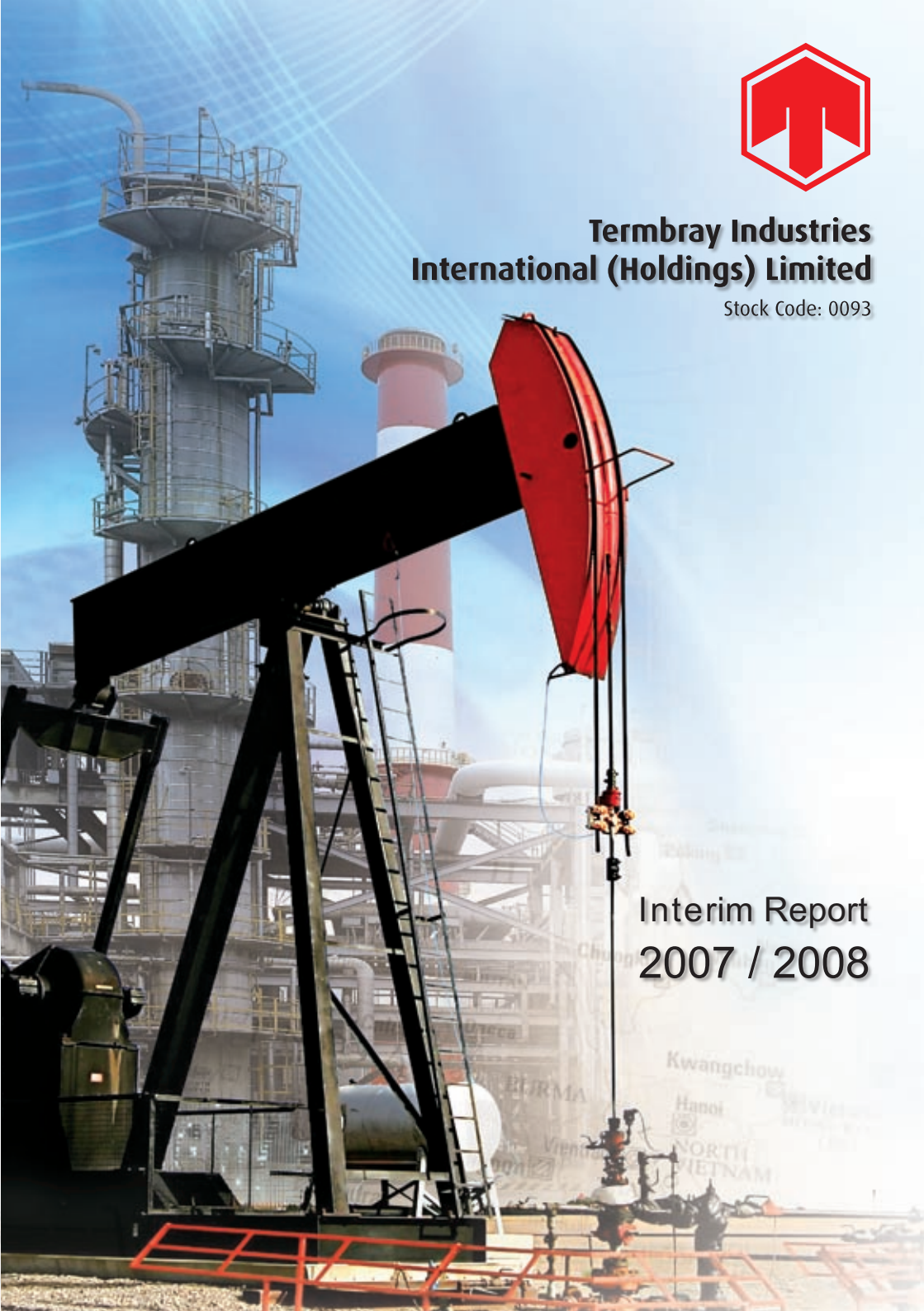




Termbray Industries International (Holdings) Limited

Stock Code: 0093

Interim Report
2007 / 2008



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Corporate Information

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

Qualified Accountant

Mr. Wong Shiu Kee

Company Secretary

Mr. Lo Tai On

Audit Committee

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

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

Legal Advisors In Hong Kong

Woo, Kwan, Lee & Lo

Auditors

Deloitte Touche Tohmatsu

The board of directors of Termbray Industries International (Holdings) Limited (the “Company”) has pleasure in submitting 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, 2007.

