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TERMBRAY INDUSTRIES INTERNATIONAL (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

Website: www.termbray.com.hk

(Stock Code: 0093)

ANNOUNCEMENT

CONTINUING CONNECTED TRANSACTIONS

Financial adviser to Termbray Industries International (Holdings) Limited

PiperJaffray®

Piper Jaffray Asia Limited

The Board announces that on 6 May 2008, the Company entered into the Framework Agreement with Petro-king, a non wholly-owned subsidiary of the Company, pursuant to which the Petro-king Group will provide the Group with services in relation to (a) evaluation of potential oil assets identified for acquisition; and (b) oilfield operation and management services for the acquired oilfields.

Mr. Wang Jinlong, being the executive Director and chief executive officer of the Company, is the connected person of the Company and is entitled to exercise more than 10% of the voting power at any general meeting of Petro-king, being the non wholly-owned subsidiary of the Company, by virtue of his 55.28% equity interest in King Shine which indirectly owns 49% interest of Petro-king, and therefore Petro-king is a connected person of the Company pursuant to Rule 14A.11(5) of the Listing Rules. The Continuing Connected Transactions contemplated under the Framework Agreement will constitute continuing connected transactions of the Company and therefore are subject to the requirements under Chapter 14A of the Listing Rules.

As the applicable percentage ratios will exceed 2.5% on an annual aggregated basis and the aggregated annual cap of the Continuing Connected Transactions is more than HK\$10 million, the Continuing Connected Transactions contemplated under the Framework Agreement are subject to the reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Listing Rules, the Independent Shareholders' approval under Rules 14A.48 to 14A.54 of the Listing Rules at the Company's general meeting and the annual review requirements by the independent non-executive Directors and the auditors of the Company under Rules 14A.37 to 14A.41 of the Listing Rules. Mr. Wang Jinlong and his associates are required to abstain from voting in respect of the proposed resolution to approve the Framework Agreement and the Continuing Connected Transactions contemplated thereunder.

A circular containing further details of the Framework Agreement, a letter of recommendation from the Independent Board Committee, a letter of advice from the independent financial adviser of the Company to the Independent Board Committee and the Independent Shareholders, and a notice of the Special General Meeting to approve the Framework Agreement, will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules.

INTRODUCTION

Reference is made to the announcement of the Company dated 31 December 2007 in relation to the Group's acquisition of 51% equity interest in Petro-king HK and Petro-king PRC. Upon completion of the acquisition, Petro-king, which directly holds the entire equity interest in Petro-king HK and Petro-king PRC, became a non wholly-owned subsidiary of the Group. The solid experience of the Petro-king Group in oilfield related engineering and consultancy services grants the Group the expertise required to develop in the oil sector including the evaluation of potential oil assets and subsequent operation of oilfields to be acquired. As such, on 6 May 2008, the Company entered into the Framework Agreement with Petro-king, pursuant to which the Petro-king Group will provide the Group with services in relation to (a) evaluation of potential oil assets identified for acquisition; and (b) oilfield operation and management services for the acquired oilfields.

THE FRAMEWORK AGREEMENT

Date

6 May 2008

Parties

The Company
Petro-king

Synopsis

Pursuant to the Framework Agreement, the Petro-king Group will provide the Group with services including (a) evaluation of potential oil assets identified for acquisition; and (b) oilfield operation and management services for the acquired oilfields. The Framework Agreement sets out the general guidelines and terms and conditions for the relevant services. Individual specific agreements will be entered into between the relevant members of the Petro-king Group and the relevant members of the Group from time to time for each individual project. Each specific agreement will set out, inter alia, the specific scope of services to be provided, detailed technical and other specifications which may be relevant to those services and other terms and conditions. The terms of the specific agreements will be consistent in all material respects with the guidelines and terms and conditions as set out in the Framework Agreement and the provision of the relevant services shall be conducted based on the Framework Agreement as well as each specific agreement. If there is any discrepancy between the terms of the Framework Agreement and those of the individual specific agreements, the terms of the Framework Agreement shall prevail. The service fees set out in the specific agreements should be determined based on the general pricing principals set out in the Framework Agreement and on arm's length negotiations between the Petro-king Group and the Group.

