



**Termbray Industries
International (Holdings) Limited**

Stock Code: 0093

**Interim Report
2011/2012**



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Corporate Information

Executive Directors

Mr. Lee Lap, Chairman
Mr. Tommy Lee,
Vice Chairman & Chief Executive Officer
Mdm. Leung Lai Ping
Mr. Wong Shiu Kee

Independent Non-Executive Directors

Mr. Chan Siu Kang
Mr. Lo Yiu Hee
Mr. Tong Hin Wor

Non-Executive Directors

Mr. Lee Ka Sze, Carmelo
Mr. Lee Wing Sing, Vincent

Company Secretary

Mr. Lo Tai On

Audit Committee

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

Remuneration Committee

Mr. Lee Lap
Mr. Chan Siu Kang
Mr. Lo Yiu Hee

Registered Office

Clarendon House, Church Street
Hamilton HM11
Bermuda

Head Office and Principal Place of Business

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30-38 Tsuen King Circuit,
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E-mail : group@termbray.com.hk
Website : www.termbray.com.hk

Hong Kong Registrar and Transfer Office

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

Listing Information

The Listing Code of the Company's share on
The Stock Exchange of Hong Kong Limited
0093

Principal Banker

The Hongkong & Shanghai Banking
Corporation Limited
Hang Seng Bank Limited

Legal Advisors in Hong Kong

Woo, Kwan, Lee & Lo

Auditor

Deloitte Touche Tohmatsu

The board of directors (the "Board") of Termbray Industries International (Holdings) Limited (the "Company") presents to shareholders the interim report together with the unaudited condensed consolidated financial statements of the Company and its subsidiaries (together the "Group") for the six months ended 30th September, 2011.

The unaudited consolidated profit for the six months ended 30th September, 2011 amounted to approximately HK\$1,261,000 (six months ended 30/9/2010: profit of HK\$8,802,000). The unaudited consolidated profit attributable to owners of the Company for the six months ended 30th September, 2011 amounted to approximately HK\$1,261,000 (six months ended 30/9/2010: profit of HK\$1,325,000). An analysis of the Group's segment results for the period is set out on pages 25 to 26 of this report.

The Board has resolved to declare the payment of an interim dividend of HK6 cents per share for the six months ended 30th September, 2011 (2010: Nil) payable to shareholders of the Company whose names appear on the register of members of the Company on 3rd January, 2012.

The register of members of the Company will be closed from Thursday, 29th December, 2011 to Tuesday, 3rd January, 2012 (both days inclusive), during which no transfer of shares will be effected. In order to qualify for the interim dividend, all completed transfer forms accompanied with the relevant share certificates must be lodged with the Company's share registrar, Tricor Standard Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 28th December, 2011. The interim dividend will be paid on or about Monday, 9th January, 2012.

Review of Operations

During the current six months period under review, the Group achieved a turnover of HK\$3,047,000 (six months ended 30/9/2010: HK\$4,346,000) and made a profit for the period of HK\$1,261,000 (six months ended 30/9/2010: profit of HK\$8,802,000). The decrease in profit for the period is mainly due to deconsolidation of Termbray Petro-king Group since October 2010.

Property Investment and Development

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

The Group's completed properties for sale – Ever Success Plaza, comprising of over 440 residential units standing on 3 levels of commercial arcades and car parks, is located at a convenient and prime location with a river view in Zhongshan, Guangdong Province. The competition of the property market in Zhongshan is keen. There are abundant supplies of properties with modern design. Due to the vacancy of the commercial arcades, the occupancy rate of the residential units continues to drop. The management has put much effort in marketing the properties and is still trying hard to improve the operation of the commercial arcades. The rental income earned by the Group from Ever Success Plaza during the period is decreased by 7.6%. The Group has sold 1 residential unit during the period under review. As at 30th September, 2011, 223 residential units remained to be sold, out of which 118 residential units were let out.

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

Oilfield Engineering and Consultancy Services

Upon completion of the subscription by TCL Industries Holdings (HK) Limited ("TCL") in October 2010, Termbray Petro-king Oilfield Services (BVI) Limited ("Termbray Petro-king") is owned as to 45.9%, 44.1% and 10.0% by Termbray Natural Resources Limited, a wholly owned subsidiary of the Group, King Shine Group Limited and TCL respectively. Termbray Petro-king has ceased to be subsidiary of the Company and has become an associate of the Company. The assets and liabilities of Termbray Petro-king is no longer consolidated to the consolidated financial statements of the Group.

