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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, 2010

#### 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, 2010 together with the comparative figures for the last year as follows:

#### Consolidated Statement of Comprehensive Income

|   | <i>Notes</i> | <b>2010</b><br><i>HK\$'000</i> | 2009<br><i>HK\$'000</i> |
|---|--------------|--------------------------------|-------------------------|
| <b>REVENUE</b>  | 3            | <b>388,108</b>                 | 218,809                 |
| Cost of goods sold and services rendered                                  |              | <u>(199,743)</u>               | <u>(106,554)</u>        |
| Gross profit  |              | <b>188,365</b>                 | 112,255                 |
| Other income  | 4            | <b>7,596</b>                   | 21,130                  |
| Other gains and losses  |              | <b>493</b>                     | (2,044)                 |
| Selling and distribution expenses   |              | <b>(46,693)</b>                | (19,765)                |
| Administrative expenses   |              | <b>(43,651)</b>                | (71,836)                |
| Losses arising from changes in fair value of investments held for trading |              | –                              | (573)                   |
| Finance costs   | 5            | <u>(7,745)</u>                 | <u>(6,268)</u>          |
| <b>PROFIT BEFORE TAX</b>  | 6            | <b>98,365</b>                  | 32,899                  |
| Taxation  | 7            | <u>(29,439)</u>                | <u>(11,041)</u>         |
| <b>PROFIT FOR THE YEAR</b>  |              | <u><b>68,926</b></u>           | <u>21,858</u>           |

|  | <i>Notes</i> | <b>2010</b><br><b>HK\$'000</b> | 2009<br><i>HK\$'000</i> |
|--|--------------|--------------------------------|-------------------------|
| <b>OTHER COMPREHENSIVE INCOME</b>  |              |                                |                         |
| Exchange differences arising from translation<br>of financial statements of foreign operations |              | <u>377</u>                     | <u>3,504</u>            |
| <b>TOTAL COMPREHENSIVE INCOME FOR<br/>THE YEAR</b>   |              | <b><u>69,303</u></b>           | <b><u>25,362</u></b>    |
| <b>PROFIT (LOSS) FOR THE YEAR ATTRIBUTABLE TO:</b>   |              |                                |                         |
| <b>OWNERS OF THE COMPANY</b>   |              | <b>22,977</b>                  | (6,629)                 |
| <b>MINORITY INTERESTS</b>  |              | <u>45,949</u>                  | <u>28,487</u>           |
|  |              | <b><u>68,926</u></b>           | <b><u>21,858</u></b>    |
| <b>TOTAL COMPREHENSIVE INCOME<br/>ATTRIBUTABLE TO:</b>   |              |                                |                         |
| <b>OWNERS OF THE COMPANY</b>   |              | <b>23,154</b>                  | (4,216)                 |
| <b>MINORITY INTERESTS</b>  |              | <u>46,149</u>                  | <u>29,578</u>           |
|  |              | <b><u>69,303</u></b>           | <b><u>25,362</u></b>    |
|  |              | <i>HK cents</i>                | <i>HK cents</i>         |
| <b>BASIC AND DILUTED EARNINGS (LOSS)<br/>PER SHARE</b>   | 8            | <b><u>1.17</u></b>             | <b><u>(0.34)</u></b>    |

