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TERMBRAY INDUSTRIES INTERNATIONAL (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 0093)

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2016**

The board of directors (the “Board”) of Termbay Industries International (Holdings) Limited (the “Company”) presents to shareholders the unaudited condensed consolidated statement of profit or loss and other comprehensive income of the Company and its subsidiaries (the “Group”) for the six months ended 30th September, 2016 and the Group’s unaudited condensed consolidated statement of financial position at that date together with the comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30th September, 2016

		Six months ended	
		30/9/2016	30/9/2015
	<i>Notes</i>	HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Revenue	3	14,837	3,374
Cost of goods sold and services rendered		<u>(5,908)</u>	<u>(1,433)</u>
Gross profit		8,929	1,941
Other income	4	383	439
Other gains and losses	5	(6,660)	(4,421)
Administrative expenses		(6,620)	(9,417)
Share of result of an associate		<u>(18,005)</u>	<u>1,478</u>
Loss before taxation		(21,973)	(9,980)
Taxation	6	<u>(646)</u>	<u>(327)</u>
Loss for the period attributable to owners of the Company	7	(22,619)	(10,307)
Other comprehensive income (expense):			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising from translation of foreign operations		1,250	1,112
Share of other comprehensive (expense) income of an associate			
– currency translation differences		(228)	965
– revaluation gain on available-for-sale financial asset of an associate		<u>428</u>	<u>–</u>
Other comprehensive income for the period		<u>1,450</u>	<u>2,077</u>
Total comprehensive expense for the period attributable to owners of the Company		<u>(21,169)</u>	<u>(8,230)</u>
		HK cents	HK cents
		(unaudited)	(unaudited)
BASIC LOSS PER SHARE	9	<u>(1.16)</u>	<u>(0.53)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th September, 2016

	<i>Note</i>	30/9/2016 HK\$'000 (unaudited)	31/3/2016 HK\$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		40,139	40,654
Investment property		28,674	28,840
Interest in an associate	10	242,451	222,614
Pledged bank deposits		2,000	2,000
		313,264	294,108
CURRENT ASSETS			
Completed properties for sale		104,247	113,328
Deposits, prepayments and other receivables		1,741	1,854
Bank balances and cash		273,076	302,771
		379,064	417,953
CURRENT LIABILITIES			
Other payables and accrued charges		3,604	3,948
Dividend payable		12,505	12,505
Deposits received		2,220	798
Amount due to a related company		2,740	2,553
Taxation payable		2,862	2,720
		23,931	22,524
NET CURRENT ASSETS		355,133	395,429
TOTAL ASSETS LESS CURRENT LIABILITIES		668,397	689,537
NON-CURRENT LIABILITIES			
Deferred tax liabilities		265	236
NET ASSETS		668,132	689,301
CAPITAL AND RESERVES			
Share capital		156,611	156,611
Reserves		511,104	532,273
		667,715	688,884
Equity attributable to owners of the Company		667,715	688,884
Non-controlling interests		417	417
TOTAL EQUITY		668,132	689,301

Notes

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30th September, 2016 are the same as those followed in the preparation of the Group’s consolidated annual financial statements for the year ended 31st March, 2016.

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

Amendment to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle

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

3. REVENUE AND SEGMENT INFORMATION

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

	Six months ended	
	30/9/2016	30/9/2015
	HK\$’000	HK\$’000
Sales of properties	12,098	674
Rental income	2,739	2,700
	<u>14,837</u>	<u>3,374</u>