The last financial year end date for Termbray Petro-king Group is 31st December, 2010. For the purpose of applying the equity method of accounting, the audited consolidated financial statements of Termbray Petro-king Group for the year ended 31st December, 2010 have been used for the last audited financial statement of the Group, as the Group considers that it is impracticable for Termbray Petro-king Group to issue a separate set of audited consolidated financial statements as of 31st March, 2011.

During the current period under review, the Group has applied the equity method of accounting for the unaudited results of Termbray Petro-king Group as an associate for the six months period from 1st January, 2011 to 30th June, 2011. Any significant transaction for the period from 1st July, 2011 to 30th September, 2011 has been adjusted. For the comparative reporting period, the Group has accounted for the unaudited result of Termbray Petro-king Group from 1st April, 2010 to 30th September, 2010 as subsidiaries under discontinued operations.

For the period from 1st January, 2011 to 30th June, 2011, Termbray Petro-king Group achieved a turnover of HK\$191 million. During the period under review, Termbray Petro-king Group gained substantial recognition on its capability of provision of high end oilfield technical solutions in Mainland China and the overseas, especially the Middle East. Leveraging on its highly dedicated professional engineering team with extensive overseas experience, Termbray Petro-king Group has started to explore market opportunities of those non-chinese oilfield operators in the Middle East in order to further expand its overseas customer base. To further enhance its competency in oilfield technology, Termbray Petro-king Group entered into research and development and manufacture of oilfield equipments through acquisitions in the first half of 2011. The directors considered that the overall performance of Termbray Petro-king Group for the period under review is satisfactory.

Included in the net fair value of the Group's share of Termbray Petro-king Group's identifiable assets and liabilities is intangible assets in relation to incomplete contracts of HK\$66,338,000, determined based on the income-based method. Such intangible assets are amortised according to the management expectation of realization of profits of the incomplete contracts over their estimated useful lives of one to two years. The Group's share of result of an associate for the current financial period ended 30th September, 2011 has accounted for an amortization of the intangible assets in relation to incomplete contracts of HK\$31.9 million. The balance of the intangible assets is expected to be amortised in the financial year ending 31st March, 2012.

Most of the contracts completed by Termbray Petro-king Group during the current financial period are incomplete contracts as of October 2010. Thus, most of the Group's share of operating result of Termbray Petro-king Group for the current financial period have been offset by the amortisation of the intangible assets in relation to incomplete contracts.

The major customers of Termbray Petro-king Group acquired several massive overseas oil reserves which created substantial demand for experienced oilfield engineering and consultancy services. Termbray Petro-king Group has the technical know how to provide comprehensive oilfield development design and consultancy services and is well recognised in the sector as one of the best oilfield service company from China. During the period, Termbray Petro-king Group has gained substantial progress in developing new customers in the Middle East, and is now working hard on them and this will secure business growth of Termbray Petro-king Group in future.

Termbray Petro-king Group has strengthened its technical communication with its domestic customers and introduced advanced technology from abroad to them. The management expected that this would help Termbray Petro-king Group enhances its marketing and sales efforts and domestic sales in near future.

Treasury Investment Activity

The Group still holds a substantial amount of funds of approximately HK\$593 million which have been mainly placed as short term bank deposits with large financial institutions in Hong Kong.

Others

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

Liquidity and Financial Resources

The Group remains cash-rich and has no material capital expenditure commitments. The operations are financed by capital and reserves.

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

Order Book

Due to its business nature, the Group has no order book at 30th September, 2011. The Group has no new product and services to be introduced to the market.

Staff and Emolument Policy

As at 30th September, 2011, the Group employed 49 staff at market remunerations with staff benefits such as insurance, provident fund scheme, discretionary bonus and share option scheme.

The emolument policy regarding the employees of the Group is based on their merit, qualifications and competence. The emoluments of the directors are reviewed by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics. No director, or any of his associates, and executive is involved in dealing his own remuneration. The Company has a share option scheme as an incentive to directors and eligible employees, details of the scheme is set out on pages 12 to 13 of this report.

Outlook

The global economy has been recovering from the global financial crisis happened in 2008. However, the debt crisis in Europe today has an unpredictable impact on the recovery of global economy. United States and China are experiencing various challenges after the global economic crisis. In United States, the recovery progress of its economy is slower than expected. In China, Central government has implemented various tightening monetary policies to cool down its economy, especially the overheated property market and high inflation rate. We believe China will continue to play a key role in the future global economic recovery. The Group is confidence in capitalising on these opportunities and will grasp every business opportunities available to build up its own distinctive strength and to explore new businesses in China.