The unaudited consolidated profit attributable to shareholders for the six months ended 30th September, 2007 amounted to approximately HK\$8,638,000 (2006: HK\$14,004,000). An analysis of the Group’s segment results for the period is set out on page 21 of this report.

The directors have resolved not to declare the payment of 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 existing tenant is still tried hard to improve the situation. Meanwhile, we are looking for potential new 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.

Directors' Interests in Shares and Options

As at 30th September, 2007, the interests of the Company's directors, chief executive and their associates in the shares, underlying shares and debentures of the Company and its associated corporations as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), were as follows:

(a) Long positions in shares of the Company

| Name of directors | Number of ordinary shares of HK\$0.08 each held | | | | Total | Percentage of total issued shares |
|---------------------|---|-----------------|--------------------|-------------------------|---------------|-----------------------------------|
| | Personal interest | Family interest | Corporate interest | Other interest | | |
| Mr. Lee Lap | - | - | - | 1,372,752,780 (Note) | 1,372,752,780 | 79.60% |
| Mdm. Leung Lai Ping | - | - | - | 1,372,752,780 (Note) | 1,372,752,780 | 79.60% |

Note:

The 1,372,752,780 shares included under the other interest of Mr. Lee Lap and Mdm. Leung Lai Ping refer to (a) the 1,019,752,780 shares held by Lee & Leung (B.V.I.) Limited. Lee & Leung (B.V.I.) Limited is wholly-owned by First Trend Management Limited as trustee for Lee & Leung Family Unit Trust. All the units in Lee & Leung Family Unit Trust are held by HSBC International Trustee Limited as trustee for Lee & Leung Family Trust. Mr. Lee Lap is the settlor of the Lee & Leung Family Trust. The discretionary beneficiaries of the Lee & Leung Family Trust are Mdm. Leung Lai Ping, the children of Mr. Lee Lap and Mdm. Leung Lai Ping and the offspring of such children; (b) the 120,000,000 new shares to be issued at HK\$0.80 per share under a HK\$96 million convertible bonds to be issued by the Company to Mr. Lee Lap in connection with an option agreement. The option agreement has subsequent lapsed on 9th November, 2007 and Mr. Lee then ceased to be interested in the 120,000,000 new shares on the said date. Details of these transactions were announced on 10th August, 2007 and 9 November 2007; and (c) the 233,000,000 new shares to be subscribed by Lee & Leung (B.V.I.) Limited pursuant to a share subscription agreement, details of which were announced on 3rd September, 2007.

(b) Long positions in shares of associated corporations

| Name of directors | Name of subsidiary | Number of non-voting deferred shares held |
|--------------------------|--|--|
| Mr. Lee Lap | Applied Industrial Company Limited | 1,000 |
| | Lee Plastics Manufacturing Company Limited | 250,000 |
| | Magnetic Electronics Limited | 5,000 |
| | Termbray Electronics Company Limited | 7,000 |
| Mdm. Leung Lai Ping | Applied Industrial Company Limited | 1,500 |
| | Lee Plastics Manufacturing Company Limited | 250,000 |
| | Termbray Electronics Company Limited | 3,000 |

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

Apart from the share option scheme of the Company, at no time during the period was the Company or any of its subsidiaries a part 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.

Save as disclosed herein, as at 30th September, 2007, 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, 2007, the persons (other than the directors as disclosed above) interested in 5% or more of the issued share capital of the Company as recorded in the register kept by the Company pursuant to Section 336 of the SFO were as follows:

Ordinary share of the Company

| Name of shareholders | Capacity | Number of issued ordinary shares of HK\$0.08 each held | Percentage of the issued share capital of the Company |
|---|---|--|---|
| Lee & Leung (B.V.I.) Limited (Note 1) | Beneficial owner | 1,252,752,780 | 72.64% |
| First Trend Management Limited (Note 1) | Held by controlled corporation as trustee for Lee & Leung Family Unit Trust | 1,252,752,780 | 72.64% |
| HSBC International Trustee Limited (Note 1) | Held by controlled corporation as trustee for Lee & Leung Family Trust | 1,252,752,780 | 72.64% |
| Cosmo Telecommunication Inc. (Note 2) | Beneficial owner | 151,202,960 | 8.77% |
| Ms. Jing Xiao Ju | Held by controlled corporation | 151,202,960 | 8.77% |
| East Glory Trading Limited (Note 3) | Beneficial owner | 103,397,540 | 6.00% |
| Master Winner Limited (Note 3) | Held by controlled corporation | 103,397,540 | 6.00% |
| Mr. Yuan Qinghua | Held by controlled corporation | 103,397,540 | 6.00% |