Scope of services

The scope of services to be provided by the Petro-king Group to the Group under the Framework Agreement includes:

- (a) evaluation of potential oil assets identified for acquisition, such as exploration and oilfield evaluation, wireline-conveyed well logging and magnetic resonance logging and other related services; and
- (b) oilfield operation and management services for the acquired oilfields, which can be further categorised as follows:
 - (i) provision of exploration and support services, such as integrated exploration research seismic data acquisition and processing and overall project management, and other related services; and
 - (ii) provision of oil and gas development, production and support services, such as overall project management, design, construction, installation and tuning of production facilities and sourcing and purchasing material, equipment for the development and production activities and other related services.

General pricing principles

The pricing for the services to be provided pursuant to the Framework Agreement will be based on the following general principles:

- (i) the price shall be determined by reference to the relevant market price for the provision of the relevant services as offered by all the Independent Third Parties in the relevant market in the ordinary course of business to the Group; and
- (ii) in the absence of the relevant market price, the price shall be calculated as the reasonable costs incurred by the Petro-king Group in providing the relevant services (including the cost of sourcing or purchasing of the equipment and materials from third parties, direct labor costs and selling, general and administrative expenses) plus a margin of not more than 25%, before interest and any applicable taxes.

The abovementioned 25% of the operating profit margin is agreed based on arm's length negotiation with reference to the operating profit margins of the oilfield engineering services providers listed in Hong Kong, the PRC and Singapore, the Directors (excluding members of the Independent Board Committee whose view will be given in the circular to be despatched to the Shareholders after taking into account the advice of the independent financial adviser) consider the basis of the terms is fair and reasonable.

In general, the services provided by the Petro-king Group to the Group shall be of good quality and based on arm's length negotiations between the parties thereto on terms and conditions which are fair and reasonable and no less favourable than those available to the Group from Independent Third Parties.

Term and Termination

The term of the Framework Agreement is initially for three years commencing from 1 June 2008 to 31 May 2011. The Framework Agreement or the relevant services may be terminated by either party from time to time by giving at least one month's prior written notice, which shall specify which kind of services shall be terminated and when such termination shall be effective, to the other party. Termination of such services in the Framework Agreement will not prejudice other rights and obligations of each party under the Framework Agreement or the individual specific agreements (if any) or any relevant agreements confirmed in writing, or the rights and obligations arisen of the Company in other agreements confirmed by the Company in writing before or upon the despatch of the written notice unless otherwise agreed by both parties.

Conditions precedent

As the entering into of the Framework Agreement and the Continuing Connected Transactions contemplated under the Framework Agreement constitute continuing connected transactions of the Company, the conditions precedent of the Framework Agreement include:

- (i) the Independent Shareholders' approval; and
- (ii) any other matter for the purposes of complying with the requirements of connected transactions under the Listing Rules.

Other terms

In the event that the total amount of the Continuing Connected Transactions contemplated under the Framework Agreement is foreseen to exceed the annual cap, the parties agree to notify the Stock Exchange and convene the shareholders' meeting to seek the approval by the Independent Shareholders in this regard and disclose such information to the public. In the event that any of the caps is exceeded, the Company shall re-comply with Rule 14A.35(3) and (4) of the Listing Rules pursuant to Rule 14A.36(1) of the Listing Rules.

ANNUAL CAPS

The Board has considered and proposed that the following maximum aggregate annual values in respect of each service type under the Framework Agreement be set for each of the years ending 31 March 2011.