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

Termbray Petro-king Group is working on several projects in overseas markets, particularly in the Middle East. These projects will last for several years. We believe that China national oil companies will continue their investment in overseas oilfields. As Termbray Petro-king Group has extensive overseas oilfield experience and has maintained a very good relationship with those China national oil companies, we believe that Termbray Petro-king Group is likely to be benefited from the capex investment of the China national oil companies in their overseas oilfields. We are cautiously optimistic about the future performance of Termbray Petro-king Group.

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

Directors' Interests in Shares

As at 30th September, 2011, the interests of the Company's directors, chief executive and their associates in the shares, underlying shares and debentures of the Company and its associated corporations as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO") or otherwise notified pursuant to Divisions 7 to 9 of Part XV of the SFO, were as follows:

(A) Long Positions in Shares of the Company

Name of directors	Personal interest	Family interest	Corporate interest	Other interest	Total	Percentage
						of total issued shares
Mr. Lee Lap	-	-	-	1,252,752,780 <i>(note 1)</i>	1,252,752,780	63.99%
Mdm. Leung Lai Ping	-	-	-	1,252,752,780 <i>(note 1)</i>	1,252,752,780	63.99%
Mr. Tommy Lee	-	-	-	1,252,752,780 <i>(note 1)</i>	1,252,752,780	63.99%
Mr. Lee Wing Sing, Vincent	39,387,120	-	-	1,252,752,780 <i>(note 1)</i>	1,292,139,900	66.00%

Notes:

- (1) The 1,252,752,780 shares included under the other interest of Mr. Lee Lap, Mdm. Leung Lai Ping, Mr. Lee Wing Sing, Vincent and Mr. Tommy Lee are held by Lee & Leung (B.V.I.) Limited. Lee & Leung (B.V.I.) Limited is wholly-owned by First Trend Management (PTC) Limited as trustee for Lee & Leung Family Unit Trust. All the units in Lee & Leung Family Unit Trust are held by HSBC International Trustee Limited as trustee for Lee & Leung Family Trust. Mr. Lee Lap is the settlor of the Lee & Leung Family Trust. The discretionary beneficiaries of the Lee & Leung Family Trust are Mdm. Leung Lai Ping, the children of Mr. Lee Lap and Mdm. Leung Lai Ping (including Mr. Tommy Lee and Mr. Lee Wing Sing, Vincent) and the offspring of such children.

(B) Long Positions in Shares of Associated Corporations

Name of directors	Name of subsidiary	Number of non-voting deferred shares held <i>(note)</i>	% of total issued non-voting deferred shares
Mr. Lee Lap	Applied Industrial Company Limited	1,000	40%
	Lee Plastics Manufacturing Company Limited	250,000	50%
	Magnetic Electronics Limited	5,000	100%
	Termbray Electronics Company Limited	7,000	70%
Mdm. Leung Lai Ping	Applied Industrial Company Limited	1,500	60%
	Lee Plastics Manufacturing Company Limited	250,000	50%
	Termbray Electronics Company Limited	3,000	30%

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

Saved as disclosed herein, as at 30th September, 2011, 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.

Apart from the share option scheme of the Company, at no time during the period was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Substantial Shareholders

As at 30th September, 2011, the person (other than the directors as disclosed in the "Directors' interest in Shares and Options") interested in 5% or more of the issued share capital of the Company as recorded in the register kept by the Company pursuant to Section 336 of the SFO were as follows:

Ordinary shares 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 <i>(note 1)</i>	Beneficial owner	1,252,752,780	63.99%
First Trend Management (PTC) Limited <i>(note 1)</i>	Held by controlled corporation as trustee for Lee & Leung Family Unit Trust	1,252,752,780	63.99%
HSBC International Trustee Limited <i>(note 1)</i>	Held by controlled corporation as trustee for Lee & Leung Family Trust	1,252,752,780	63.99%
Cosmo Telecommunication Inc. <i>(note 2)</i>	Beneficial owner	151,202,960	7.72%
Ms. Jing Xiao Ju	Held by controlled corporation	151,202,960	7.72%
East Glory Trading Limited <i>(note 3)</i>	Beneficial owner	103,397,540	5.28%
Master Winner Limited <i>(note 3)</i>	Held by controlled corporation	103,397,540	5.28%
Mr. Yuan Qinghua	Held by controlled corporation	103,397,540	5.28%

Notes:

- (1) The 1,252,752,780 shares are held by Lee & Leung (B.V.I.) Limited which is wholly-owned by First Trend Management (PTC) Limited as trustee for Lee & Leung Family Unit Trust. All the units in Lee & Leung Family Unit Trust are held by HSBC International Trustee Limited as trustee for Lee & Leung Family Trust. Mr. Lee Lap is the settlor of the Lee & Leung Family Trust. The discretionary beneficiaries of the Lee & Leung Family Trust are Mdm. Leung Lai Ping, the children of Mr. Lee Lap and Mdm. Leung Lai Ping (including Mr. Tommy Lee and Mr. Lee Wing Sing, Vincent) and the offspring of such children.
- (2) Cosmo Telecommunication Inc. is a wholly owned by Ms. Jing Xiao Ju.
- (3) East Glory Trading Limited is wholly owned by Master Winner Limited, which in turn is wholly owned by Mr. Yuan Qinghua.

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, 2011.

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 option was granted, exercised, cancelled or lapsed during the period. There was no outstanding option as at 30th September, 2011.

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period.

Corporate Governance

The Company has met the code provisions of the Code on Corporate Governance Practices ("the Code") as set out in Appendix 14 of the Listing Rules during the six months ended 30th September, 2011 save as disclosed below.

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

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code"), as the code of conduct regarding directors' securities transactions. The Company have made specific enquiry of all directors that they have complied with the Model Code throughout the six months period ended 30th September, 2011.

Audit Committee

The Company has established an audit committee comprising three independent non-executive directors and one non-executive director of the Company. The audit committee of the Company has reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including review of the interim report for the six months ended 30th September, 2011.

By order of the Board

Termbray Industries International (Holdings) Limited

Lee Lap

Chairman

Hong Kong, 18th November, 2011

Report on Review of Interim Financial Information



**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 17 to 34, which comprises the condensed consolidated statement of financial position of Termbray Industries International (Holdings) Limited (the “Company”) and its subsidiaries as of 30th September, 2011 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

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

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong, 18th November, 2011

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30th September, 2011

		Six months ended	
		30/9/2011	30/9/2010
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
		(unaudited)	(unaudited)
Continuing operations:			
Revenue	3	3,047	4,346
Cost of goods sold and services rendered		<u>(1,510)</u>	<u>(1,958)</u>
Gross profit		1,537	2,388
Other income and gains	4	6,013	3,987
Administrative expenses		(8,362)	(9,397)
Finance costs	5	–	(3,330)
Share of result of an associate		<u>2,257</u>	<u>–</u>
Profit (loss) before taxation		1,445	(6,352)
Taxation	6	<u>(184)</u>	<u>(127)</u>
Profit (loss) for the period from continuing operations		1,261	(6,479)
Discontinued operations:			
Profit for the period from discontinued operations	7	<u>–</u>	<u>15,281</u>
Profit for the period	8	<u>1,261</u>	<u>8,802</u>
Other comprehensive (expense) income			
Exchange differences arising from translation of financial statements of foreign operations		(1,419)	2,395
Share of other comprehensive income of an associate		<u>1,778</u>	<u>–</u>
Other comprehensive income for the period		<u>359</u>	<u>2,395</u>
Total comprehensive income for the period		<u><u>1,620</u></u>	<u><u>11,197</u></u>

	Six months ended	
	30/9/2011	30/9/2010
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Profit for the period attributable to:		
Owners of the Company		
– Profit (loss) for the period from continuing operations	1,261	(6,479)
– Profit for the period from discontinued operations	<u>–</u>	<u>7,804</u>
Profit for the period attributable to owners of the Company	1,261	1,325
Profit for the period from discontinued operations attributable to non-controlling interests	<u>–</u>	<u>7,477</u>
	<u>1,261</u>	<u>8,802</u>
Total comprehensive income attributable to:		
Owners of the Company	1,620	2,315
Non-controlling interests	<u>–</u>	<u>8,882</u>
	<u>1,620</u>	<u>11,197</u>
	<i>HK cents</i>	<i>HK cents</i>
	(unaudited)	(unaudited)
Basic and diluted earnings (loss) per share		
	<i>10</i>	
From continuing and discontinued operations	<u>0.06</u>	<u>0.07</u>
From continuing operations	<u>0.06</u>	<u>(0.33)</u>