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

	Six months ended	
	30/9/2016 <i>HK\$'000</i>	30/9/2015 <i>HK\$'000</i>
Segment revenue	<u>14,837</u>	<u>3,374</u>
Segment profit (loss)	2,468	(2,279)
Unallocated other income	330	392
Unallocated other gains and losses	(1,372)	(1,023)
Unallocated expenses	(6,040)	(8,875)
Share of result of an associate	<u>(18,005)</u>	<u>1,478</u>
Loss for the period	<u>(22,619)</u>	<u>(10,307)</u>
4. OTHER INCOME		
	Six months ended	
	30/9/2016 <i>HK\$'000</i>	30/9/2015 <i>HK\$'000</i>
Interest income from bank balances	337	388
Sundry income	<u>46</u>	<u>51</u>
	<u>383</u>	<u>439</u>
5. OTHER GAINS AND LOSSES		
	Six months ended	
	30/9/2016 <i>HK\$'000</i>	30/9/2015 <i>HK\$'000</i>
Net exchange loss	<u>(6,660)</u>	<u>(4,421)</u>
6. TAXATION		
	Six months ended	
	30/9/2016 <i>HK\$'000</i>	30/9/2015 <i>HK\$'000</i>
Current taxation:		
Hong Kong Profits Tax	142	141
People's Republic of China ("PRC") Enterprise Income Tax	<u>475</u>	<u>184</u>
	617	325
Deferred taxation	<u>29</u>	<u>2</u>
	<u>646</u>	<u>327</u>

7. LOSS FOR THE PERIOD

	Six months ended	
	30/9/2016	30/9/2015
	HK\$'000	HK\$'000
Loss for the period has been arrived at after charging the following items:		
Cost of inventories recognised as expense	4,584	238
Depreciation of		
– property, plant and equipment	515	522
– investment property	166	166
Gross rental income from investing property	942	942
Less: direct operating expense incurred for investment property that generated rental income during the period	(232)	(234)
	710	708

8. DIVIDEND

No dividend was paid, declared or proposed during the current interim period. The directors of the Company have determined that no dividend will be paid in respect of the six months ended 30th September, 2016 (six months ended 30th September, 2015: Nil).

9. BASIC LOSS PER SHARE

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

	Six months ended	
	30/9/2016	30/9/2015
	HK\$'000	HK\$'000
Loss for the period attributable to owners of the Company for the purposes of basic loss per share	(22,619)	(10,307)
	Number of shares	
	'000	'000
Number of ordinary shares for the purpose of basic loss per share	1,957,643	1,957,643

The computation of the diluted loss per share for the current and prior interim periods does not assume the exercise of the associate's share options and convertible bonds, because this would result in a decrease in the loss per share.

10. INTEREST IN AN ASSOCIATE

	30/9/2016 <i>HK\$'000</i>	31/3/2016 <i>HK\$'000</i>
Cost of investment in an associate listed in Hong Kong	368,847	331,205
Share of post-acquisition profit and other comprehensive income and effect on deemed disposal of interest in an associate, net of dividends received	146,053	163,858
Impairment loss recognised	(272,449)	(272,449)
	242,451	222,614
Market value of interest in an associate	202,579	222,614

The financial year end date for the associate is 31st December. For the purpose of applying the equity method of accounting, the management accounts of the associate for the six months period ended 30th June, 2016 have been used.

Included in the cost of investment in an associate is goodwill of HK\$167,088,000 (31/3/2016: HK\$167,088,000) which is the difference between the initial cost of investment and the Group's share of the net value of the associate's identifiable assets and liabilities as at the date of acquisition of the associate.

On 8th July, 2016, the associate completed a rights issue of 398,463,388 rights shares at HK\$0.31 per rights share on the basis of three rights shares for every ten existing shares held on 29th June, 2016. The Group has applied for 121,426,231 rights shares for a consideration of approximately HK\$37,642,000. As at 30th September, 2016, the Group's shareholding in the associate remains at 30.47% as the subscription is in proportion to the total shares held by the shareholders.

As at 30th September, 2016, the carrying amount of the associate is higher than the market capitalisation with reference to the quoted market price of the shares of the associate which constitutes an impairment indicator. In this regard, the Group conducted an impairment assessment of the associate. The recoverable amount of the associate is determined based on the value in use estimation by the management, as the value in use was higher than the fair value less cost of disposal. In determining the value in use of the interest in an associate, the directors estimated the present value of the estimated future cash flow comprising expected dividend incomes from an associate and expected ultimate disposal, by using a discount rate to discount the cash flow projections to net present value. The future cash flow from the expected ultimate disposal is calculated with reference to the expected return from the associate. Based on the assessment, the recoverable amount of the Group's interest in an associate was determined based on the value in use, which is higher than the carrying amount and no further impairment loss is recognised.