Notes:

- (1) These 1,252,752,780 shares comprise (a) the 1,019,752,780 shares held by Lee & Leung (B.V.I.) Limited and (b) the 233,000,000 new shares to be subscribed by Lee & Leung (B.V.I.) Limited pursuant to a share subscription agreement, details of which were announced on 3rd September, 2007. Lee & Leung (B.V.I.) Limited is wholly-owned by First Trend Management Limited as trustee for Lee & Leung Family Unit Trust. All the units in Lee & Leung Family Unit Trust are held by HSBC International Trustee Limited as trustee for Lee & Leung Family Trust. Mr. Lee Lap is the settlor of the Lee & Leung Family Trust. The discretionary beneficiaries of the Lee & Leung Family Trust are Mdm. Leung Lai Ping, the children of Mr. Lee Lap and Mdm. Leung Lai Ping and the offspring of such children.
- (2) Cosmo Telecommunication Inc. is 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.

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, 2007.

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.

No share option has been granted since the adoption of the Scheme.

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.

By order of the Board

Lee Lap

Chairman & CEO

Hong Kong, 14th December, 2007

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 16 to 26, which comprises the condensed consolidated balance sheet of Termbray Industries International (Holdings) Limited as of 30th September, 2007 and the related condensed consolidated income statement, statement of changes in equity and cash flow statement for the six-month period then ended and certain explanatory notes. The Main Board 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 (“HKICPA”). The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

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

Conclusion

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

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

14th December, 2007

Condensed Consolidated Income Statement

For the six months ended 30th September, 2007

| | | Six months ended | |
|--|--------------|-------------------------|-----------------|
| | | 30/9/2007 | 30/9/2006 |
| | | (unaudited) | (unaudited) |
| | <i>Notes</i> | HK\$'000 | <i>HK\$'000</i> |
| TURNOVER | | 3,425 | 3,268 |
| Rental outgoings | 3 | (991) | (906) |
| 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 | | (6,336) | (6,170) |
| PROFIT BEFORE TAXATION | 5 | 8,703 | 14,069 |
| Taxation | 6 | (65) | (65) |
| PROFIT FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY | | 8,638 | 14,004 |
| | | HK Cent | <i>HK Cent</i> |
| EARNINGS PER SHARE | 8 | | |
| BASIC | | 0.50 | 0.84 |
| DILUTED | | N/A | 0.82 |

Condensed Consolidated Balance Sheet

At 30th September, 2007

| | 30/9/2007 | 31/3/2007 |
|---|--------------------|-----------------|
| | (unaudited) | (audited) |
| <i>Notes</i> | HK\$'000 | 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 |
| | 80,118 | 80,989 |
| CURRENT ASSETS | | |
| Properties for sale | 108,866 | 105,934 |
| Trade and other receivables | 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 |
| | 765,372 | 752,498 |
| 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 |
| | 11,227 | 11,008 |
| NET CURRENT ASSETS | 754,145 | 741,490 |
| NET ASSETS | 834,263 | 822,479 |
| CAPITAL AND RESERVES | | |
| Share capital | 137,971 | 137,971 |
| Reserves | 695,876 | 684,092 |
| Equity attributable to equity holders of the Company | 833,847 | 822,063 |
| Minority interests | 416 | 416 |
| TOTAL EQUITY | 834,263 | 822,479 |