Condensed Consolidated Statement of Financial Position

At 30th September, 2011

	<i>Notes</i>	30/9/2011 HK\$'000 (unaudited)	31/3/2011 <i>HK\$'000</i> (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		46,152	45,674
Investment property		30,339	30,505
Pledged bank deposits	<i>15(a)</i>	2,000	2,000
Interest in an associate	<i>11</i>	480,515	476,480
		559,006	554,659
CURRENT ASSETS			
Completed properties for sale		121,874	118,870
Other receivables		42	42
Deposits and prepayments		1,926	2,022
Taxation recoverable		342	250
Bank balances and cash		592,524	597,413
		716,708	718,597
CURRENT LIABILITIES			
Trade and other payables and accrued charges	<i>12</i>	3,015	4,028
Deposits received		681	803
Provisions	<i>13</i>	3,173	3,173
Amount due to a related company	<i>16(b)</i>	4,758	2,953
Taxation payable		3,705	3,580
		15,332	14,537
NET CURRENT ASSETS		701,376	704,060
TOTAL ASSETS LESS CURRENT LIABILITIES		1,260,382	1,258,719
NON-CURRENT LIABILITY			
Deferred tax liabilities		887	844
NET ASSETS		1,259,495	1,257,875

	<i>Note</i>	30/9/2011 HK\$'000 (unaudited)	31/3/2011 <i>HK\$'000</i> (audited)
CAPITAL AND RESERVES			
Share capital	<i>14</i>	156,611	156,611
Reserves		<u>1,102,467</u>	<u>1,100,847</u>
Equity attributable to owners of the Company		1,259,078	1,257,458
Non-controlling interests		<u>417</u>	<u>417</u>
TOTAL EQUITY		<u><u>1,259,495</u></u>	<u><u>1,257,875</u></u>

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th September, 2011

	Attributable to owners of the Company								
	Share capital	Share premium	Exchange translation reserve	Convertible note equity reserve	Share option reserve	Retained profits	Total	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st April, 2010 (audited)	156,611	404,370	16,582	18,892	22,233	532,115	1,150,803	110,849	1,261,652
Profit for the period	-	-	-	-	-	1,325	1,325	7,477	8,802
Exchange differences arising from translation of foreign operations	-	-	990	-	-	-	990	1,405	2,395
Total comprehensive income for the period	-	-	990	-	-	1,325	2,315	8,882	11,197
Recognition of share-based payments	-	-	-	-	675	-	675	-	675
At 30th September, 2010 (unaudited)	<u>156,611</u>	<u>404,370</u>	<u>17,572</u>	<u>18,892</u>	<u>22,908</u>	<u>533,440</u>	<u>1,153,793</u>	<u>119,731</u>	<u>1,273,524</u>
At 1st April, 2011 (audited)	<u>156,611</u>	<u>404,370</u>	<u>13,046</u>	-	-	<u>683,431</u>	<u>1,257,458</u>	<u>417</u>	<u>1,257,875</u>
Profit for the period	-	-	-	-	-	1,261	1,261	-	1,261
Exchange differences arising from translation of foreign operations	-	-	(1,419)	-	-	-	(1,419)	-	(1,419)
Share of other comprehensive income of an associate	-	-	1,778	-	-	-	1,778	-	1,778
Total comprehensive income for the period	-	-	359	-	-	1,261	1,620	-	1,620
At 30th September, 2011 (unaudited)	<u>156,611</u>	<u>404,370</u>	<u>13,405</u>	-	-	<u>684,692</u>	<u>1,259,078</u>	<u>417</u>	<u>1,259,495</u>

Condensed Consolidated Statement of Cash Flows

For the six months ended 30th September, 2011

	Six months ended	
	30/9/2011 <i>HK\$'000</i> (unaudited)	30/9/2010 <i>HK\$'000</i> (unaudited)
NET CASH USED IN OPERATING ACTIVITIES, including discontinued operations	(4,997)	(126,085)
INVESTING ACTIVITIES		
Interest received	839	1,007
Increase in pledged bank deposits	–	(26,481)
Acquisition of interest in an associate	–	(10)
Other investing activities	(1,110)	(2,161)
NET CASH USED IN INVESTING ACTIVITIES, including discontinued operations	(271)	(27,645)
FINANCING ACTIVITIES		
New bank borrowings raised	–	108,031
Repayments of bank borrowings	–	(32,417)
NET CASH FROM FINANCING ACTIVITIES, including discontinued operations	–	75,614
NET DECREASE IN CASH AND CASH EQUIVALENTS	(5,268)	(78,116)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	597,413	825,367
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	379	566
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash	<u>592,524</u>	<u>747,817</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2011

1. BASIS OF PREPARATION

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

As explained in note 7, on 3rd September, 2010, Termbray Petro-king Oilfield Services (BVI) Limited ("Termbray Petro-king"), a 51% owned subsidiary of the Company entered into a subscription agreement to allot and issue new shares to an independent third party, which reduced the Group's shareholding to 45.9% upon completion in October, 2010. The related operations, being the provision of oilfield engineering and consultancy services, were considered as discontinued in the prior interim period.

