charge until such claims have been resolved). 30% of such charge shall also be released if the Profit Guarantee for the year ending 31 December 2007 is met.

### **Employee Share Option Plan**

The Purchaser Holding Company will have the right (but not obligation) to adopt an employee share option plan as soon as practicable after completion of the Petro-king HK Acquisition, pursuant to which, the Purchaser Holding Company may grant options to employees of the Petro-king Group to subscribe up to 10% of the issued shares of the Purchaser Holding Company at the time of adoption of the Petro-king ESOP among which not more than 30% of the options shall be granted to the existing employees of the Petro-king Group whereas not less than 70% of which shall be granted to new employees of the Petro-king Group.

If the options proposed to be granted to a particular individual employee of the Petro-king Group under the Petro-king ESOP do not exceed 1% of the issued share capital of the Purchaser Holding Company, the grant of such option can be determined by the HK Vendors and the HK Guarantors itself. If the options proposed to be granted to a particular individual employee of the Petro-king Group under the Petro-king ESOP shall exceed 1% of the issued share capital of the Purchaser Holding Company, the grant of such option must be unanimously agreed by the Purchaser Holding Company, the Purchaser, the Company and the HK Guarantors.

The Petro-king ESOP will become effective upon the earlier of the separate listing of the Petro-king Group on a recognised stock exchange to be decided or on the third anniversary of completion of the Petro-king HK Acquisition (whichever is the earlier). If the Petro-king Group is not listed on the third anniversary of completion of the Petro-king HK Acquisition, the shares issued to the employees of the Petro-king Group upon the exercise of the options granted under the Petro-king ESOP will not carry voting rights until the date of the separate listing of the Petro-king Group. Save for not being entitled to the voting rights as aforesaid, shares so issued to the employees of the Petro-king Group shall rank pari passu in all respects with the then issued shares of the Purchaser Holding Company.

The Company will ensure that the Petro-king ESOP will be in compliance with Chapter 17 of the Listing Rules and will be subject to the Shareholders' approval when it is adopted pursuant to Rule 17.02(1) of the Listing Rules.

### **Other Terms**

In the event that by 31 March 2008 (or such other date the Company and the HK Guarantors may agree), the Petro-king HK Acquisition has not been completed but the Petro-king PRC Acquisition has already been completed, the Purchaser and the HK Guarantors shall procure that the PRC Sales Shares shall be repurchased by HK Guarantors at the original price paid by the Purchaser within 30 Business Days after 31 March 2008 (or such other date the Company and the HK Guarantors may agree). In such event, all stamp duty, capital gain tax, personal income tax or any equivalent tax in respect of the repurchase of Petro-king PRC by the HK Guarantors from the Purchaser shall be borne equally between the Purchaser and the HK Guarantors.

### **Conditions precedent**

The conditions precedent to the completion of the Petro-king HK Acquisition Agreement shall include, among others:

- (i) the passing of an ordinary resolution approving the Petro-king HK Acquisition Agreement and the transactions contemplated thereunder by the Shareholders in general meeting;
- (ii) the Stock Exchange granting or agreeing to grant listing of and permission to deal in the Conversion Shares to be issued upon conversion of the Convertible Notes;
- (iii) the warranties and representations given under the Petro-king HK Acquisition Agreement remaining true and accurate in all material respects;
- (iv) the Purchaser undertaking and completing a due diligence investigation in respect of the Petro-king HK and the Purchaser being satisfied with the results of such due diligence investigation in all respects;
- (v) the Purchaser having obtained and being satisfied with the audited accounts of Petro-king HK prepared in accordance with HKFRS for the three years ended 31 December 2006 and the six months ended 30 June 2007 issued by a recognised accounting firm of the Purchaser's choice;
- (vi) the Purchaser having obtained a Hong Kong legal opinion on Petro-king HK and the transactions contemplated under the Petro-king HK Acquisition Agreement in form and substance satisfactory to the Purchaser issued by a qualified Hong Kong law firm;