Proposed annual caps of the services under the Framework Agreement for each of the years ending 31 March 2009, 2010 and 2011

Category of services	For the year ending 31 March		
	2009	2010	2011
		(US\$'000)	
(a) Evaluation of potential oil assets identified for acquisition	1,500	1,500	1,500
(b) Oilfield operation and management services for the acquired oilfields	13,360	20,560	43,520

BASIS FOR THE CAPS

(a) Evaluation of potential oil assets identified for acquisition

The annual proposed caps in relation to the provision of evaluation services by the Petro-king Group to the Group have been determined with reference to the estimated costs to the Group to be charged by the Petro-king Group for such services, based on factors including the estimated amount of work required to arrive at the evaluation of a typical oilfield of moderate size, the relevant chargeout rates of the personnel required from the Petro-king Group as those charged against Independent Third Parties and the Group for previous services provided, and the market price of the relevant services, for the evaluation of up to ten oil assets per year for each of the years ending 31 March 2009, 2010 and 2011.

(b) Oilfield operation and management services for the acquired oilfields

The annual proposed caps in relation to the provision of oilfield operation and management services by the Petro-king Group to the Group have been determined with reference to the estimated costs of such services to be charged by the Petro-king Group for the operation and management of a typical oilfield of moderate size, based on factors including the estimated amount of work required for the operation and management of a typical oilfield of moderate size, the transaction amounts in respect of the provision of such services by the Petro-king Group to Independent Third Parties, and the market price of the similar services. As a new comer to the oilfield industry, the Company currently expects to have acquired its first oilfield exploration and production project during the year ending 31 March 2009 and begin operation and management of the oilfield during this period. At the same time, the Company will continue to explore potential opportunities in acquiring an additional suitable oilfield during the year ending 31 March 2010 and expects to complete acquisition of its second oilfield during the year ending 31 March 2011. As such, it is expected that the Company will undertake two projects during the year ending 31 March 2011.

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

The Group is principally engaged in property development, property investment and the provision of oilfield engineering and consultancy services. Petro-king is principally engaged in the provision of oilfield engineering and consultancy services for domestic and overseas oilfields.

It is the Group's ongoing strategy to develop as a natural resources company with well-balanced assets combination of production and reserve as well as strong exploration and production capabilities. Since December 2007, Petro-king has become a non wholly-owned subsidiary of the Group and the solid experience of the Petro-king Group in oilfield related engineering and consultancy services grants the Group the expertise required to develop in the oil sector. In developing its assets base, the Group is actively exploring and reviewing acquisition opportunities of exploring and producing oil and gas assets in countries including but not limited to Central Asia and South-eastern Asia. The entering into of the Framework Agreement allows the Company to leverage on the technical expertise and competence of the Petro-king Group, in the evaluation and acquisition of identified potential oil assets and subsequent operation and management of acquired oilfields. The Group believes that this vertically-integrated model with operations covering upstream and oilfield engineering and management would allow the Group to expand and be successful in the oil sector.

The Directors (excluding members of the Independent Board Committee whose view will be given in the circular to be despatched to the Shareholders after taking into account the advice of the independent financial adviser) are of the view that the terms and conditions of the Framework Agreement are determined after arm's length negotiations between the parties thereto and will be no less favourable than terms to or from Independent Third Parties and therefore are fair and reasonable so far as the Shareholders are concerned and the Framework Agreement is on normal commercial terms and in the interest of the Company and the Shareholders as a whole.

The Continuing Connected Transactions as referred to in this announcement will be conducted in the ordinary and usual course of business of the Group. These transactions will continue to be agreed on an arm's length basis with terms that are fair and reasonable to the Company.

GENERAL

Mr. Wang Jinlong, being the executive Director and chief executive officer of the Company, is the connected person of the Company and is entitled to exercise more than 10% of the voting power at any general meeting of Petro-king, being the non wholly-owned subsidiary of the Company, by virtue of his 55.28% equity interest in King Shine which indirectly owns 49% interest of Petro-king, and therefore Petro-king is a connected person of the Company pursuant to Rule 14A.11(5) of the Listing Rules. The Continuing Connected Transactions contemplated under the Framework Agreement will constitute continuing connected transactions of the Company and therefore are subject to the requirements under Chapter 14A of the Listing Rules.