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st March, 2011.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning on 1st April, 2011.

HKFRSs (Amendments)	Improvements to HKFRSs 2010
HKAS 24 (Revised 2009)	Related Party Disclosures
HK (IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement
HK (IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2011

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

The application of the above new or revised HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements or disclosures set out in the condensed consolidated financial statements.

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

HKFRS 7 (Amendments)	Disclosures - Transfers of Financial Assets ¹
HKFRS 9	Financial Instruments ²
HKFRS 10	Consolidated Financial Statements ²
HKFRS 11	Joint Arrangements ²
HKFRS 12	Disclosure of Interests in Other Entities ²
HKFRS 13	Fair Value Measurement ²
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income ⁴
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets ³
HKAS 19 (Revised 2011)	Employee Benefits ²
HKAS 27 (Revised 2011)	Separate Financial Statements ²
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures ²
HK (IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine ²

¹ Effective for annual periods beginning on or after 1 July 2011

² Effective for annual periods beginning on or after 1 January 2013

³ Effective for annual periods beginning on or after 1 January 2012

⁴ Effective for annual periods beginning on or after 1 July 2012

The directors of the Company anticipate that the application of the new and revised standards, amendments or interpretation 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, 2011

3. REVENUE AND SEGMENT INFORMATION

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

	Six months ended	
	30/9/2011	30/9/2010
	HK\$'000	HK\$'000
Continuing operations		
Sales of properties	476	1,803
Rental income	2,571	2,543
	3,047	4,346

Segment information reported to the chief operating decision maker, the executive directors of the Company, for the purposes of resource allocation and performance assessment focuses on principal operating segment of the Group, namely property investment and development, and oilfield engineering and consultancy services. During the six months ended 30th September, 2010, the Group's operations in oilfield engineering and consultancy services were discontinued upon the Subscription (as defined in note 7). The segment information reported below does not include any amounts for this discontinued operations, which are described in more details in note 7.

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

Continuing operations

	Six months ended	
	30/9/2011	30/9/2010
	HK\$'000	HK\$'000
Revenue	3,047	4,346
Segment results	3,985	4,824
Unallocated other income and gains	2,033	975
Unallocated expenses	(7,014)	(8,273)
Share option expense	–	(675)
Effective interest expense on convertible note	–	(3,330)
Share of result of an associate	2,257	–
Profit (loss) for the period	1,261	(6,479)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2011

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

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

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of unallocated other income and gains, unallocated expenses, share option expense, effective interest expense on convertible note and share of result of an associate. This is the measure reported to the chief operating decision maker of the Group for the purposes of resource allocation and performance assessment.

4. OTHER INCOME AND GAINS

Continuing operations

	Six months ended	
	30/9/2011	30/9/2010
	HK\$'000	HK\$'000
Interest income from		
– bank balances and deposits with a financial institution	839	995
Net exchange gain	4,989	2,727
Sundry income	185	265
	<u>6,013</u>	<u>3,987</u>

5. FINANCE COSTS

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2011

6. TAXATION

Continuing operations

	Six months ended	
	30/9/2011 HK\$'000	30/9/2010 HK\$'000
Current tax:		
Hong Kong Profits Tax	125	113
People's Republic of China ("PRC") Enterprise Income Tax	16	14
	<u>141</u>	<u>127</u>
Deferred tax	43	–
	<u>184</u>	<u>127</u>

Hong Kong Profits Tax and PRC Enterprise Income Tax are recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for Hong Kong Profits Tax and PRC Enterprise Income Tax for the six months ended 30th September, 2011 are 16.5% (2010: 16.5%) and 25% (2010: 25%), respectively.