- (vii) all necessary consents, approvals and waivers for the sale and transfer of the HK Sale Shares and to give effect to the transactions contemplated under the Petro-king HK Acquisition Agreement being obtained;
- (viii) the HK Vendors and the HK Guarantors having procured and the senior managements having entered into and executed a service contract with Petro-king HK; and
- (ix) on completion of the Petro-king HK Acquisition, the due and proper execution of a shareholders agreement between, amongst others, the HK Transferor, the Company and the HK Guarantors relating to the Purchaser Holding Company, in such form to be agreed between the HK Transferor and the Company; and
- (x) the due and proper completion of the HK Corporate Reorganisation.

In the event that not all the conditions precedent of the Petro-king HK Acquisition Agreement have been fulfilled or waived by the Purchaser by no later than 4:00 p.m. on 31 March 2008 (or by such later date(s) as the parties hereto may agree in writing), the Petro-king HK Acquisition Agreement shall lapse and be of no further effect and no party to the Petro-king HK Acquisition Agreement shall have any claim against or liability or obligation to the other party (save in respect of any antecedent breaches of the Petro-king HK Acquisition Agreement).

### **Completion of the Petro-king HK Acquisition**

Completion of the Petro-king HK Acquisition shall take place within 10 Business Days after fulfilment of the conditions precedent of the Petro-king HK Acquisition Agreement or such other date as the parties to the Petro-king HK Acquisition Agreement may agree.

### **CN SUBSCRIPTION AGREEMENT**

#### **Date:**

On the date of completion of the Petro-king HK Acquisition

#### **Parties:**

The Company (as the issuer)  
King Shine (as the subscriber)

#### **Principal terms of the Convertible Notes**

Issuer:	The Company
Principal amount:	HK\$133,692,000
Initial Conversion Price:	HK\$1.20 per Conversion Share, subject to adjustment

The Initial Conversion Price was determined on an arm's length basis between the Company and the HK Transferor pursuant to the LOI, which was announced together with the Share Subscription.

The Initial Conversion Price of HK\$1.20 per Conversion Share is equivalent to the issue price of the Shares under the Share Subscription and represents (i) a discount of approximately 21.1% to the closing price of HK\$1.520 per Share as quoted on the Stock Exchange on 31 August 2007, being the last full trading date prior to the date of the LOI; (ii) a discount of approximately 57.6% to the closing price of HK\$2.830 per Share as quoted on the Stock Exchange on the date of the Petro-king HK Acquisition Agreement; (iii) a discount of approximately 54.2% to the average of the closing prices of approximately HK\$2.618 per Share in the last five consecutive trading days as quoted on the Stock Exchange prior to and including the date of the Petro-king HK Acquisition Agreement; (iv) a discount of approximately 51.6% to the average of the closing prices of approximately HK\$2.481 per Share in the last ten consecutive trading days as quoted on the Stock Exchange prior to and including the date of the Petro-king HK Acquisition Agreement; and (v) a premium of approximately 151.6% over the audited consolidated net assets value attributable to equity holders of the Company of about HK\$0.477 per Share as at 31 March 2007.

The Initial Conversion Price is subject to anti-dilutive adjustments, including consolidation or subdivision of the Shares, rights issue, extraordinary stock or cash distribution, and other dilutive events, which may or may not occur at any time from the date of the Petro-king HK Acquisition Agreement.

The overriding principle as set out in the Stock Exchange's letter dated 5 September 2005 is that no adjustment to the exercise price or number of shares should be to the advantage of share option scheme participants without prior shareholders' approval. The adjustment that will be made to the conversion price if and only if in the event of, among other things, sub-division or consolidation of Shares, bonus issues, rights issues and other dilutive events. Nevertheless, the Directors believe that the adjustment considerations set out in the Convertible Notes in general accord with the overriding principle.