As the applicable percentage ratios will exceed 2.5% on an annual aggregated basis and the aggregated annual cap of the Continuing Connected Transactions is more than HK\$10 million, the Continuing Connected Transactions contemplated under the Framework Agreement are subject to the reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Listing Rules, the Independent Shareholders' approval under Rules 14A.48 to 14A.54 of the Listing Rules at the Company's general meeting and the annual review requirements by the independent non-executive Directors and the auditors of the Company under Rules 14A.37 to 14A.41 of the Listing Rules. Mr. Wang Jinlong and his associates are required to abstain from voting in respect of the proposed resolution to approve the Framework Agreement and the Continuing Connected Transactions contemplated thereunder.

Details of the Continuing Connected Transactions will be included in the annual report and accounts of the Company in accordance with Rules 14A.45 and 14A.46 of the Listing Rules. In the event that any of the caps are exceeded or the Framework Agreement are renewed or the terms thereof are materially varied, the Company will re-comply with the reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.45 to 14A.48 of the Listing Rules.

A circular containing further details of the Framework Agreement, a letter of recommendation from the Independent Board Committee, a letter of advice from the independent financial adviser of the Company to the Independent Board Committee and the Independent Shareholders, and a notice of the Special General Meeting to approve the Framework Agreement, will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules.

DEFINITIONS

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

“associate”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Company”	Termbray Industries International (Holdings) Limited, a company incorporated in Bermuda with limited liability and whose Shares are listed on the main board of the Stock Exchange
“Continuing Connected Transactions”	The transactions between the Company and Petro-king contemplated under the Framework Agreement
“Directors”	the directors of the Company, including its non-executive director and independent non-executive directors
“Framework Agreement”	the framework agreement dated 6 May 2008 entered into between the Company and Petro-king in relation to the provision of services by the Petro-king Group to the Group including (a) evaluation of potential oil assets identified for acquisition; and (b) oilfield operation and management services for the acquired oilfields
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the committee of the board of the Directors, consisting of independent non-executive Directors, to advise the Independent Shareholders in respect of the Framework Agreement and the Continuing Connected Transactions contemplated thereunder
“Independent Shareholders”	Shareholders other than Mr. Wang Jinlong and his associates
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons of the Company in accordance with the Listing Rules
“King Shine”	King Shine Group Limited, a company incorporated in the British Virgin Islands

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Petro-king”	Petro-king Holding Limited, a company incorporated in Hong Kong, which directly holds the entire equity interest in Petro-king HK and Petro-king PRC and is indirectly owned as to 51% by the Company and 49% by King Shine respectively
“Petro-king Group”	Petro-king and its wholly-owned subsidiaries
“Petro-king HK”	Petro-king International Co., Limited, a company incorporated in Hong Kong
“Petro-king PRC”	深圳市百勤石油技術有限公司 (Petro-king Oilfield Technology Limited), a company established in the PRC
“PRC”	the People’s Republic of China
“Special General Meeting”	a special general meeting of the Company to be held to consider the ordinary resolution(s) to be proposed to approve the Framework Agreement and the Continuing Connected Transactions contemplated thereunder
“Share(s)”	ordinary share(s) of HK\$0.08 each in the share capital of the Company
“Shareholders”	holders of the Shares from time to time
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

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

6 May 2008

As the date of this announcement, the executive directors of the Company are Mr. Lee Lap, Mdm. Leung Lai Ping, Mr. Tommy Lee, Mr. Wang Jinlong and Mr. Wong Shiu Kee; the non-executive Director is Mr. Lee Ka Sze, Carmelo; and the independent non-executive Directors are Mr. Chan Siu Kang, Mr. Lo Yiu Hee and Mr. Tong Hin Wor.