## Consolidated Statement of Financial Position

|  | <i>Notes</i> | <b>2010</b><br><i>HK\$'000</i> | 2009<br><i>HK\$'000</i> |
|--|--------------|--------------------------------|-------------------------|
| <b>NON-CURRENT ASSETS</b>                    |              |                                |                         |
| Property, plant and equipment                |              | <b>18,879</b>                  | 17,138                  |
| Prepaid lease payments for leasehold land    |              | <b>65,479</b>                  | 66,077                  |
| Investment property                          |              | <b>3,261</b>                   | 3,370                   |
| Pledged bank deposits                        |              | <b>2,034</b>                   | 2,034                   |
| Goodwill                                     | 9            | <b>247,121</b>                 | 243,318                 |
| Intangible assets                            |              | <b>5,226</b>                   | 8,213                   |
|  |              | <u><b>342,000</b></u>          | <u>340,150</u>          |
| <b>CURRENT ASSETS</b>                        |              |                                |                         |
| Completed properties for sale                |              | <b>116,105</b>                 | 114,812                 |
| Inventories                                  |              | <b>44,743</b>                  | 38,419                  |
| Trade and other receivables                  | 10           | <b>125,620</b>                 | 149,524                 |
| Deposits and prepayments                     |              | <b>18,518</b>                  | 3,345                   |
| Prepaid lease payments for leasehold land    |              | <b>598</b>                     | 598                     |
| Available-for-sale investments               |              | –                              | 6,886                   |
| Taxation recoverable                         |              | <b>598</b>                     | 2,871                   |
| Pledged bank deposits                        |              | <b>12,811</b>                  | 3,121                   |
| Deposits with a financial institution        |              | –                              | 126                     |
| Bank balances and cash                       |              | <b>825,367</b>                 | 744,961                 |
|  |              | <u><b>1,144,360</b></u>        | <u>1,064,663</u>        |
| <b>CURRENT LIABILITIES</b>                   |              |                                |                         |
| Trade and other payables and accrued charges | 11           | <b>26,418</b>                  | 28,812                  |
| Deposits received                            |              | <b>9,516</b>                   | 1,487                   |
| Provisions                                   |              | <b>3,173</b>                   | 3,173                   |
| Amount due to a related company              |              | <b>1,992</b>                   | 2,092                   |
| Amount due to a director                     |              | –                              | 23,967                  |
| Convertible note                             |              | <b>128,696</b>                 | –                       |
| Taxation payable                             |              | <b>15,368</b>                  | 7,691                   |
| Bank borrowings                              |              | <b>29,448</b>                  | 21,705                  |
|  |              | <u><b>214,611</b></u>          | <u>88,927</u>           |
| <b>NET CURRENT ASSETS</b>                    |              | <u><b>929,749</b></u>          | <u>975,736</u>          |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b> |              | <u><b>1,271,749</b></u>        | <u>1,315,886</u>        |

|  | <i>Notes</i> | <b>2010</b><br><i>HK\$'000</i> | 2009<br><i>HK\$'000</i> |
|--|--------------|--------------------------------|-------------------------|
| <b>NON-CURRENT LIABILITIES</b>               |              |                                |                         |
| Convertible note                             |              | –                              | 122,324                 |
| Bank borrowings                              |              | <b>4,300</b>                   | –                       |
| Deferred tax liabilities                     |              | <b>5,797</b>                   | 4,766                   |
|  |              | <u>10,097</u>                  | <u>127,090</u>          |
| <b>NET ASSETS</b>                            |              | <u><b>1,261,652</b></u>        | <u>1,188,796</u>        |
| <b>CAPITAL AND RESERVES</b>                  |              |                                |                         |
| Share capital                                |              | <b>156,611</b>                 | 156,611                 |
| Reserves                                     |              | <b>994,192</b>                 | 967,485                 |
| Equity attributable to owners of the Company |              | <b>1,150,803</b>               | 1,124,096               |
| Minority interests                           |              | <b>110,849</b>                 | 64,700                  |
| <b>TOTAL EQUITY</b>                          |              | <u><b>1,261,652</b></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.

## 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 HKICPA.

|  |  |
|--|--|
| HKAS 1 (Revised 2007)                    | Presentation of Financial Statements   |
| HKAS 23 (Revised 2007)                   | Borrowing Costs  |
| HKAS 32 & 1 (Amendments)                 | Puttable Financial Instruments and Obligations Arising on Liquidation  |
| HKFRS 1 & HKAS 27 (Amendments)           | Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate  |
| HKFRS 2 (Amendment)                      | Vesting Conditions and Cancellations   |
| HKFRS 7 (Amendment)                      | Improving Disclosures about Financial Instruments  |
| HKFRS 8                                  | Operating Segments   |
| HK(IFRIC) – Int 9 & HKAS 39 (Amendments) | Embedded Derivatives   |
| HK(IFRIC) – Int 13                       | Customer Loyalty Programmes  |
| HK(IFRIC) – Int 15                       | Agreements for the Construction of Real Estate   |
| HK(IFRIC) – Int 16                       | Hedges of a Net Investment in a Foreign Operation  |
| HK(IFRIC) – Int 18                       | Transfers of Assets from Customers   |
| HKFRSs (Amendments)                      | Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1st July, 2009 |
| HKFRSs (Amendments)                      | Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39  |

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

### *HKAS 1 (Revised 2007) “Presentation of Financial Statements”*

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

### *HKFRS 8 “Operating Segments”*

HKFRS 8 is a disclosure standard that has resulted in a redesignation of the Group’s reportable segments (see note 3).