As at 31st March, 2016, the management reviewed the recoverable amount of the associate after taking into account of (i) the sluggish global oil and gas market that caused further decline in oilfield service orders of the associate for the year ended 31st December, 2015; (ii) the weak international oil price which led to stringent capital expenditure and cost cutting plans for most of the associate's customers; (iii) the estimated limits on business growth of the associate in 2016 brought about by the continuing effects of a bearish market on crude oil price; and (iv) the continuing downward trend of the associate's share price. The directors estimated that there is a significant decline in the present value of the estimated future cash flow comprising expected dividend income from the associate and expected ultimate disposal, which was lower than the fair value less cost of disposal. Based on the assessment, the recoverable amount of the Group's interest in an associate was determined based on the fair value less cost of disposal, which was lower than the carrying amount and an impairment loss of HK\$272,449,000 was recognised.

INTERIM DIVIDEND

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30th September, 2016 (2015: Nil).

REVIEW OF OPERATIONS

During the current six months period under review, the Group achieved a turnover of HK\$14,837,000 (six months ended 30/9/2015: HK\$3,374,000) and suffered a loss for the period of HK\$22,619,000 (six months ended 30/9/2015: HK\$10,307,000).

The increase in loss in the current period under review is mainly due to the Group's share of operation loss from Petro-king Oilfield Services Limited ("Petro-king") and its subsidiaries (collectively, the "Petro-king Group") (Stock code: 2178) for the six months ended 30th June, 2016 ("1H2016"). According to the interim report 2016 issued by Petro-king, the loss attributable to the owners of Petro-king Group was approximately HK\$57 million in the current period, and it was profit of approximately HK\$8 million in the last corresponding period.

Property Investment and Development

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

The Group's completed properties for sale – Ever Success Plaza, comprising of over 440 residential units standing on 3 levels of commercial arcades and car parks, is located at a convenient and prime location with a river view in Zhongshan, Guangdong Province. The competition of the property market in Zhongshan is keen. There are abundant supplies of properties with modern design. The commercial arcades is still vacant and the occupancy rate of the residential units is slightly higher than that of last corresponding period. The management has put a lot of effort in marketing the properties and is endeavouring to improve the operation of the commercial arcades. The rental income earned by the Group from Ever Success Plaza during the period slightly increased by approximately 7% from that of the last corresponding period. Due to the planned construction of Shenzhen-Zhongshan sea-crossing bridge connecting the cities of Shenzhen and Zhongshan, the sales of properties in Zhongshan market is bloomed. The Group sold 21 residential units during the period under review. As at 30th September, 2016, 181 residential units remained to be sold, out of which 141 residential units were let out.

Oilfield Engineering and Consultancy Services

The Group held 30.47% interest as at 1st April, 2016 and 30th September, 2016 in Petro-king listed on The Stock Exchange of Hong Kong Limited as an associate through Termbray Natural Resources Company Limited ("Termbray Natural Resources"), a wholly owned subsidiary of the Group.

In July 2016, Petro-king made a rights issue to shareholders on the basis of three rights share for ten existing shares held on the record date at HK\$0.31 per rights share ("Right Issue"). Termbray Natural Resources subscribed for its full entitlement of 121,426,231 rights shares in net consideration of HK\$37,642,000.

During the period under review, the Group has applied equity method of accounting for the results of Petro-king Group as an associate for the six months ended 30th June, 2016.

According to the interim report issued by Petro-king in 1H2016, Petro-king Group recorded a revenue of HK\$266 million, representing a decrease of approximately 36% from that of HK\$416 million for the six months ended 30th June, 2015 (“1H2015”). The decrease in revenue was mainly due to the general slow-down in exploration and production (“E&P”) investments of most oil and gas operators that led to the low level of oilfield service activities. Petro-king Group recorded a net loss attributable to owners in 1H2016 of approximately HK\$57 million, compared to that of a net profit of approximately HK\$8 million in 1H2015.

