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TERMBRAY INDUSTRIES INTERNATIONAL (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 0093)

FINAL RESULTS FOR THE YEAR ENDED 31ST MARCH, 2011

RESULTS

The board of directors of Termbay Industries International (Holdings) Limited (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31st March, 2011 together with the comparative figures for the last year as follows:

Consolidated Statement of Comprehensive Income

	<i>Notes</i>	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i> (restated)
CONTINUING OPERATIONS			
Revenue	3	9,160	5,700
Cost of goods sold and services rendered		<u>(4,201)</u>	<u>(2,435)</u>
Gross profit		4,959	3,265
Other income	4	2,638	2,264
Other gains and losses		7,756	(68)
Administrative expenses		(19,268)	(24,105)
Finance costs	5	(4,996)	(6,372)
Share of result of an associate		<u>2,195</u>	<u>–</u>
Loss before taxation		(6,716)	(25,016)
Taxation	6	<u>(342)</u>	<u>(322)</u>
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		(7,058)	(25,338)
DISCONTINUED OPERATIONS			
Profit for the year from discontinued operations	7	<u>123,003</u>	<u>94,264</u>
PROFIT FOR THE YEAR	8	<u>115,945</u>	<u>68,926</u>

	<i>Note</i>	2011 HK\$'000	2010 HK\$'000 (restated)
OTHER COMPREHENSIVE INCOME			
Exchange differences arising from translation of financial statements of foreign operations		483	377
Release of exchange translation reserve upon deregistration of a subsidiary		(57)	–
Release of exchange translation reserve upon losing control of subsidiaries		(2,842)	–
Share of other comprehensive income of an associate		459	–
		<hr/>	<hr/>
OTHER COMPREHENSIVE (EXPENSE) INCOME FOR THE YEAR		(1,957)	377
		<hr/>	<hr/>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		113,988	69,303
		<hr/> <hr/>	<hr/> <hr/>
PROFIT FOR THE YEAR ATTRIBUTABLE TO: OWNERS OF THE COMPANY			
Loss for the year from continuing operations		(7,058)	(25,338)
Profit for the year from discontinued operations		116,574	48,315
		<hr/>	<hr/>
		109,516	22,977
NON-CONTROLLING INTERESTS			
Profit for the year from discontinued operations		6,429	45,949
		<hr/>	<hr/>
		115,945	68,926
		<hr/> <hr/>	<hr/> <hr/>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO: OWNERS OF THE COMPANY			
		105,980	23,154
NON-CONTROLLING INTERESTS		8,008	46,149
		<hr/>	<hr/>
		113,988	69,303
		<hr/> <hr/>	<hr/> <hr/>
		<i>HK cents</i>	<i>HK cents</i>
BASIC AND DILUTED EARNINGS (LOSS) PER SHARE			
	9		
FROM CONTINUING AND DISCONTINUED OPERATIONS		5.59	1.17
FROM CONTINUING OPERATIONS		(0.36)	(1.29)
		<hr/> <hr/>	<hr/> <hr/>

Consolidated Statement of Financial Position

	<i>Notes</i>	31.3.2011 HK\$'000	31.3.2010 <i>HK\$'000</i> (restated)	1.4.2009 <i>HK\$'000</i> (restated)
NON-CURRENT ASSETS				
Property, plant and equipment		45,674	57,378	56,010
Investment property		30,505	30,839	31,173
Interest in an associate	<i>10</i>	476,480	–	–
Pledged bank deposits		2,000	2,034	2,034
Goodwill	<i>11</i>	–	247,121	243,318
Intangible assets	<i>11</i>	–	<u>5,226</u>	<u>8,213</u>
		<u>554,659</u>	<u>342,598</u>	<u>340,748</u>
CURRENT ASSETS				
Completed properties for sale		118,870	116,105	114,812
Inventories		–	44,743	38,419
Trade and other receivables	<i>12</i>	42	125,620	149,524
Deposits and prepayments		2,022	18,518	3,345
Available-for-sale investments		–	–	6,886
Taxation recoverable		250	598	2,871
Pledged bank deposits		–	12,811	3,121
Deposits with a financial institution		–	–	126
Bank balances and cash		<u>597,413</u>	<u>825,367</u>	<u>744,961</u>
		<u>718,597</u>	<u>1,143,762</u>	<u>1,064,065</u>
CURRENT LIABILITIES				
Trade and other payables and accrued charges	<i>13</i>	4,028	26,418	28,812
Deposits received		803	9,516	1,487
Provisions		3,173	3,173	3,173
Amount due to a related company		2,953	1,992	2,092
Amount due to a director		–	–	23,967
Convertible note		–	128,696	–
Taxation payable		3,580	15,368	7,691
Bank borrowings		–	<u>33,748</u>	<u>21,705</u>
		<u>14,537</u>	<u>218,911</u>	<u>88,927</u>
NET CURRENT ASSETS		<u>704,060</u>	<u>924,851</u>	<u>975,138</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,258,719</u>	<u>1,267,449</u>	<u>1,315,886</u>