### *HKAS 23 (Revised 2007) “Borrowing Costs”*

In previous years, the Group expensed all borrowing costs that were directly attributable to the acquisition, construction or production of a qualifying asset when they were incurred. HKAS 23 (Revised 2007) removes the option previously available to expense all borrowing costs when incurred. The adoption of HKAS 23 (Revised 2007) has resulted in the Group changing its accounting policy to capitalise all such borrowing costs as part of the cost of the qualifying asset. The revised accounting policy does not have a material effect on the reported results and financial position of the Group for the current or prior accounting periods.

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

The application of HKFRS 3 (Revised) “Business Combinations” may affect the Group’s accounting for business combination for which the acquisition date is on or after 1st April, 2010. HKAS 27 (Revised) “Consolidated and Separate Financial Statements” will affect the accounting treatment for changes in the Group’s ownership interest in a subsidiary.

HKFRS 9 “Financial Instruments” introduces new requirements for the classification and measurement of financial assets and will be effective from the Group’s financial year beginning on 1st April, 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 “Financial Instruments: Recognition and Measurement” to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group’s financial assets.

In addition, as part of “Improvements to HKFRSs” issued in 2009, HKAS 17 “Leases” has been amended in relation to the classification of leasehold land. The amendments will be effective from the Group’s financial year beginning on 1st April, 2010, with earlier application permitted. Before the amendments to HKAS 17, lessees were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendments to HKAS 17 might affect the classification of the Group’s leasehold land.

The directors of the Company anticipate that the application of the other 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:

|                             | <b>2010</b>           | 2009            |
|-----------------------------|-----------------------|-----------------|
|                             | <i>HK\$’000</i>       | <i>HK\$’000</i> |
| Sale of equipment           | <b>285,525</b>        | 146,597         |
| Sales of properties         | <b>385</b>            | 367             |
| Rental income               | <b>5,315</b>          | 6,153           |
| Consultancy services income | <b>96,883</b>         | 65,692          |
|                             | <b><u>388,108</u></b> | <u>218,809</u>  |

The Group has adopted HKFRS 8 with effect from 1st April, 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor Standard (HKAS 14 “Segment Reporting”) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group’s primary reporting format was business segments. The application of HKFRS 8 has resulted in a redesignation of the Group’s operating segments as compared with the primary segments determined in accordance with HKAS 14 and change in the basis of measurement of segment profit or loss. In prior year, segment profit reported externally represented the profit earned by each segment without allocation of interest income, sundry income, unallocated corporate expenses, share option expense, due diligence expense on aborted acquisitions, finance costs and taxation. In contrast, segment profit reported to the chief operating decision maker, the executive directors of the Company, represents the profit earned by each segment without allocation of unallocated other income, unallocated expenses, share option expense, losses arising from changes in fair value of investments held for trading, effective interest expense on convertible note and corporate income tax credit.

In prior periods, primary segment information was analysed on the basis of the types of goods and services identified on a risks and returns approach, and the business segments reported were property development, property investment, engineering projects and provision of consultancy service on well drilling. However, information reported to the chief operating decision maker for the purposes of resource allocation and performance assessment focuses more specifically 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.

Information regarding the above segments is reported below. Amounts reported for the prior year have been restated to conform to the requirements of HKFRS 8.

### Segment revenues and results

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

#### For the year ended 31st March, 2010

|  | <b>Property<br/>investment<br/>and<br/>development<br/>HK\$'000</b> | <b>Oilfield<br/>engineering<br/>and<br/>consultancy<br/>services<br/>HK\$'000</b> | <b>Total<br/>HK\$'000</b> |
|--|---|---|---------------------------|
| Revenue  | <u>5,700</u>  | <u>382,408</u>  | <u>388,108</u>            |
| Segment profit                                 | <u>3,067</u>  | <u>94,571</u>   | 97,638                    |
| Unallocated other income                       |   |   | 2,039                     |
| Unallocated expenses                           |   |   | (20,856)                  |
| Share option expense                           |   |   | (3,553)                   |
| Effective interest expense on convertible note |   |   | (6,372)                   |
| Corporate income tax credit                    |   |   | <u>30</u>                 |
| Profit for the year                            |   |   | <u>68,926</u>             |