Interest:	Nil
Maturity date:	The third anniversary of the date of issue of the Convertible Notes
Redemption:	On the maturity date, the Noteholder shall be entitled to demand from the Company the full repayment of the outstanding principal amount of any outstanding and unconverted Convertible Notes (if any) in cash, or at its option to convert (i) the whole (but not part only) of the outstanding principal amount of the outstanding and unconverted Convertible Notes into Shares or (ii) part thereof into Shares together with the full repayment of the remaining principal balance thereof in cash.

- Lock-up:** The HK Transferor agrees not to exercise the conversion right nor transfer the Convertible Notes during the period from the date of issue of the Convertible Notes to 30 June 2009. However, if the Profit Guarantee for the year ended 31 December 2007 is met, HK Transferor will be entitled to exercise the conversion right or transfer up to 30% of the Convertible Notes. Provided that if the separate listing of the Petro-king Group on a recognised stock exchange to be decided shall occur before 30 June 2009, the Lock-up Period will cease to have effect on the date of the listing of the Petro-king Group.
- Transferability:** Subject to the lock up as stated above, the Convertible Notes will be freely transferable. The Company shall inform the Stock Exchange when there is any transfer or assignment of Convertible Notes to a connected person of the Company.
- Conversion period:** A Noteholder shall have the right at any time and from time to time during the period commencing from 1 July 2009 up to the third anniversary of the date of issue of the Convertible Notes provided that, in the event that the Profit Guarantee for the financial year ending 31 December 2007 is met, to exercise the conversion right up to 30% of the principal amount of the Convertible Notes. The Lock-up Period will cease if the listing of the Petro-king Group occurs before 30 June 2009. The amounts of each conversion shall not be less than HK\$1,000,000, save that if at any time, the principal outstanding amount of the Convertible Notes is less than HK\$1,000,000 the whole (but not part only) of the principal outstanding amount of the Convertible Notes may be converted.
- Voting rights:** The Noteholder will not be entitled to receive notice of, attend or vote at any general meeting of the Company by reason only of it being the Noteholder.
- Listing:** No application will be made for the listing of the Convertible Notes on the Stock Exchange or any other stock exchanges. An application will be made by the Company for the listing of, and permission to deal in, the Conversion Shares to be issued as a result of the exercise of the conversion rights attached to the Convertible Notes.

### **Conversion Shares**

Assuming full conversion of the Convertible Notes at the Initial Conversion Price (subject to adjustments), 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 this 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.

## Conditions of the CN Subscription

Completion of the CN Subscription is conditional upon:

- (i) the completion of the Petro-king HK Acquisition Agreement having taken place;
- (ii) the passing of ordinary resolutions by the Shareholders (who are not required, under the Code of Takeovers and Mergers and the Listing Rules or by the SFC or the Stock Exchange, to abstain from voting on the relevant resolution) at the SGM approving the creation and issue of the Convertible Notes and authorising the Board to allot and issue the Shares upon exercise of the conversion rights attaching to the Convertible Notes;
- (iii) the Stock Exchange granting or agreeing to grant listing of and permission to deal in the relevant Conversion Shares; and
- (iv) if required, the Bermuda Monetary Authority granting its consent to the issue of the Shares which may fall to be issued upon the exercise of the conversion rights attaching to the Convertible Notes.

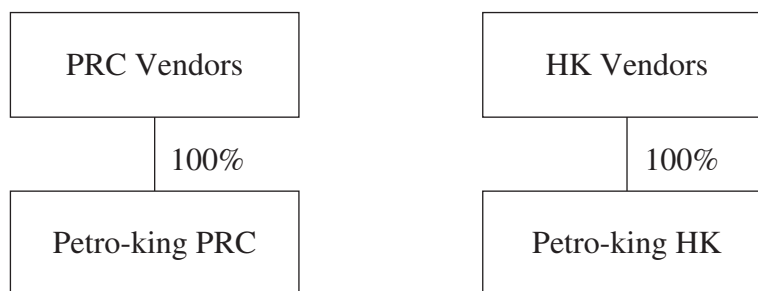
## Completion of the CN Subscription

Completion of the CN Subscription shall take place simultaneously with the completion of the Petro-king HK Acquisition.

