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TERMBRAY INDUSTRIES INTERNATIONAL (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 0093)

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2015**

The board of directors (the “Board”) of Termbray Industries International (Holdings) Limited (the “Company”) presents to shareholders the unaudited condensed consolidated statement of profit or loss and other comprehensive income of the Company and its subsidiaries (the “Group”) for the six months ended 30th September, 2015 and the Group’s unaudited condensed consolidated statement of financial position at that date together with the comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30th September, 2015

		Six months ended	
		30/9/2015	30/9/2014
	<i>Notes</i>	HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Revenue	3	3,374	2,786
Cost of goods sold and services rendered		<u>(1,433)</u>	<u>(1,225)</u>
		1,941	1,561
Other income	4	439	505
Other gains and losses	5	(4,421)	2,078
Administrative expenses		(9,417)	(6,881)
Share of result of an associate		<u>1,478</u>	<u>4,148</u>
(Loss) profit before taxation		(9,980)	1,411
Taxation	6	<u>(327)</u>	<u>(270)</u>
(Loss) profit for the period attributable to owners of the Company	7	(10,307)	1,141
Other comprehensive income (expense):			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising from translation of foreign operations		1,112	(557)
Share of other comprehensive income of an associate		965	4,088
Reclassification adjustment for translation reserve transferred to profit or loss upon deemed disposal of interest in an associate		<u>–</u>	<u>(197)</u>
Other comprehensive income for the period		<u>2,077</u>	<u>3,334</u>
Total comprehensive (expense) income for the period attributable to owners of the Company		<u>(8,230)</u>	<u>4,475</u>
		HK cents	HK cents
		(unaudited)	(unaudited)
BASIC (LOSS) EARNINGS PER SHARE	9	<u>(0.53)</u>	<u>0.06</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th September, 2015

	<i>Note</i>	30/9/2015 HK\$'000 (unaudited)	31/3/2015 HK\$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		41,169	41,691
Investment property		29,007	29,173
Interest in an associate	<i>10</i>	611,446	609,003
Prepayments	<i>10</i>	22,499	–
Pledged bank deposits		2,000	2,000
		<hr/> 706,121	<hr/> 681,867
CURRENT ASSETS			
Completed properties for sale		118,563	121,629
Other receivables		40	43
Deposits and prepayments		1,701	2,240
Bank balances and cash		300,869	330,334
		<hr/> 421,173	<hr/> 454,246
CURRENT LIABILITIES			
Other payables and accrued charges		3,473	3,241
Dividend payable		12,505	12,505
Deposit received		711	721
Amount due to a related company		2,358	2,190
Taxation payable		3,170	4,151
		<hr/> 22,217	<hr/> 22,808
NET CURRENT ASSETS		<hr/> 398,956	<hr/> 431,438
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/> 1,105,077	<hr/> 1,113,305
NON-CURRENT LIABILITIES			
Deferred tax liabilities		236	234
NET ASSETS		<hr/> 1,104,841	<hr/> 1,113,071
CAPITAL AND RESERVES			
Share capital		156,611	156,611
Reserves		947,813	956,043
		<hr/> 1,104,424	<hr/> 1,112,654
Equity attributable to owners of the Company		1,104,424	1,112,654
Non-controlling interests		417	417
		<hr/> 1,104,841	<hr/> 1,113,071
TOTAL EQUITY		<hr/> 1,104,841	<hr/> 1,113,071

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “*Interim Financial Reporting*” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

2. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30th September, 2015 are the same as those followed in the preparation of the Group’s consolidated annual financial statements for the year ended 31st March, 2015.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual improvements to HKFRSs 2010-2012 Cycle
Amendments to HKFRSs	Annual improvements to HKFRSs 2011-2013 Cycle

The application of the amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

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

	Six months ended	
	30/9/2015	30/9/2014
	HK\$’000	HK\$’000
Sales of properties	674	–
Rental income	2,700	2,786
	<u>3,374</u>	<u>2,786</u>

The following is an analysis of the Group’s results from the property investment and development segment:

	Six months ended	
	30/9/2015	30/9/2014
	HK\$’000	HK\$’000
Segment revenue	<u>3,374</u>	<u>2,786</u>
Segment (loss) profit	(2,279)	3,129
Unallocated other income	392	404
Unallocated other gains and losses	(1,023)	(255)
Unallocated expenses	(8,875)	(6,285)
Share of result of an associate	<u>1,478</u>	<u>4,148</u>
(Loss) profit for the period	<u>(10,307)</u>	<u>1,141</u>

4. OTHER INCOME

	Six months ended	
	30/9/2015	30/9/2014
	HK\$'000	HK\$'000
Interest income from bank balances	388	433
Sundry income	51	72
	<u>439</u>	<u>505</u>

5. OTHER GAINS AND LOSSES

	Six months ended	
	30/9/2015	30/9/2014
	HK\$'000	HK\$'000
Net exchange (loss) gain	(4,421)	2,327
Loss on deemed disposal of interest in an associate	–	(249)
	<u>(4,421)</u>	<u>2,078</u>