#### For the year ended 31st March, 2009

|  | <b>Property<br/>investment<br/>and<br/>development<br/>HK\$'000</b> | <b>Oilfield<br/>engineering<br/>and<br/>consultancy<br/>services<br/>HK\$'000</b> | <b>Total<br/>HK\$'000</b> |
|--|---|---|---------------------------|
| Revenue  | <u>6,520</u>  | <u>212,289</u>  | <u>218,809</u>            |
| Segment profit   | <u>4,100</u>  | <u>60,637</u>   | 64,737                    |
| Unallocated other income   |   |   | 11,039                    |
| Unallocated expenses   |   |   | (31,226)                  |
| Share option expense   |   |   | (16,062)                  |
| Losses arising from changes in fair value of<br>investments held for trading |   |   | (573)                     |
| Effective interest expense on convertible note                               |   |   | <u>(6,057)</u>            |
| Profit for the year  |   |   | <u>21,858</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 each segment without allocation of unallocated other income, unallocated expenses, share option expense, losses arising from changes in fair value of investments held for trading, effective interest expense on convertible note and corporate income tax credit. 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

|   | <b>2010</b><br><i>HK\$'000</i> | 2009<br><i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| Interest income from                                      |                                |                         |
| – available-for-sale investments                          | <b>3</b>                       | 4,111                   |
| – investments held for trading                            | –                              | 4,193                   |
| – bank balances and deposits with a financial institution | <b>2,170</b>                   | 2,941                   |
|   | <b>2,173</b>                   | 11,245                  |
| Commission income   | <b>3,699</b>                   | 8,112                   |
| Sundry income   | <b>1,724</b>                   | 1,773                   |
|   | <b>7,596</b>                   | 21,130                  |

#### 5. FINANCE COSTS

|  | <b>2010</b><br><i>HK\$'000</i> | 2009<br><i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| Effective interest expense on convertible note                 | <b>6,372</b>                   | 6,057                   |
| Interest on bank borrowings wholly repayable within five years | <b>1,373</b>                   | 211                     |
|  | <b>7,745</b>                   | 6,268                   |

#### 6. PROFIT BEFORE TAX

|  | <b>2010</b><br><i>HK\$'000</i> | 2009<br><i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| Profit before tax has been arrived at after charging (crediting):        |                                |                         |
| Release of prepaid lease payments for leasehold land                     | <b>598</b>                     | 598                     |
| Amortisation of intangible assets, included in “administrative expenses” | <b>2,987</b>                   | 8,287                   |
| Depreciation of  |                                |                         |
| – property, plant and equipment  | <b>3,887</b>                   | 3,195                   |
| – investment property  | <b>109</b>                     | 108                     |



## 7. TAXATION

|                                      | 2010<br><i>HK\$'000</i> | 2009<br><i>HK\$'000</i> |
|--------------------------------------|-------------------------|-------------------------|
| Current tax:                         |                         |                         |
| Hong Kong Profits Tax                | 12,887                  | 185                     |
| PRC Enterprise Income Tax            | 10,598                  | 13,228                  |
| Other jurisdiction                   | —                       | 1,341                   |
|                                      | <u>23,485</u>           | <u>14,754</u>           |
| Under(over)provision in prior years: |                         |                         |
| Hong Kong Profits Tax                | 4,782                   | (5,636)                 |
| PRC Enterprise Income Tax            | 141                     | 285                     |
|                                      | <u>4,923</u>            | <u>(5,351)</u>          |
| Deferred tax                         | <u>1,031</u>            | <u>1,638</u>            |
|                                      | <u><u>29,439</u></u>    | <u><u>11,041</u></u>    |

On 26th June, 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulations of the EIT Law, a PRC subsidiary of the Company, which was qualified as a High-New Technology Enterprise under old law or regulations, was entitled to an incentive tax rate of 15%, the tax rate has been/will be progressively increased to 18%, 20%, 22%, 24% and 25% in year 2008, 2009, 2010, 2011 and 2012, respectively and thereafter subject to the tax rate of 25%. The tax rate of other PRC subsidiaries of the Company is 25% from 1st January, 2008 onwards.

Taxation arising in other jurisdiction is calculated at the rate prevailing in the relevant jurisdiction.

## 8. BASIC AND DILUTED EARNINGS (LOSS) PER SHARE

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

|  | 2010<br><i>HK\$'000</i>                | 2009<br><i>HK\$'000</i> |
|--|--|-------------------------|
| Profit (loss) for the year attributable to owners of the Company for the purposes of basic and diluted earnings (loss) per share | <u>22,977</u>                          | <u>(6,629)</u>          |
|  | <b>Number of shares</b><br><i>'000</i> | <i>'000</i>             |
| Number of ordinary shares for the purposes of basic and diluted earnings (loss) per share  | <u>1,957,643</u>                       | <u>1,957,643</u>        |

The computation of diluted earnings (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 an increase in earnings per share/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.