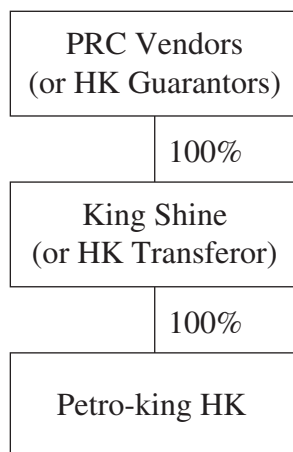
## SHAREHOLDING STRUCTURE

The following diagrams provide an illustration of the shareholding structures of Petro-king PRC and Petro-king HK before and after completion of the Petro-king PRC Acquisition and the Petro-king HK Acquisition.

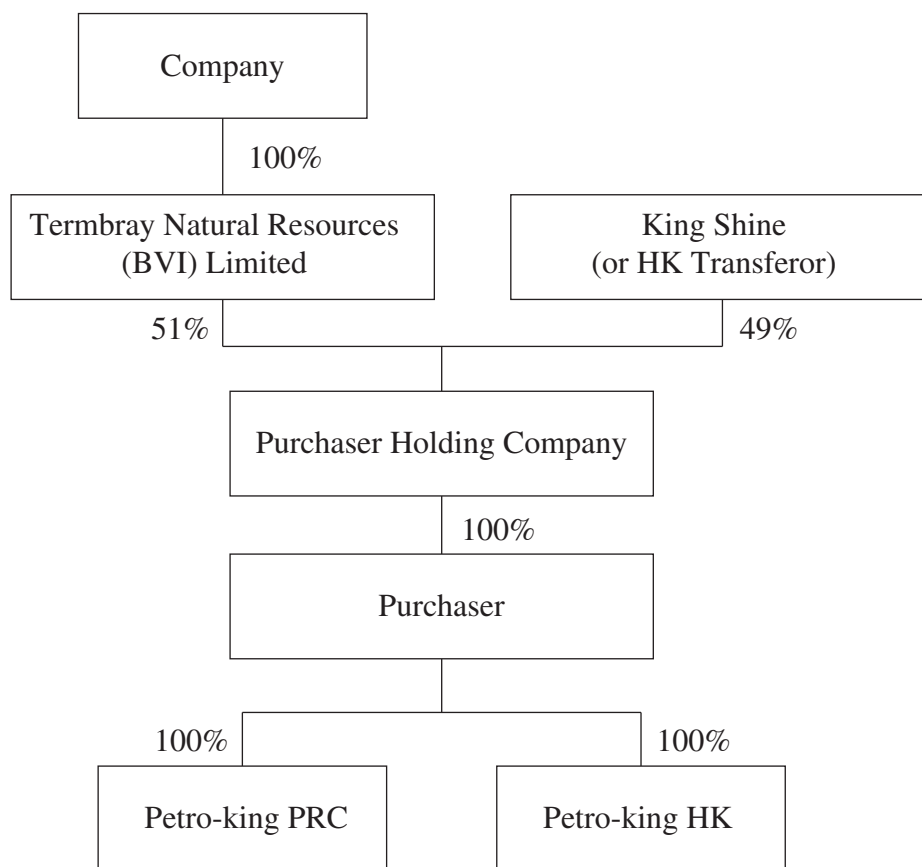
Existing shareholding structure of Petro-king PRC and Petro-king HK before completion of the HK Corporate Reorganisation:



Shareholding structure of Petro-king HK after completion of the HK Corporate Reorganisation but before completion of the Petro-king HK Acquisition:



Shareholding structure after the completion of the Petro-king PRC Acquisition and the Petro-king HK Acquisition:



The following table sets out the changes in shareholding structure of the Company upon completion of the CN Subscription and the Share Subscription:

	Existing structure		Upon completion of the Share Subscription and the Petro-king PRC Acquisition and the Petro-king HK Acquisition but before conversion of the Convertible Notes		Upon completion of the Share Subscription and the Petro-king PRC Acquisition and the Petro-king HK Acquisition and assuming full conversion of the Convertible Notes	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Mr. Lee and his associates	1,019,752,780	59.1%	1,252,752,780	64.0%	1,252,752,780	60.5%
King Shine	–	0.0%	–	0.0%	111,410,000	5.4%
Public	704,890,270	40.9%	704,890,270	36.0%	704,890,270	34.1%
Total	<u>1,724,643,050</u>	<u>100.0%</u>	<u>1,957,643,050</u>	<u>100.0%</u>	<u>2,069,053,050</u>	<u>100.0%</u>

#### INFORMATION ON THE PETRO-KING GROUP

Petro-king HK is a company incorporated in Hong Kong and Petro-king PRC is a company established in the PRC. Both Petro-king HK and Petro-king PRC provide oilfield engineering and consultancy services for domestic and overseas oilfields. The Petro-king Group commenced its business in 2002 and is led by a team of professionals who have gained substantial experience in the oil industry through working for international renowned oil companies. Both Petro-king HK and Petro-king PRC have undertaken projects in various countries including the PRC, Russia, Saudi Arabia, Yemen, Nigeria and Indonesia. Mr. Wang Jinlong, the President of Petro-king HK and Petro-king PRC, has more than 20 years of experience in the oilfield industry.

The following financial information is based on the unaudited management accounts of Petro-king HK prepared in accordance with the HKFRS (subject to audit):

	For the year ended 31 December	
	2005 (HK\$'000)	2006 (HK\$'000)
Turnover	9,954	11,499
Profit before taxation	2,414	13,952
Profit after taxation	2,092	11,370

	<b>As at 31 December</b>	
	<b>2005</b>	<b>2006</b>
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Total asset value	6,382	18,021
Net asset value	1,410	12,780

The following financial information is based on the unaudited management accounts of Petro-king PRC prepared in accordance with the HKFRS (subject to audit):

	<b>For the year</b>	
	<b>ended 31 December</b>	
	<b>2005</b>	<b>2006</b>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Turnover	33,856	39,338
Profit (loss) before taxation	(183)	927
Profit (loss) after taxation	(197)	788

	<b>As at 31 December</b>	
	<b>2005</b>	<b>2006</b>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Total asset value	23,147	39,092
Net asset value	5,073	5,853

After completion of the Petro-king PRC Acquisition but before completion of the Petro-king HK Acquisition, Petro-king PRC will become a wholly-owned subsidiary of the Company and its financial results will be consolidated into the Group's consolidated accounts. After the completion of the Petro-king HK Acquisition and the Petro-king PRC Acquisition, both Petro-king HK and Petro-king PRC will become non wholly-owned subsidiaries of the Company and their financial results will be consolidated into the Group's consolidated accounts.

## **REASONS FOR AND BENEFITS OF THE PETRO-KING PRC ACQUISITION AND THE PETRO-KING HK ACQUISITION**

The Group is principally engaged in property development and property investment.

As stated in the announcement of the Company dated 10 August 2007, in connection with the entering into of the option agreement to purchase potential oil producing assets, and further to the announcement of the Company dated 3 September 2007 whereby the Company entered into the LOI with the PRC Vendors for the acquisition of 51% equity interest in Petro-king HK and Petro-king PRC, the Directors believe that the natural resources sector offers significant development potential and has been considering opportunities in this sector. 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 both the Petro-king HK Acquisition and the Petro-king PRC Acquisition present an unique opportunity for the Group to make a big step forward in pursuing its natural resources strategy.