7. DISCONTINUED OPERATIONS

On 3rd September, 2010, Termbray Petro-king Oilfield Services (BVI) Limited ("Termbray Petro-king") entered into a Subscription Agreement with Termbray Natural Resources Limited ("Termbray NRC"), a wholly owned subsidiary of the Company; King Shine Group Limited ("King Shine"), the non-controlling interest of the Group which held 49% equity interest in Termbray Petro-king and an investor ("Investor"), an independent third party to the Group, pursuant to which Termbray Petro-king shall allot and issue and Investor shall subscribe for new shares of Termbray Petro-king (the "Subscription Shares"), representing 10% of the issued share capital of Termbray Petro-king as enlarged by the subscription ("Subscription") for a consideration of RMB88.8 million payable in United States dollars. The Subscription was completed on 20th October, 2010.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2011

7. DISCONTINUED OPERATIONS (Continued)

Termbray Petro-king and its subsidiaries carried out all of the Group's oilfield engineering and consultancy services. Upon completion of the Subscription, Termbray Petro-king shall be owned as to 45.9%, 44.1% and 10.0% by Termbray NRC, King Shine and Investor, respectively.

During the six months ended 30th September, 2010, the results and cash flows of Termbray Petro-king and its subsidiaries have been group under discontinued operations. An analysis of the results and cash flows of the discontinued operations included in the condensed consolidated statement of comprehensive income and the condensed consolidated statement of cash flows is as follows:

Profit for the period from discontinued operations

	Six months ended 30/9/2010 HK\$'000
Revenue	95,636
Cost of goods sold and services rendered	<u>(51,703)</u>
Gross profit	43,933
Other income and gains	8,290
Selling and distribution expenses	(18,229)
Administrative expenses	(14,019)
Share of results of an associate	340
Finance costs	<u>(919)</u>
Profit before taxation	19,396
Taxation	<u>(4,115)</u>
Profit for the period from discontinued operations	<u><u>15,281</u></u>
Profit for the period from discontinued operations attributable to:	
Owners of the Company	7,804
Non-controlling interests	<u>7,477</u>
	<u><u>15,281</u></u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2011

7. DISCONTINUED OPERATIONS *(Continued)*

Cash flows from discontinued operations

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

8. PROFIT FOR THE PERIOD – CONTINUING OPERATIONS

	Six months ended	
	30/9/2011 HK\$'000	30/9/2010 HK\$'000

Profit for the period from continuing operations has been arrived at after charging the following items:

Cost of inventories sold	189	992
Depreciation of		
– property, plant and equipment	630	1,059
– investment property	166	55
Share option expense	<u>–</u>	<u>675</u>

9. DIVIDENDS

Subsequent to the end of the interim period, the directors have resolved that an interim dividend of HK6 cents per share, totalling HK\$117,459,000 (six months ended 30/9/2010: Nil) will be paid to shareholders of the Company whose names appear on the register of members of the Company on 3rd January, 2012.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2011

10. BASIC AND DILUTED EARNINGS (LOSS) PER SHARE

From continuing and discontinued operations

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

	Six months ended	
	30/9/2011	30/9/2010
	HK\$'000	HK\$'000
Earnings for the period attributable to owners of the Company for the purposes of basic and diluted earnings per share	<u>1,261</u>	<u>1,325</u>
	Number of shares	
	'000	'000
Number of ordinary shares for the purposes of basic and diluted earnings per share	<u>1,957,643</u>	<u>1,957,643</u>

From continuing operations

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

	Six months ended	
	30/9/2011	30/9/2010
	HK\$'000	HK\$'000
Earnings for the period attributable to owners of the Company for the purposes of basic and diluted earnings per share	<u>1,261</u>	<u>1,325</u>
Less:		
Profit attributable to owners of the Company from discontinued operations	<u>-</u>	<u>(7,804)</u>
Profit (loss) for the period attributable to owners of the Company for the purposes of basic and diluted earnings (loss) per share	<u>1,261</u>	<u>(6,479)</u>

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2011

10. BASIC AND DILUTED EARNINGS (LOSS) PER SHARE *(Continued)*

From discontinued operations

For the six months ended 30th September, 2010, basic and diluted earnings per share for the discontinued operation are HK0.4 cents per share, based on the profit attributable to owners of the Company from the discontinued operations of HK\$7,804,000 and the denominators detailed above for both basic and diluted earnings per share.

For the six months ended 30th September, 2010, the computation of diluted loss per share does not assume the conversion of the Company's outstanding convertible note and the exercise of the Company's outstanding share options since the assumed conversion of convertible note would result in a decrease in loss per share and the exercise prices of the Company's share options were higher than the average market price for shares.