	31.3.2011 <i>HK\$'000</i>	31.3.2010 <i>HK\$'000</i> (restated)	1.4.2009 <i>HK\$'000</i> (restated)
NON-CURRENT LIABILITIES			
Convertible note	–	–	122,324
Deferred tax liabilities	<u>844</u>	<u>5,797</u>	<u>4,766</u>
	<u>844</u>	<u>5,797</u>	<u>127,090</u>
NET ASSETS	<u>1,257,875</u>	<u>1,261,652</u>	<u>1,188,796</u>
CAPITAL AND RESERVES			
Share capital	156,611	156,611	156,611
Reserves	<u>1,100,847</u>	<u>994,192</u>	<u>967,485</u>
Equity attributable to owners of the Company	1,257,458	1,150,803	1,124,096
Non-controlling interests	<u>417</u>	<u>110,849</u>	<u>64,700</u>
TOTAL EQUITY	<u>1,257,875</u>	<u>1,261,652</u>	<u>1,188,796</u>

Notes:

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied the following new and revised Standards, Amendments and Interpretations (“new and revised HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (as revised in 2008)	Business Combinations
HKAS 27 (as revised in 2008)	Consolidated and Separate Financial Statements
HKAS 32 (Amendments)	Classification of Right Issues
HKAS 39 (Amendments)	Eligible Hedged Items
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HK (IFRIC) – Int 17	Distributions of Non-cash Assets to Owners
HK (IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments
HK – Int 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Except as described below, the application of these new and revised HKFRSs in the current year has had no material effect on the consolidated financial statements.

HKAS 27 (as revised in 2008) Consolidated and Separate Financial Statements

The application of HKAS 27 (as revised in 2008) has resulted in changes in the Group’s accounting policies for changes in ownership interests in subsidiaries of the Group. The definition of non-controlling interest has also been changed.

Specifically, the revised Standard has affected the Group’s accounting policies regarding changes in the Group’s ownership interests in its subsidiaries that do not result in loss of control. In prior years, in the absence of specific requirements in HKFRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised, when appropriate; for decreases in interests in existing subsidiaries that did not involve a loss of control, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss. Under HKAS 27 (as revised in 2008), all such increases or decreases are dealt with in equity, with no impact on goodwill or profit or loss.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised Standard requires the Group to derecognise all assets, liabilities and non-controlling interests at their carrying amounts and to recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. The resulting difference is recognised as a gain or loss in profit or loss.

These changes have been applied prospectively from 1st April, 2010 in accordance with the relevant transitional provisions.

The application of the revised Standard has affected the accounting for the Group's retained interest upon losing control of Termbray Petro-king Oilfield Services (BVI) Limited ("Termbray Petro-king") in the current year. The change in policy has resulted in the difference of HK\$97,222,000 between the fair value of the retained interest of Termbray Petro-king at the date control is lost of HK\$473,826,000 and the interest retained in Termbray Petro-king with carrying amounts of HK\$376,604,000, being recognised directly in profit or loss. Therefore, the change in accounting policy has resulted in an increase in the profit for the year and carrying amount of interest in an associate of HK\$97,222,000 and an increase in the Group's basic and diluted earnings per share of HK4.97 cents.