## GENERAL

As at the date of the Petro-king PRC Acquisition Agreement and Petro-king HK Acquisition Agreement, Mr. Wang Jinlong, who is a substantial shareholder of Petro-king HK and Petro-king PRC, held 56.54% of the PRC Sale Shares and 85% of the issued share capital of Petro-king HK respectively. Since Mr. Wang Jinlong will be appointed as the executive Director upon completion of the Petro-king HK Acquisition, the entering into of the Petro-king PRC Acquisition Agreement and the Petro-king HK Acquisition Agreement (including the CN Subscription Agreement) constitute connected transactions of the Company under Rule 14.A.13(1)(b)(i) of the Listing Rules. The Shareholders should note that the Share Subscription is conditional upon the satisfaction of all conditions precedent prescribed in the Petro-king PRC Acquisition Agreement and the Petro-king HK Acquisition Agreement and that such agreements have become unconditional.

As the applicable percentage ratios (as defined under the Listing Rules) for the transactions contemplated under the Petro-king PRC Acquisition Agreement and the Petro-king HK Acquisition Agreement are greater than 100%, the transactions contemplated under the Petro-king PRC Acquisition Agreement and the Petro-king HK Acquisition Agreement constitute very substantial acquisition and connected transaction of the Company under the Listing Rules. Therefore, both the Petro-king PRC Acquisition Agreement and the Petro-king HK Acquisition Agreement (including the CN Subscription Agreement) are therefore subject to approval of the Independent Shareholders at the SGM. Mr. Wang Jinlong and his associates are required to abstain from voting in respect of the proposed resolution to approve the Petro-king PRC Acquisition Agreement and the Petro-king HK Acquisition Agreement. As at the date of this announcement, Mr. Wang Jinlong and his associates hold no Share and therefore, as at the date of this announcement, no Shareholder is required to abstain from voting in respect of the proposed resolution to approve the Petro-king PRC Acquisition Agreement and the Petro-king HK Acquisition Agreement.

The SGM will be held to consider, and if thought fit, passing the resolutions to approve (i) the Petro-king PRC Acquisition Agreement; (ii) the Petro-king HK Acquisition Agreement; and (iii) the transactions contemplated under the Petro-king PRC Acquisition Agreement and the Petro-king HK Acquisition Agreement (including the CN Subscription Agreement). Mr. Wang Jinlong and his associate are required to abstain from voting for the approval of (i) the Petro-king PRC Acquisition Agreement; (ii) the Petro-king HK Acquisition Agreement; and (iii) the transactions contemplated under the Petro-king PRC Acquisition Agreement and the Petro-king HK Acquisition Agreement (including the CN Subscription Agreement) at the SGM. Since as at the date of this announcement, Mr. Wang Jinlong and his associates hold no Share and therefore, as at the date of this announcement, no Shareholder shall be required to abstain from voting in respect of the abovementioned resolutions at the SGM.

A circular containing, among other things, (i) further details of the Petro-king PRC Acquisition Agreement and the Petro-king HK Acquisition (including the issuance of the Convertible Notes); (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Petro-king PRC Acquisition Agreement and the Petro-king HK Acquisition Agreement and the transactions contemplated thereunder (including the issuance of the Convertible Notes); (iii) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders on the Petro-king PRC Acquisition Agreement and the Petro-king HK Acquisition Agreement and the transactions contemplated thereunder (including the issuance of the Convertible Notes); (iv) the accountants' report of Petro-king PRC and Petro-king HK; (v) the proforma financial information of the Enlarged Group; and (vi) a notice of SGM for the purposes of approving the Petro-king PRC Acquisition Agreement, the Petro-king HK Acquisition Agreement and the transactions contemplated thereunder (including the issuance of the Convertible Notes) will be despatched to the Shareholders as soon as practicable.

An application will be made by the Company for the listing of, and permission to deal in, the Conversion Shares to be issued as a result of the exercise of the conversion rights attached to the Convertible Notes.