6. TAXATION

	Six months ended	
	30/9/2015	30/9/2014
	HK\$'000	HK\$'000
Current taxation:		
Hong Kong Profits Tax	141	91
People's Republic of China ("PRC") Enterprise Income Tax	184	142
	<u>325</u>	<u>233</u>
Deferred taxation	2	37
	<u>327</u>	<u>270</u>

7. (LOSS) PROFIT FOR THE PERIOD

	Six months ended	
	30/9/2015	30/9/2014
	HK\$'000	HK\$'000
(Loss) profit for the period has been arrived at after charging the following items:		
Cost of inventories recognised as expense	238	–
Depreciation of		
– property, plant and equipment	522	716
– investment property	166	166
	<u>926</u>	<u>988</u>

8. DIVIDEND

No dividend was paid, declared or proposed during the current interim period. The directors of the Company have determined that no dividend will be paid in respect of the six months ended 30th September, 2015 (six months ended 30th September, 2014: Nil).

9. BASIC (LOSS) EARNINGS PER SHARE

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

	Six months ended	
	30/9/2015	30/9/2014
	HK\$'000	HK\$'000
(Loss) earnings for the period attributable to owners of the Company for the purposes of basic (loss) earnings per share	(10,307)	1,141
	Number of shares	
	'000	'000
Number of ordinary shares for the purpose of basic (loss) earnings per share	1,957,643	1,957,643

Diluted (loss) earnings per share is not presented as there were no potential ordinary shares in issue for both periods.

10. INTEREST IN AN ASSOCIATE

	30/9/2015	31/3/2015
	HK\$'000	HK\$'000
Cost of investment in an associate listed in Hong Kong	308,706	308,706
Share of post-acquisition profit and other comprehensive income and effect on deemed disposal of interest in an associate, net of dividends received	302,740	300,297
	611,446	609,003
Market value of interest in an associate	267,155	413,902
Prepayments for subscription of new shares of an associate	22,499	–

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 six months period ended 30th June, 2015 have been used.

Included in the cost of investment in an associate is goodwill of HK\$167,088,000 (31/3/2015: HK\$167,088,000) which is the difference between the initial cost of investment and the Group's share of the net value of the associate's identifiable assets and liabilities as at the date of acquisition of the associate.

During the period ended 30th September, 2015, the Group's shareholding in the associate remains at 30.47%. On 24th September, 2015, the Group has entered into the subscription agreements with the associate for subscription of 28,480,000 new shares in consideration of approximately HK\$22,499,000. As at 30th September, 2015, such payment has been classified as non-current prepayments. Completion of the subscription is subject to certain conditions to be satisfied on or before the long stop date (i.e. 30th November, 2015), including the approval of the subscription agreements at the extraordinary general meeting of the associate ("EGM"). If the conditions are not fulfilled on or before the long stop date, the subscription agreements will lapse and become null and void and the prepayments will be refunded.

On 16th November, 2015, the subscription agreements were not approved by the independent shareholders (i.e. shareholders other than the subscribers) at the EGM. The associate is in negotiation with the Group to enter into supplemental agreements to, inter alia, extend the long stop date.

During the period ended 30th September, 2014, the Group's shareholding in the associate was diluted from 31.73% to 31.54% as the associate issued approximately 12,289,000 shares for share options exercise. As a result, a net loss on deemed disposal of interest in an associate of HK\$249,000 was recognised in profit or loss and the relevant accumulated translation reserve of HK\$197,000 was reclassified to profit or loss.

The carrying amount of the associate is higher than the market capitalisation with reference to the quoted market price of the shares of the associate as at 30th September, 2015 which constitutes an impairment indicator. The Group conducted an impairment assessment of the associate. The recoverable amount of the associate is determined based on the value in use estimation by the management. In determining the value in use of the interest in an associate, the directors estimated the present value of the estimated future cash flow comprising expected dividend incomes from an associate and expected ultimate disposal, by using a discount rate to discount the cash flow projections to net present value. The future cash flow from the expected ultimate disposal is calculated with reference to the expected return from the associate. Based on the assessment, the recoverable amount of the Group's interest in an associate is estimated to be higher than the carrying amount and no impairment loss is recognised.

INTERIM DIVIDEND

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30th September, 2015 (2014: Nil).

REVIEW OF OPERATIONS

During the current six months period under review, the Group achieved a turnover of HK\$3,374,000 (six months ended 30/9/2014: HK\$2,786,000) and suffered a loss for the period of HK\$10,307,000 (six months ended 30/9/2014: profit of HK\$1,141,000).

The loss for current period under review is due to the decrease in the Group's share of operation results from Petro-king Oilfield Services Limited ("Petro-king") and its subsidiaries (collectively, the "Petro-king Group") (Stock code: 2178) for the six months ended 30th June, 2015 ("1H2015") and the exchange loss arising from Renminbi monetary items. According to the interim report 2015 issued by Petro-king, the net profit attributable to the owners of Petro-king Group was approximately HK\$8.2 million in the current period, and it was approximately HK\$13.5 million in the last corresponding period, representing a decrease of approximately 39%.