Amendment to HKAS 17 Leases

As part of Improvements to *HKFRSs* issued in 2009, HKAS 17 Leases has been amended in relation to the classification of leasehold land. Before the amendment to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the consolidated statement of financial position. The amendments to HKAS 17 have removed such a requirement. The amendments require that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

In accordance with the transitional provisions set out in the amendments to HKAS 17, the Group reassessed the classification of unexpired leasehold land as at 1st April, 2010 based on information that existed at the inception of the leases. Leasehold lands that qualifies for finance lease classification has been reclassified from prepaid lease payment to property, plant and equipment and investment properties retrospectively. This resulted in prepaid lease payments with the carrying amounts of HK\$38,872,000 and HK\$38,499,000 as at 1st April, 2009 and 31st March, 2010 respectively being reclassified to property, plant and equipment; and prepaid lease payments with the carrying amounts of HK\$27,803,000 and HK\$27,578,000 as at 1st April, 2009 and 31st March, 2010 respectively being reclassified to investment property.

As at 31st March, 2011, leasehold land that qualifies for finance lease classification with the carrying amount of HK\$38,127,000 and HK\$27,353,000 have been included in property, plant and equipment and investment property respectively. The application of the amendments to HKAS 17 has had no impact on the reported profit or loss for the current and prior years.

Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ('HK Int 5') clarifies that term loans that include a clause that gives the lender the unconditional right to call the loans at any time ('repayment on demand clause') should be classified by the borrower as current liabilities. The Group has applied HK Int 5 for the first time in the current year. Hong Kong Interpretation 5 requires retrospective application.

In order to comply with the requirements set out in HK Int 5, the Group has changed its accounting policy on classification of term loans with a repayment on demand clause. In the past, the classification of such term loans were determined based on the agreed scheduled repayment dates set out in the loan agreements. Under HK Int 5, term loans with a repayment on demand clause are classified as current liabilities.

As a result, bank loans that contain a repayment on demand clause with the aggregate carrying amounts of HK\$4,300,000 has been reclassified from non-current liabilities to current liabilities as at 31st March, 2010. The application of HK Int 5 has had no impact on the reported profit or loss for the current and prior year.

The Group has not early applied the following new or revised Standards, Amendments or Interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs in 2010 ¹
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets ³
HKFRS 9	Financial Instruments ⁴
HKFRS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets ⁵
HKFRS 24 (Revised 2009)	Related Party Disclosures ⁶
HK (IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement ⁶
HK (IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments ²

¹ Effective for annual periods beginning on or after 1st July, 2010 and 1st January, 2011, as appropriate.

² Effective for annual periods beginning on or after 1st July, 2010.

³ Effective for annual periods beginning on or after 1st July, 2011.

⁴ Effective for annual periods beginning on or after 1st January, 2013.

⁵ Effective for annual periods beginning on or after 1st January, 2012.

⁶ Effective for annual periods beginning on or after 1st January, 2011.

The directors of the Company anticipate that the application of the new and revised Standards, Amendments or Interpretations will have no material impact on the consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

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

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i> (restated)
Continuing operations		
Sales of properties	4,111	385
Rental income	<u>5,049</u>	<u>5,315</u>
	<u>9,160</u>	<u>5,700</u>

Segment information reported to the chief operating decision maker, the executive directors of the Company, for the purposes of resource allocation and assessment of segment performance focuses on the two principal operating segments of the Group, namely property investment and development which involved property leasing and sales of properties, and oilfield engineering and consultancy services which involved sale of equipment and provision of consultancy services on well drilling. 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 detail in note 7. Accordingly, the comparatives of segment information have been restated.

Segment revenues and results

The following is an analysis of the Group's revenue and results by operating segment.