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th September, 2007

| | Attributable to equity holders of the Company | | | | | | |
|--|--|------------------------------|--|---------------------------------|-----------------------|-----------------------------------|-----------------------|
| | Share capital HK\$'000 | Share premium HK\$'000 | Exchange translation reserve HK\$'000 | Retained profits HK\$'000 | Total HK\$'000 | Minority interests HK\$'000 | Total HK\$'000 |
| At 1st April, 2006 | 133,171 | 132,550 | 2,537 | 515,572 | 783,830 | 416 | 784,246 |
| Arising from translation of financial statements of foreign operations recognized directly in equity | - | - | 2,418 | - | 2,418 | - | 2,418 |
| Profit for the period | - | - | - | 14,004 | 14,004 | - | 14,004 |
| Total recognised profit for the period | - | - | 2,418 | 14,004 | 16,422 | - | 16,422 |
| Issue of shares in respect of exercise of share options | 4,800 | 10,860 | - | - | 15,660 | - | 15,660 |
| At 30th September, 2006 | <u>137,971</u> | <u>143,410</u> | <u>4,955</u> | <u>529,576</u> | <u>815,912</u> | <u>416</u> | <u>816,328</u> |
| At 1st April, 2007 | <u>137,971</u> | <u>143,410</u> | <u>8,058</u> | <u>532,624</u> | <u>822,063</u> | <u>416</u> | <u>822,479</u> |
| Arising from translation of financial statements of foreign operations recognised directly in equity | - | - | 3,146 | - | 3,146 | - | 3,146 |
| Profit for the period | - | - | - | 8,638 | 8,638 | - | 8,638 |
| Total recognised profit for the period | - | - | 3,146 | 8,638 | 11,784 | - | 11,784 |
| At 30th September, 2007 | <u><u>137,971</u></u> | <u><u>143,410</u></u> | <u><u>11,204</u></u> | <u><u>541,262</u></u> | <u><u>833,847</u></u> | <u><u>416</u></u> | <u><u>834,263</u></u> |

Condensed Consolidated Cash Flow Statement

For the six months ended 30th September, 2007

| | Six months ended | |
|--|-------------------------|--------------------|
| | 30/9/2007 | 30/9/2006 |
| | (unaudited) | (unaudited) |
| | HK\$'000 | HK\$'000 |
| NET CASH FROM OPERATING ACTIVITIES | 24,186 | 49,072 |
| NET CASH (USED IN) FROM INVESTING ACTIVITIES | | |
| Interest received | 14,930 | 13,304 |
| Purchase of available-for-sale investments | (46,673) | (82,339) |
| Proceeds from disposal of available-for-sale investments | 10,203 | 204,980 |
| Other investing activities | (13) | (836) |
| | (21,553) | 135,109 |
| CASH FROM FINANCING ACTIVITY | | |
| Issue of shares | - | 15,660 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 2,633 | 199,841 |
| CASH AND CASH EQUIVALENTS | | |
| AT BEGINNING OF THE PERIOD | 223,983 | 16,187 |
| EFFECT OF FOREIGN EXCHANGE RATE CHANGES | (960) | 907 |
| CASH AND CASH EQUIVALENTS | | |
| AT END OF THE PERIOD | 225,656 | 216,935 |
| ANALYSIS OF THE BALANCES OF | | |
| CASH AND CASH EQUIVALENTS | | |
| Bank balances and cash | 225,656 | 216,935 |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2007

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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2007

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2007

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 | 6,092 | 5,143 |
| – investments held for trading | 2,967 | 3,961 |
| – bank deposits | 5,559 | 4,172 |
| Others | 369 | 113 |
| | <u>14,987</u> | <u>13,389</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 |
| Depreciation of | | |
| – property, plant and equipment | 532 | 763 |
| – investment properties | 54 | 53 |
| | <u>54</u> | <u>53</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. DIVIDEND

The directors do not recommend the payment of any interim dividend (six months ended 30/9/2006: Nil).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2007

8. 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.

9. 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 | <u>3,670</u> | <u>2,848</u> |
| Other receivables | 4,264 | 3,081 |
| | <u>2,160</u> | <u>2,462</u> |
| | <u>6,424</u> | <u>5,543</u> |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2007

10. PROVISIONS

HK\$'000

At 1st April, 2007 and at 30th September, 2007

3,173

The provision represents management's best estimate of the costs and expenses required to discharge the Group's obligations and liabilities under the warranties and undertakings given in connection with the disposal of subsidiaries in prior years as referred to in note 13(c). The timing of payment of such costs and expenses is dependent upon finalization of certain matters requiring the approval of the local authorities of the People's Republic of China, therefore it is not practicable to estimate with certainty the timing of payments at this stage.

11. SHARE CAPITAL

(a) Ordinary shares of HK\$0.08 each

| Issued and fully paid | Number of share '000 | Share capital HK\$'000 |
|---|----------------------------|------------------------------|
| At 1st April, 2007 and 30th September, 2007 | <u>1,724,643</u> | <u>137,971</u> |

(b) Share options

The Share options 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 total number of shares issued and to be issued upon exercise of the options granted to each participant under the Share options 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.

No share option has been granted since the adoption of the Share options scheme.