## **SUSPENSION AND RESUMPTION OF TRADING**

At the request of the Company, trading of the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 11 October 2007 pending publication of this announcement. An application has been made to the Stock Exchange for resumption of trading of the Shares with effect from 9:30 a.m. on 16 October 2007.

## **DEFINITIONS**

In this announcement, the following expressions have the meanings set out below unless the context otherwise requires:

“associate”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Business Day”	a day other than a Saturday or a Sunday on which banks are generally open in Hong Kong for normal business
“CN Subscription”	the subscription of the Convertible Notes by King Shine pursuant to the CN Subscription Agreement
“CN Subscription Agreement”	the conditional subscription agreement to be entered into between the Company and King Shine in relation to the CN Subscription on the date of completion of the Petro-king HK Acquisition
“Company”	Termbray Industries International (Holdings) Limited, a company incorporated in Bermuda with limited liability and whose Shares are listed on the main board of the Stock Exchange
“Conversion Share(s)”	new Share(s) falling to be allotted and issued by the Company upon exercise of the conversion rights attaching to the Convertible Notes
“Convertible Notes”	the Convertible Notes in an aggregate principal amount of HK\$133,692,000 to be issued by the Company pursuant to the CN Subscription Agreement
“Directors”	the directors of the Company, including its non-executive director and independent non-executive directors
“Enlarged Group”	the Group as enlarged after completion of the Petro-king HK Acquisition and the Petro-king PRC Acquisition

“Final Exchange Rate”	the exchange between HK\$ and RMB being the average of the ask and bid exchange as quoted by the Hong Kong and Shanghai Banking Corporation Limited at 11:00 a.m. one Business Day before the date of completion of the Petro-king HK Acquisition
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HK Corporate Reorganisation”	a corporate reorganisation to be undergone, which shall be completed before completion of the Petro-king HK Acquisition Agreement whereby the legal and beneficial ownership of the entire interests of Petro-king HK will be transferred to the HK Transferor which shall ultimately be legally and beneficially owned by the HK Guarantors as to 100% upon completion of the said corporate reorganisation
“HKFRS”	the Hong Kong Financial Reporting Standards
“HK Transferor” or “King Shine”	King Shine Group Limited, a company incorporated in the British Virgin Islands to be the holding company of Petro-king HK and owned by the HK Guarantors after completion of the HK Corporate Reorganisation
“HK Vendors”	Mr. Wang Jinlong (王金龍先生), Ms. Zhou Xiaojun (周曉君女士) and Ms. Kan Yimhung (簡艷紅女士)
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent board committee of the Company formed for the purpose of advising the Independent Shareholders in respect of the Petro-king PRC Acquisition Agreement and the Petro-king HK Acquisition Agreement and transactions contemplated thereunder (including the issuance of the Convertible Notes)
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons of the Company in accordance with the Listing Rules
“Independent Shareholders”	the Shareholders other than Mr. Wang Jinlong and his associates
“Initial Conversion Price”	HK\$1.20 per Conversion Share
“Last Trading Day”	10 October 2007, being the last day of trading of the Shares on the Stock Exchange before the publication of this announcement