Continuing operations

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i> (restated)
Revenue from property investment and development segment	<u>9,160</u>	<u>5,700</u>
Segment profit from property investment and development segment	<u>10,047</u>	<u>3,067</u>
Unallocated other income	1,843	2,104
Unallocated other gain and expenses	2,379	(65)
Unallocated expenses	(17,851)	(20,549)
Share option expense	(675)	(3,553)
Effective interest expense on convertible note	(4,996)	(6,372)
Corporate income tax credit	–	30
Share of result of an associate	<u>2,195</u>	<u>–</u>
Loss for the year from continuing operations	<u>(7,058)</u>	<u>(25,338)</u>

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 property investment and development segment without allocation of unallocated other income, unallocated other gain and expenses, unallocated expenses, share option expense, effective interest expense on convertible note, corporate income tax credit 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

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i> (restated)
Continuing operations		
Interest income from		
– available-for-sale investments	–	3
– bank balances and deposits with a financial institution	<u>1,886</u>	<u>2,130</u>
	1,886	2,133
Sundry income	<u>752</u>	<u>131</u>
	<u>2,638</u>	<u>2,264</u>

5. FINANCE COSTS

Continuing operations

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

6. TAXATION

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i> (restated)
Continuing operations		
Current tax:		
Hong Kong Profits Tax	229	228
PRC Enterprise Income Tax	<u>28</u>	<u>38</u>
	<u>257</u>	<u>266</u>
Overprovision in prior years:		
Hong Kong Profits Tax	–	(30)
Deferred tax	<u>85</u>	<u>86</u>
	<u><u>342</u></u>	<u><u>322</u></u>

Hong Kong Profits Tax is calculated at 16.5% (2010: 16.5%) of the estimated assessable profit for the year.

PRC Enterprise Income Tax is calculated at 25% (2010: 25%) of the estimated assessable profits for the year.

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.

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% by Termbray NRC, King Shine and Investor, respectively. An analysis of the results of the discontinued operations included in the consolidated statement of comprehensive income are set out below. The comparative profit from discontinued operations have been re-presented to include those operations classified as discontinued in the current year.

The profit for the period/year from discontinued operations

	1.4.2010 to 20.10.2010 HK\$'000	1.4.2009 to 31.3.2010 HK\$'000
Revenue	106,127	382,408
Cost of goods sold and services rendered	<u>(58,254)</u>	<u>(197,308)</u>
Gross profit	47,873	185,100
Other income and gains	8,930	5,332
Other gain and losses	(691)	561
Administrative expenses	(16,622)	(19,546)
Selling and distribution expenses	(21,605)	(46,693)
Share of result of an associate	340	–
Finance cost	<u>(1,232)</u>	<u>(1,373)</u>
Profit before taxation	16,993	123,381
Taxation	<u>(3,873)</u>	<u>(29,117)</u>
	13,120	94,264
Gain on losing control of subsidiaries	<u>109,883</u>	<u>–</u>
Profit for the period/year from discontinued operations	<u><u>123,003</u></u>	<u><u>94,264</u></u>
Profit for the period/year from discontinued operations attributable to:		
Owners of the Company	116,574	48,315
Non-controlling interests	<u>6,429</u>	<u>45,949</u>
	<u><u>123,003</u></u>	<u><u>94,264</u></u>

8. PROFIT FOR THE YEAR

	Continuing operations		Discontinued operations	
	2011 HK\$'000	2010 HK\$'000 (restated)	2011 HK\$'000	2010 HK\$'000 (restated)
Profit for the year has been arrived at after charging (crediting):				
Amortisation of intangible assets, included in “administrative expenses”	–	–	1,742	2,987
Depreciation of				
– property, plant and equipment	1,677	2,200	1,691	2,060
– investment property	334	334	–	–

Pursuant to the adoption of HKAS 17, amortisation on prepaid lease payments for leasehold land of HK\$598,000 for the year ended 31st March, 2010 has been reclassified as depreciation of property, plant and equipment and investment property of HK\$373,000 and HK\$225,000 respectively.

9. BASIC AND DILUTED EARNINGS (LOSS) PER SHARE

From continuing and discontinued operations

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

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Earnings for the year attributable to owners of the Company for the purposes of basic and diluted earnings per share	<u>109,516</u>	<u>22,977</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 basic and diluted loss per share attributable to owners of the Company is based on the following data:

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Earnings for the period attributable to owners of the Company for the purposes of basic and diluted earnings per share	<u>109,516</u>	<u>22,977</u>
Less: Profit for the year from discontinued operations attributable to owners of the Company	<u>(116,574)</u>	<u>(48,315)</u>
Loss for the year attributable to owners of the Company for the purposes of basic and diluted loss per share	<u>(7,058)</u>	<u>(25,338)</u>

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

The computation of diluted loss per share from the continuing operations 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.