## 9. GOODWILL

|   | <i>HK\$'000</i>              |
|---|------------------------------|
| At 1st April, 2008 and 31st March, 2009 | <b>243,318</b>               |
| Arising on acquisition of a subsidiary  | <u><b>3,803</b></u>          |
| At 31st March, 2010                     | <u><u><b>247,121</b></u></u> |

The goodwill arose from the acquisition of subsidiaries during the year ended 31st March, 2008 and during the year ended 31st March, 2010 amounting to HK\$243,318,000 and HK\$3,803,000, respectively. In the opinion of the directors of the Company, the goodwill represents the future economic benefits arising from the potential growth in these business acquired.

## 10. TRADE AND OTHER RECEIVABLES

|                                    | 2010<br><i>HK\$'000</i>      | 2009<br><i>HK\$'000</i> |
|------------------------------------|------------------------------|-------------------------|
| Trade receivables                  | <b>117,775</b>               | 133,721                 |
| Less: allowance for doubtful debts | <u><b>(4,016)</b></u>        | <u>(3,674)</u>          |
|                                    | <u><b>113,759</b></u>        | <u>130,047</u>          |
| Other receivables                  | <b>11,861</b>                | 21,443                  |
| Less: allowance for doubtful debts | <u><b>–</b></u>              | <u>(1,966)</u>          |
|                                    | <u><b>11,861</b></u>         | <u>19,477</u>           |
|                                    | <u><u><b>125,620</b></u></u> | <u><u>149,524</u></u>   |

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 receivables from sales of properties and rental receivables are collected in accordance with the terms of the relevant agreements.

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.

|  | 2010<br><i>HK\$'000</i>      | 2009<br><i>HK\$'000</i> |
|--|------------------------------|-------------------------|
| 1 – 90 days                                  | <b>9,591</b>                 | 90,653                  |
| 91 – 180 days                                | <b>35,439</b>                | 19,001                  |
| 181 – 365 days                               | <b>13,096</b>                | 10,994                  |
| More than 1 year, but not exceeding 2 years  | <b>52,525</b>                | 9,399                   |
| More than 2 years, but not more than 3 years | <u><b>3,108</b></u>          | <u>–</u>                |
|  | <u><u><b>113,759</b></u></u> | <u><u>130,047</u></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 limits 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.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK\$82,886,000 (2009: HK\$22,872,000) 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 (2009: 105 days).

Receivables that were past due but not impaired relate to customers that have good trade record without default history. Based on past experience, management believes that no allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

## 11. 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.

|                          | <b>2010</b><br><i>HK\$'000</i> | 2009<br><i>HK\$'000</i> |
|--------------------------|--------------------------------|-------------------------|
| 1 – 90 days              | <b>17,725</b>                  | 9,477                   |
| Over 90 days             | <u><b>5,339</b></u>            | <u>16,025</u>           |
| Trade and other payables | <b>23,064</b>                  | 25,502                  |
| Accrued charges          | <u><b>3,354</b></u>            | <u>3,310</u>            |
|                          | <u><b>26,418</b></u>           | <u>28,812</u>           |

The credit period on purchases of goods is ranged from 60 to 90 days (2009: 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 (2009: 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 hard 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 during the year decreased by 13.6%. As at 31st March, 2010, 233 residential units remained to be sold, out of which 142 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 turnover of Petro-king Group is HK\$382.4 million (2009: HK\$212.3 million). The turnover in current year increased by 80%. 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 in China, therefore it is able to increase its business.

Our major customers have acquired several massive overseas oil reserves, therefore the demand for experienced oilfield engineering and consultancy services have upsurged substantially. Petro-king Group have the technical knowhow to provide the comprehensive oilfield development design and consultancy services. These fundamental consultancy work have paved the way for more related oilfield project development works in future.

Whereas the domestic market was slacken due to the major customers have shifted their focus to newly acquired overseas oil reserves. Petro-king Group have strengthened its technical communication with domestic customers. This will improve potential business opportunities for domestic market in coming years.

### **TREASURY INVESTMENT ACTIVITY**

The Group still holds a substantial amount of funds of approximately HK\$0.8 billion which have been placed as short term bank deposits with large financial institutions in Hong Kong.