12. CAPITAL COMMITMENTS

At 30th September, 2007, the Group had commitments for capital expenditure of HK\$1,926,000 (31/3/2007: Nil) in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2007

13. PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

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

- (a) Bank deposits of HK\$465,000 (31/3/2007: HK\$465,000) were pledged to secure the credit facilities granted to the Group.
- (b) Guarantees were issued to banks by a subsidiary in respect of mortgage loans granted to property purchasers amounting to approximately HK\$141,000 (31/3/2007: HK\$172,000) and, in this connection, the Group's bank deposits of HK\$2,024,000 (31/3/2007: HK\$2,024,000) were pledged to the banks as security. These guarantees provided by the subsidiary to the banks would be released upon receiving the building ownership certificate of the respective property by the banks from the customers as a pledge for security to the mortgage loan granted. The directors considered that the fair value of such guarantee on initial recognition was insignificant.
- (c) In connection with the disposal in 1999 of the subsidiaries engaged in the business of manufacture and sale of printed circuit boards, the Group has given certain warranties and undertakings to the purchaser as specified in the agreement for the disposal of these subsidiaries. During the year ended 31st March, 2001, the Group received notification from the purchaser raising claims against the Group arising from the warranties and undertakings. It is the intention of management to contest the claims vigorously. No legal proceedings have yet been instituted against the Group for these claims. Based upon legal advice obtained, the directors are 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 financial statements.

14. RELATED PARTY TRANSACTIONS

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

- (a) Pursuant to the tenancy agreement entered into between Panda Investment Company Limited ("Panda Investment") and a wholly-owned subsidiary of the Company, Termbray Electronics Company Limited ("Termbray Electronics"), Termbray Electronics leased certain office premises and warehouses from Panda Investment during the period at the agreed rental of HK\$120,000 (six months ended 30/9/2006: HK\$180,000). The Company's directors, Mr. Lee Lap and Madam Leung Lai Ping, have controlling interests in Panda Investment.
- (b) At 30th September, 2007, the Group had an amount of approximately HK\$929,000 (31/3/2007: HK\$716,000) due to Panda Investment which is unsecured, interest free and repayable on demand.
- (c) Pursuant to the tenancy agreement entered into between Mr. Lee Wing Keung, a son of Mr. Lee Lap and a wholly owned subsidiary of the Company, Tembray (Fujian) Land Development Company Limited ("Tembray Fujian"), Termbray Fujian leased its land and building to Mr. Lee Wing Keung during the period at the monthly rental of HK\$120,000 determined by reference to the market rental value of the property as valued by a property valuer. The rental income recognized during the period is HK\$720,000 (six months ended 30/9/2006: HK\$720,000).
- (d) The compensation of key management personnel paid or payable by the Group in respect of the current period, substantially all of which comprised of short term benefits attributable to the directors, amounted to HK\$3,343,000 (six months ended 30/9/2006: HK\$3,423,000).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2007

15. POST BALANCE SHEET EVENTS

- (a) On 8th August, 2007, the Company entered into an option agreement with an independent third party. Pursuant to the terms of this option agreement, the Group can exercise a purchase option to purchase potential oil producing assets in Kazakhstan ("Potential Assets") in three months commencing from the date of the option agreement by entering into an acquisition agreement. The relevant details of the option agreement were announced on the Company's and the Stock Exchange's website on 10th August, 2007. Due to the reasons including the parties to the option agreement 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.
- (b) 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.

On 10th October, 2007, Termbay Oilfield Services Limited ("Termbay Oilfield Services"), a wholly-owned subsidiary of the Company, entered into an acquisition agreement with 7 individuals ("PRC Vendors"), pursuant to which Termbay Oilfield Services agreed to acquire the entire registered and paid-up capital of Petro-king Oilfield Technology Limited ("Petro-king PRC") at the consideration of RMB30,000,000.

On the same day, Termbay Oilfield Services also entered into an acquisition agreement (the "Petro-king HK Acquisition Agreement") with 3 individuals ("HK Vendors"), pursuant to which (i) Termbay 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) Termbay 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 acquisition of Petro-king HK. 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 Termbay 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.

On the date of completion of the Petro-king HK acquisition, 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 will be issued by the Company.

The above transactions are subjected to the approval by the members of the Company on the special general meeting to be held on 28th December, 2007. The details of the above transactions are set out in the Company's circular dated 12th December, 2007.

The directors consider that the post balance sheet events mentioned in (a) and (b) above have no significant financial impact on the Group's financial position as at 30th September, 2007.