From discontinued operations

Basic and diluted earnings per share for the discontinued operation is HK5.95 cents per share (2010: HK2.47 cents per share), based on the profit attributable to owners of the Company from the discontinued operations of HK\$116,574,000 (2010: HK\$48,315,000) and the denominators detailed above for both basic and diluted earnings per share.

10. INTEREST IN AN ASSOCIATE

On 20th October, 2010, Termbray Petro-King ceased as a subsidiary and became an associate of the Company upon the completion of Subscription. Details are disclosed in note 7. On the same date, the fair value of the interests in Termbray Petro-King held by the Company is HK\$473,826,000.

Details of the Group's interest in an associate at 31st March, 2011 are as follows:

	<i>HK\$'000</i>
Cost of unlisted investment in an associate	473,826
Share of post-acquisition profit and other comprehensive income	<u>2,654</u>
	<u><u>476,480</u></u>

Included in the cost of investment in an associate is goodwill of HK\$251,701,000 arising on the deemed disposal of a subsidiary as set out in note 7, being the difference between the cost of the investment of HK\$473,826,000 and the Group's share of the net fair value of the associate's identifiable assets and liabilities of HK\$222,125,000. Included in the net fair value of the associate'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, amortised according to the management expectation of realisation of profits of the incomplete contracts over their estimated useful lives of one to two years.

The summarised financial information in respect of the Group's associates attributable to the Group's interest as at 31st December, 2010 is set out below:

	<i>HK\$'000</i>
Total assets	846,021
Total liabilities	<u>335,251</u>
Net assets	<u><u>510,770</u></u>
Group's share of net assets of an associate (excluding goodwill)	<u><u>234,443</u></u>
Revenue	345,675*
Profit for the period	4,782*
Other comprehensive income	<u><u>1,000*</u></u>
Group's share of profit and other comprehensive income of an associate	<u><u>2,654</u></u>

* Included revenue, profit or other comprehensive income of Termbray Petro-King from the date it became an associate of the Group up to 31st December, 2010.

11. GOODWILL AND INTANGIBLE ASSETS

For the current year, the carrying amounts of goodwill and intangible assets have been derecognised upon losing control of the subsidiaries.

12. TRADE AND OTHER RECEIVABLES

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Trade receivables	–	117,775
Less: allowance for doubtful debts	–	(4,016)
	<u>–</u>	<u>113,759</u>
Other receivables	42	11,861
	<u>42</u>	<u>125,620</u>

The receivables from sales of properties and rental receivables are collected in accordance with the terms of the relevant agreements. For the year ended 31st March, 2010, the Group allows an average credit period of 90 days after invoice date to most of its customers in respect of the oilfield engineering and consultancy services.

The following is an aged analysis of trade receivables (net of allowance for doubtful debts) presented based on the date of the transactions at the end of the reporting period:

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
1 – 90 days	–	9,591
91 – 180 days	–	35,439
181 – 365 days	–	13,096
More than 1 year, but not exceeding 2 years	–	52,525
More than 2 years, but not more than 3 years	–	3,108
	<u>–</u>	<u>113,759</u>

Before accepting any new customers, the Group applies an internal credit assessment policy to assess the potential customer's credit quality and defines credit limit by customer. Management closely monitors the credit quality of trade receivables and considers that the trade receivables that are neither past due nor impaired to be of good credit quality since most counterparties are leaders in the oilfield industry with strong financial position and no history of defaults.

At 31st March, 2010, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK\$82,886,000 which are past due as at the end of the reporting period for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. The average age of these receivables is past due by 253 days.

13. TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

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

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
1 – 90 days	153	17,725
Over 90 days	331	5,339
	<u>484</u>	<u>23,064</u>
Trade and other payables	484	23,064
Accrued charges	3,544	3,354
	<u>4,028</u>	<u>26,418</u>

The credit period on purchases of goods is ranged from 60 to 90 days (2010: 60 to 90 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit time frame.