### **OUTLOOK**

Since the outbreak of the global financial crisis in the last quarter of 2008, the global economy is definitely adversely affected. We need to monitor carefully how and when it can be recovered. We believe China continues to play a key role in the future global economic recovery. The Group is confident to capitalize on these opportunities and will grasp every business opportunities available to build up its own distinctive strength and to explore new business in China.

The crude oil price has reverted upward and has surpassed USD70 per barrel and the trend is expected to continue. The economic revival plan starts to take effect in the leading economies in different regions, e.g. China and United States. The Chinese government has carried out proactive fiscal policy and moderately easy monetary policy, thereby giving an impetus to the growth of economy and maintaining a positive GDP growth. Our major PRC customers have shifted their focus to develop overseas markets. They dominated the world market for acquiring oil reserve resources in the past year. These activities were in line with China resources safety strategy. It will certainly provide more business opportunities for Petro-king Group in the coming years.

Petro-king Group has kicked-off several massive projects in overseas markets. These new projects will last for several years. These projects have completed initial design and will soon undergo production in the coming years. We anticipate our PRC customers will increase their overseas investment. The multinational oil companies are still investing reasonably on exploitation and production of petroleum in which Petro-king Group have the expertise in the niche market. With their continue expansion of the business worldwide, these overseas customers will offer more business to Petro-king Group. We are cautiously optimistic about the future performance of Petro-king Group.

It is the Group's ongoing strategy to gain a foothold and develop in the natural resources sector by way of cautiously exploring different kinds of 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 impact of global financial crisis, 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 the business in natural resources sector and has the confidence to strengthen its competitiveness and to build value for our shareholders.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 31st March, 2010, the Group remains cash-rich and no material capital expenditure commitments. The operations are financed by shareholders' funds, convertible note and bank borrowings.

The convertible note of HK\$133,692,000 issued to King Shine Group Limited in 2007 are non interest bearing and have a tenor of 3 years to be matured on 31st December, 2010. The noteholder shall have the right to convert the notes into ordinary shares of the Company, at the initial conversion price (subject to adjustments) of HK\$1.20 per conversion share, at any time and from time to time during the period commencing from 1st July, 2009 up to 31st December, 2010. On the maturity date, the noteholder shall be entitled to demand from the Company the full repayment of the outstanding principal amount of any outstanding and unconverted convertible notes (if any) in cash.

As at 31st March, 2010, the Group has obtained bank borrowings facility of HK\$69,477,000 (2009: HK\$23,253,000), out of which, HK\$33,748,000 (2009: HK\$21,705,000) are utilized. The utilized bank borrowings of HK\$29,448,000 (2009: HK\$21,705,000) are repayable within one year, HK\$1,200,000 (2009: Nil) are repayable more than one year but not exceeding two years, HK\$3,100,000 (2009: Nil) are repayable more than two years but not more than five years. The bank borrowings carry interest at variable-rates ranging from 2.29% to 4.54% (2009: 3.28% to 4.54%) per annum. The Group's bank borrowings are denominated in United States dollar and Hong Kong dollar.

Bank balances and cash amounted to HK\$825,367,000 and accounted for 72.12% of total current assets.

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

## **STAFF**

As at 31st March, 2010, the Group employed 205 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 of 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, 2010 save as disclosed below:

Pursuant to code provisions A.1.1 and A.1.2, meetings of the board of directors of the Company (“the Board”) should be held at least four times a year at approximately quarterly intervals and notice of at least 14 days should be given of a regular board meeting. During the year, the Board held six Board meetings of which two Board meetings were regular Board meetings. Other Board meetings were not qualified as regular Board meetings because notice of less than 14 days had been given in view of nature or urgency of those matters transacted at these Board meetings. The Board has taken necessary steps to ensure in future at least four regular Board meetings will be held in a year.

Pursuant to code provision A.4.2, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. The Company is subject to a private act called “The Termbray Industries International (Holdings) Limited Act 1991”. Section 4(g) of the said Act provides that: “Notwithstanding anything contained in the Companies Act or rule of law to the contrary, the directors of the Company shall not be required to be elected at each annual general meeting, but shall (save for any chairman or managing director) be subject to retirement by rotation in such manner and at such frequency as the bye-laws may provide.” Accordingly, the chairman and managing director of the Company may not be made subject to retirement by rotation. The Company had amended its 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, 2010.

## **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, 2010.

## **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, 2010 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*  
Mr. Wang Jinlong, *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  
**Lee Lap**  
*Chairman*

Hong Kong, 9th July, 2010