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Lock-up Period”	the conversion rights are not exercisable nor transferable by the HK Transferor for a period from the date of issue of the Convertible Notes to 30 June 2009
“LOI”	the letter of intent entered into between the PRC Vendors and the Company dated 3 September 2007
“Noteholder(s)”	holder(s) of the Convertible Notes
“Petro-king ESOP”	an employee share option plan may be adopted by the Purchaser Holding Company after completion of the Petro-king HK Acquisition Agreement to grant options to the employees of the Petro-king Group to subscribe for the issued shares of the Purchaser Holding Company
“Petro-king Group”	Petro-king HK, Petro-king PRC and their respective subsidiaries and associated companies (if any)
“Petro-king HK”	Petro-king International Company Limited, a company incorporated in Hong Kong
“Petro-king HK Acquisition”	the acquisition of Sale Shares and Swap Shares pursuant to the Petro-king HK Acquisition Agreement
“Petro-king HK Acquisition Agreement”	the sale and purchase agreement dated 10 October 2007 entered into between the Company, the HK Vendors, the Purchaser, the Purchaser Holding Company and the HK Guarantors in relation to the Petro-king HK Acquisition
“Petro-king PRC”	深圳市百勤石油技術有限公司 (for identification purposes only, in English, Petro-king Oilfield Technology Limited), a company established in the PRC
“Petro-king PRC Acquisition”	the acquisition of the PRC Sale Shares pursuant to the Petro-king PRC Acquisition Agreement
“Petro-king PRC Acquisition Agreement”	the sale and purchase agreement dated 10 October 2007 entered into between the Purchaser and the PRC Vendors in relation to the Petro-king PRC Acquisition
“PRC”	the People’s Republic of China
“PRC Sale Shares”	the entire registered and paid-up capital of Petro-king PRC
“PRC Vendors” or “HK Guarantors”	Mr. Wang Jinlong (王金龍先生), Ms. Zhou Xiaojun (周曉君女士), Mr. Zhao Jindong (趙錦棟先生), Mr. Zhang Taiyuan (張太元先生), Mr. Zhong Wenxu (仲文旭先生), Ms. Sun Jinxia (孫金霞女士) and Ms. Yin Chaohui (尹朝輝女士)

“Profit Guarantee”	the provision of guarantee by the HK Guarantors and the HK Transferor that the aggregated amount of the audited consolidated net profits of Petro-king HK and Petro-king PRC prepared in accordance with HKFRS for the two years ending 31 December 2007 and 31 December 2008 shall not be less than RMB45,000,000 and RMB55,000,000 respectively
“Purchaser” or “Termbray Oilfield Services”	Termbray Oilfield Services Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company
“Purchaser Holding Company”	Termbray Oilfield Services (B.V.I.) Limited, a company incorporated in the British Virgin Islands, a holding company of the Purchaser and the wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	51 issued shares of Petro-king HK (other than the Swap Shares) representing 51% of the issued share capital of Petro-king HK immediately prior to the completion of Petro-king HK Acquisition
“SGM”	a special general meeting of the Company to be held to consider the ordinary resolution(s) to be proposed to approve the Petro-king HK Acquisition Agreement, the Petro-king PRC Acquisition Agreement and the CN Subscription Agreement and the transactions contemplated thereunder (including the issuance of the new Shares upon exercise of the conversion rights attaching to the Convertible Notes)
“Share(s)”	ordinary share(s) of HK\$0.08 each in the share capital of the Company
“Shareholders”	holders of the Shares from time to time
“Share Subscription”	the subscription of 233,000,000 new Shares by Lee & Leung (B.V.I.) Limited pursuant to the subscription agreement entered into between the Company and Lee & Leung (B.V.I.) Limited dated 3 September 2007
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Swap Shares”	49 issued shares of Petro-king HK (other than the Sale Shares) representing 49% of the issued share capital of Petro-king HK immediately prior to the completion of Petro-king HK Acquisition
“%”	per cent.

*In this announcement, all amounts in RMB have been translated in HK\$ at a rate of RMB1.00 = HK\$1.0284 for illustration purposes only.*

By order of the Board  
**Termbray Industries International (Holdings) Limited**  
**Lee Lap**  
*Chairman*

Hong Kong, 15 October 2007

*As at the date hereof, the executive Directors are Mr. Lee Lap, Mdm. Leung Lai Ping, and Mr. Wong Shiu Kee; the non-executive Director is Mr. Lee Ka Sze, Carmelo; and the independent non-executive Directors are Dr. The Hon. Lee Tung Hai, Leo, G.B.M., G.B.S., L.L.D, J.P., Mr. Chan Siu Kang and Mr. Lo Yiu Hee.*