DIVIDEND

The board of directors of the Company does not recommend payment of a dividend in respect of the year (2010: Nil).

REVIEW OF OPERATIONS

Property investment and Development

The operating environment for the Group's property investment and development business remains tough during the year 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 Guangdong Province, continue at a low level during the year.

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 to improve the operation of the commercial arcades by looking for innovative trendy commodities which are attractive to the consumers in Zhongshan. The rental income earned by the Group from Ever Success Plaza during the year is decreased by 12.94%. The Group has sold 9 residential units during the year under review. As at 31st March, 2011, 224 residential units remained to be sold, out of which 120 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 consolidated financial statements of the Group in prior years.

Oilfield engineering and consultancy services

During the year under review, the Group has accounted for the results of Termbray Petro-king Group for the nine months' period from 1st April, 2010 to 31st December, 2010. The 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 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.

From 1st April, 2010 to date of completion in October, 2010 of the Subscription, the Group has accounted for the result of Termbray Petro-king Group as subsidiaries under discontinued operations. From date of completion of the Subscription to 31st December, 2010, the Group has accounted for the result of Termbray Petro-king Group as an associate applying the equity method of accounting. For the period from 1st April, 2010 to 31st December, 2010, Termbray Petro-king Group achieved a turnover of HK\$452 million and recorded a profit after tax of HK\$66 million (after deducting employee share-based payment of HK\$21 million upon the grant of share option to directors and selected employees). For the year from 1st April, 2009 to 31st March, 2010, Termbray Petro-king Group achieved a turnover of HK\$382 million and recorded a profit after tax of HK\$94 million. The progress of some projects and delivery of equipments were a bit delayed in the first half year. However, they caught up in the second half year and the overall performance of Termbray Petro-king Group for the year is satisfactory. Termbray Petro-king Group has maintained very good relationship with its existing customers, it is engaged in complex oilfields services and the competition for high-end oil exploration technology is not very keen, therefore it is able to expand its business.

Based on the unaudited consolidated financial statements of Termbray Petro-king Group for the 3 months' period from 1st January, 2011 to 31st March, 2011, Termbray Petro-king Group achieved a revenue of HK\$86 million and recorded a profit after tax of HK\$6 million.

Included in the net fair value on completion date of the Subscription of 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 realisation 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 year ended 31st March 2011 has accounted for an amortisation of the intangible assets of HK\$24 million. The balance of the intangibles assets is expected to be amortised in the financial year ending 31st March, 2012.

The major customers of Termbray Petro-king Group have acquired several massive overseas oil reserves, therefore the demand for experienced oilfield engineering and consultancy services have upsurged substantially. Termbray Petro-king Group has the technical knowhow to provide the comprehensive oilfield development design and consultancy services. Termbray Petro-king Group obtained awards of tender bid for several overseas massive projects, particularly in the Middle East which will last for several years. Termbray Petro-king Group is now working hard on them and their preparation work is in good order 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.

DEEMED DISPOSAL ARISING FROM SUBSCRIPTION FOR NEW SHARES BY AN INVESTOR IN TERMBRAY PETRO-KING GROUP

On 3rd September, 2010, Termbray Petro-king Oilfield Services (BVI) Limited ("Termbray Petro-king"), a non-wholly owned subsidiary of the Company, TCL Industries Holdings (HK) Limited ("TCL"), King Shine Group Limited ("King Shine") and Termbray Natural Resources Limited ("Termbray NRC"), a wholly owned subsidiary of the Company entered into a Subscription Agreement, pursuant to which Termbray Petro-king shall allot and issue and TCL shall subscribe for new shares of Termbray Petro-king, 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 US dollars. TCL and its ultimate beneficial owners is an independent third party and not a connected person of the Company.

Upon completion of the Subscription in October 2010, Termbray Petro-king is owned as to 45.9%, 44.1% and 10.0% by Termbray NRC, King Shine 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 Subscription would considerably strengthen Termbray Petro-king Group's financial position and its ability to continue to expand in the oilfield engineering and consultancy services industry. The proceeds of the Subscription has also increased the liquidity of Termbray Petro-king Group and strengthen its position to fund its continued expansion.