11. INTEREST IN AN ASSOCIATE

	30/9/2011	31/3/2011
	HK\$'000	HK\$'000
Cost of unlisted investment in an associate	473,826	473,826
Share of post-acquisition profit and other comprehensive income	<u>6,689</u>	<u>2,654</u>
	<u><u>480,515</u></u>	<u><u>476,480</u></u>

The financial year end date for the associate is 31st December. For the purpose of applying the equity method of accounting, the management accounts of the associate for the period ended 30th June, 2011 have been used. Appropriate adjustments have been made accordingly for the effects of significant transactions between that date and 30th September, 2011.

Included in share of post-acquisition profit and other comprehensive income is amortisation on incomplete contracts of HK\$55,536,000 (31/3/2011: HK\$23,683,000).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2011

12. TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

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

	30/9/2011 <i>HK\$'000</i>	31/3/2011 <i>HK\$'000</i>
1-90 days	–	153
Over 90 days	<u>331</u>	<u>331</u>
Trade and other payables	331	484
Accrued charges	<u>2,684</u>	<u>3,544</u>
	<u>3,015</u>	<u>4,028</u>

13. PROVISIONS

The provision represents management's best estimate of the costs and expenses required to discharge the Group's obligations and liabilities under the warranties and undertakings given in connection with the disposal of subsidiaries in prior years as set out in note 15(b).

14. SHARE CAPITAL

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

	Number of shares '000	Share capital HK\$'000
At 1st April and 30th September, 2011	<u>1,957,643</u>	<u>156,611</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2011

15. PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

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

- (a) Bank deposits of HK\$2,000,000 (31/3/2011: HK\$2,000,000) were pledged to the banks as security in respect of mortgage loans granted to property purchasers by banks.
- (b) In connection with the disposal of the subsidiaries engaged in the business of manufacture and sale of printed circuit boards in 1999, the Group has given warranties and undertakings to the purchaser as specified in the agreement for the disposal of these subsidiaries. During the year ended 31st March, 2001, the Group received notification from the purchaser raising claims against the Group arising from the warranties and undertakings. It is the intention of management to contest the claims vigorously. No legal proceedings have yet been instituted against the Group for these claims. Based upon legal advice obtained, management is of the opinion that such claims, if materialised, would not result in any material liabilities to the Group in excess of the amounts already provided for in the condensed consolidated financial statements.
- (c) For the period ended 30th September, 2011, the Group issued financial guarantees to banks in respect of banking facilities granted to an associate. As at 30th September, 2011, the aggregate amounts that could be required to be paid if the guarantees were called upon in entirety amounted to HK\$37,175,000 (31/3/2011: HK\$37,108,000), of which HK\$29,089,000 (31/3/2011: HK\$14,127,000) has been utilised by the associate. The directors considered that the fair value of such guarantee on initial recognition was insignificant.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2011

16. RELATED PARTY TRANSACTIONS

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

- (a) Pursuant to the tenancy agreements entered into between Panda Investment Company Limited ("Panda Investment") and the Group, the Group leased certain office premises and warehouses from Panda Investment during the period at the agreed rental of HK\$132,000 (six months ended 30/9/2010: HK\$120,000). Certain directors of the Company held beneficial interests in Panda Investment.
- (b) At 30th September, 2011, the Group had an amount of approximately HK\$4,758,000 (31/3/2011: HK\$2,953,000) due to Panda Investment, which is unsecured, interest-free and repayable on demand.
- (c) Pursuant to a tenancy agreement entered into between Mr. Lee Wing Keung, a son of certain directors of the Company, and the Group, the Group leased its land and building to Mr. Lee Wing Keung for a period of 3 years commencing from 16th March, 2008 and further extended the lease for a period of 3 years commencing from 16th March, 2011, at the monthly rental of HK\$190,000 and HK\$200,000 respectively. The rental income recognised during the period is HK\$1,200,000 (six months ended 30/9/2010: HK\$1,140,000).
- (d) For the period ended 30th September, 2011, the Group issued financial guarantees to banks in respect of banking facilities granted to an associate. As at 30th September, 2011, the aggregate amounts that could be required to be paid if the guarantees were called upon in entirety amounted to HK\$37,175,000 (31/3/2011: HK\$37,108,000), of which HK\$29,089,000 (31/3/2011: HK\$14,127,000) has been utilised by the associate. The directors considered that the fair value of such guarantee on initial recognition was insignificant.
- (e) The compensation of key management personnel paid or payable by the Group in respect of the period, substantially all of which comprised short term benefits attributable to the directors of the Company, amounted to HK\$4,599,500 (six months ended 30/9/2010: HK\$4,988,000) and share-based payments attributable to a director of the Company, amounted to Nil (six months ended 30/9/2010: HK\$675,000).

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