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 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. The commercial arcades are still vacant and the occupancy rate of the residential units is lower than that of last corresponding period. The management has put a lot of effort in marketing the properties and is endeavouring to improve the operation of the commercial arcades. The rental income earned by the Group from Ever Success Plaza during the period decreased by approximately 6% from that of the last corresponding period. The Group sold 1 residential unit during the period under review. As at 30th September, 2015, 213 residential units remained to be sold, out of which 131 residential units were let out.

Oilfield Engineering and Consultancy Services

The Group held 30.47% interest as at 1st April, 2015 and 30th September, 2015 in Petro-king as an associate through Termbray Natural Resources Company Limited, a wholly owned subsidiary of the Group.

During the period under review, the Group has applied the equity method of accounting for the results of Petro-king Group as an associate for the six months ended 30th June, 2015.

According to the interim report issued by Petro-king, in 1H2015, Petro-king Group recorded a revenue of HK\$416 million, representing an increase of approximately 18% from that of HK\$353 million for the six months ended 30th June, 2014 (“1H2014”). The increase in revenue was mainly due to the increase in business activities of the Petro-king Group in the overseas market. Due to the increase in net finance costs, the net profit attributable to the owners of Petro-king Group in 1H2015 was dropped to approximately HK\$8.2 million in the current period from approximately HK\$13.5 million in 1H2014, representing a decrease of approximately 39%.

On 24th September, 2015, the Group entered into the subscription agreements with Petro-king for subscription for 28,480,000 new shares in cash consideration of approximately HK\$22,499,000. Completion of the subscription is subject to certain conditions to be satisfied on or before the long stop date (i.e. 30th November, 2015), including the approval of the subscription agreements at the extraordinary general meeting of Petro-king (“EGM”). On 16th November, 2015, the subscription agreements were not approved by the independent shareholders at the EGM. Petro-king is in negotiation with the Group to enter into supplemental agreements to, inter alia, extend the long stop date.

The first half year of 2015 was the most challenging period for Petro-king Group in the past decade. The slow-down in growth of China’s economy and the weak international oil price led to a stringent cost cutting plan for most of Petro-king Group’s customers in China and thus resulted in a slow-down in overall exploration and production activities in the China market. Although Petro-king Group has achieved significant business development and revenue growth from the overseas market, mainly from the Middle East, in 1H2015, the weakened international crude oil price remained a major uncertainty for most international oil companies (“IOCs”). The management of Petro-king Group estimate that most of the IOCs will continue to implement cost-saving measures in order to cope with the weak oil price.

In order to get through the tough time during the industry downturn of the oilfield service sector, Petro-king Group had implemented certain risk mitigation measures in 1H2015 including streamlined the cost structure of all major service lines and reduced headcount in general.

As a high-end integrated oilfield services provider, Petro-king Group attaches great importance to technology, and prides itself in introducing innovative products and services in a number of areas in oilfield services. In 1H2015, Petro-king Group continued to seek advancement in technology and introduced new products to the market.

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, 2015. The Group has no new product and service to be introduced to the market.

STAFF AND EMOLUMENT POLICY

As at 30th September, 2015, the Group employed 40 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.

OUTLOOK

The global economy has been recovering from the global financial crisis happened in 2008. United States and China are experiencing various challenges after the global economic crisis. All of the factors including debt crisis in Europe, the stop buying of national debts by the US Government and the progress of increase in US interest rate have an unpredictable impact on the recovery of global economy. In China, Central government has implemented various tightening monetary policies to cool down the overheated property market. 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.

Looking ahead to the second half of 2015, the management of Petro-king Group believe that the business environment for the oilfield service sector as a whole is likely to remain challenging. The international oil price dropped further after the rebound early this year, and market estimates of the oil price were revised down generally. It appears that the market is still bearish about the oil price and believes that the oil companies will continue to exercise a cautious approach in capital investments.

As the current business environment of the oilfield services is still associated with uncertainties such as the weak oil price and the China economy slow down, the management of Petro-king will continue to exercise a cautious approach in seeking business development in the second half of 2015.

We are cautiously optimistic about the future performance of Petro-king Group.

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

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 six months ended 30th September, 2015.

CORPORATE GOVERNANCE

The Company has met the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the six months ended 30th September, 2015 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 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". 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, 2015.

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, 2015.

OTHER INFORMATION

The interim results of the Group for the six months ended 30th September, 2015 have been reviewed by Messrs. Deloitte Touche Tohmatsu, Certified Public Accountants.

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

Executive Directors:

Mr. Lee Lap (*Chairman*)

Mdm. Leung Lai Ping

Mr. Tommy Lee (*Vice Chairman & Chief Executive Officer*)

Mr. Wong Shiu Kee

Independent Non-Executive Directors:

Mr. Lo Yiu Hee

Mr. Tong Hin Wor

Mr. Siu Lok Chow, Gabriel

Non-Executive Director:

Mr. Lee Ka Sze, Carmelo

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

Hong Kong, 20th November, 2015