In the current year, the Group has applied HKAS 27 (as revised in 2008) *Consolidated and Separate Financial Statements*, which is effective for accounting period beginning on or after 1st July, 2009. The application of the revised Standard has affected the resulted gain for the Group's losing control of Termbray Petro-king in the current year.

When control of a subsidiary is lost as a result of a transaction, the revised Standard requires the Group to derecognise all assets, liabilities and non-controlling interests at their carrying amounts and to recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. The resulting difference is recognised as a gain or loss in profit or loss.

The fair value of the Group's interest in Termbray Petro-king at the date control is lost has been regarded as cost of interest in associate from the date on which the Group ceased to have control, and incorporated in the consolidated financial statements using the equity method of accounting. The fair value has been arrived at on the basis of a valuation carried out on that date by Vigers Appraisal & Consulting Limited, an independent qualified professional valuer not connected with the Group. The change in accounting policy has resulted in the difference of HK\$97,222,000 between the fair value of the retained interest of Termbray Petro-king at the date control is lost of HK\$473,826,000 and the interest retained in Termbray Petro-king with carrying amounts of HK\$376,604,000, being recognised directly in profit or loss. Therefore, the change in accounting policy has resulted in an increase in the profit for the year and carrying amount of interest in an associate of HK\$97,222,000.

For the circular dated 30th September, 2010 ("Circular") regarding the deemed disposal arising from the Subscription, the Group has applied HKAS 27 "Consolidated and Separate Financial Statements" which was issued in December 2004 and was effective during the relevant accounting periods. Therefore, the assumed pro-forma gain on deemed disposal of HK\$10.9 million as disclosed in the Circular is calculated based on the difference between the Group's 45.9% share on the net consideration on the Subscription received by Termbray Petro-king and 5.1% of the unaudited net assets value of the disposal group as at 31st March, 2010 and 5.1% of the cumulative amount of exchange differences related to the disposal group recognised in equity as at 31st March, 2010.

TREASURY INVESTMENT ACTIVITY

The Group still holds a substantial amount of funds of approximately HK\$0.6 billion which have been placed as short term bank deposits with large financial institutions in Hong Kong.

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. 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 has 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 the Guangdong province, the Group has not yet acquired any land or properties during the year under review, but the Group will continue to explore investment opportunities in the property markets in the PRC.

Termbray Petro-king Group has kicked-off several massive projects particularly in the Middle East. These new projects will last for several years. These projects have completed initial design and will soon undergo production in the coming years. The oil price has maintained at above US\$90 per barrel. We expect the oil price at this level will boost substantial capital expenditure investment in new oilfields by large national oil companies. Substantial parts of these capex investment will be invested by China national oil companies in their overseas projects. 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 coming capex boom. 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 opportunity 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.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st March, 2011, the Group remains cash-rich and no material capital expenditure commitments. The operations are financed by capital and reserves.

The non-interest bearing convertible notes of HK\$133,692,000 issued to King Shine Group Limited in 2007 matured on 31st December, 2010. On the maturity date, the noteholder had not exercised the conversion right and the Company had made a full repayment of the outstanding principal amount of HK\$133,692,000 from internal resources.

Bank balances and cash amounted to HK\$597,413,000 and accounted for 83.14% of total current assets.

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.

STAFF

As at 31st March, 2011, the Group employed 48 staff at market remunerations with staff benefits such as insurance, provident fund scheme and discretionary bonus and share option 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 year.

CORPORATE GOVERNANCE

The Company has met the code provisions in the Code on Corporate Governance Practices ("the Code") as set out in Appendix 14 of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited during the year ended 31st March, 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 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 has amended its 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 3 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 year ended 31st March, 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 annual results for the year ended 31st March, 2011.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31st March, 2011 as set out in the preliminary announcement have been agreed by the Group’s auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

OTHER INFORMATION

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 and Chief Executive Officer*

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

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

Hong Kong, 17th June, 2011