The first half of 2016 remained challenging for the oilfield service industry. The E&P industry finds itself in a deep financial crisis. Low profitability and uncertainty in cash flow make most oil and gas operators taking cautious approaches in both capital and operating expenditure plans, such as postponing investments in exploration, curtailing development activity, and squeezing service industry prices. As a result, the oilfield service providers have suffered as much as the oil and gas operators. Most of the oilfield service providers were forced to offer discounts on their service pricing when negotiating contracts with the E&P operators in order to stay competitive. Petro-king Group had experienced another challenging half year marked by lower activity levels and continuing pricing pressure in both China and the overseas markets.

During the period, Petro-king Group continuously conducted special risk management plan to cope with the industry downturn and enhance financial position.

As a high-end integrated oilfield services provider, Petro-king Group attaches great importance to technology, and prides itself in introducing innovative products and services in a number of areas in oilfield services. In 1H2016, Petro-king Group continued to seek advancement in technology and introduced new products to the market.

Others

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

LIQUIDITY AND FINANCIAL RESOURCES

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

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

ORDER BOOK

Due to its business nature, the Group has no order book at 30th September, 2016. The Group has no new product and service to be introduced to the market.

STAFF AND EMOLUMENT POLICY

As at 30th September, 2016, the Group employed 40 staff at market remunerations with staff benefits such as insurance, provident fund scheme and discretionary bonus.

The emolument policy regarding the employees of the Group is based on their merit, qualifications and competence. The emoluments of the directors are reviewed by the remuneration committee, having regard to the Company's operating results, individual performance and comparable market statistics. No director, or any of his associates, and executive is involved in dealing his own remuneration.

OUTLOOK

The global economy has been recovering from the global financial crisis happened in 2008. United States ("US") and China are experiencing various challenges after the global economic crisis. All of the factors including debt crisis in Europe, the fluctuation in oil price and Renminbi currency, and the progress of increase in US interest rate have an unpredictable impact on the recovery of global economy. In China, Central government has implemented various tightening monetary policies to cool down the overheated property market. We believe China will continue to play a key role in the future global economic recovery. The Group is confidence in capitalising on these opportunities and will grasp every business opportunities available to build up its own distinctive strength and to explore new businesses in China.

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

While the global oil production continues to fall as a result of the E&P investments cut by major oil and gas operators in the current period, low oil prices continue to drive demand growth, making the oil and gas market on a pace to healthy recovery in past few months. The management of Petro-king Group believed that the upward movement in the oil price will continue in the second half of 2016 and 2017.

In the past months, Petro-king Group have taken a conservative approach in coping with the industry downturn, such as downsized certain service lines, reduced headcount and implemented certain cost control measures, tightened up customer credit policy and raised capital in order to enhance Petro-king Group's financial position. After taking all the above measures, Petro-king Group safeguarded its core expertise and competency for being a high-end oilfield technology and service provider, while keeping the operating costs at a relatively low level.

In light of the recent transform of the China oil and gas industry, the management of Petro-king Group believe that there will be more and more industry consolidation and collaboration among service providers and the operators in the foreseeable future. It is the Petro-king Group's intention to actively seeking collaborations and commercial alignments with oil and gas investors as well as other oilfield service providers.

In anticipating a market recovery of the oilfield service sector in 2017, Petro-king Group started to expand its marketing and sales team in certain regions in the overseas market earlier this year, and started to reallocate Petro-king Group's resources and service capacity to those markets that they believe will offer Petro-king Group more opportunities in forth coming industry recovery.

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30th September, 2016.

CORPORATE GOVERNANCE

The Company has met the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the six months ended 30th September, 2016 save as disclosed below.

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

Code provision E.1.2 of the CG Code stipulates that the Chairman of the Board should attend the annual general meeting. Mr. Lee Lap, the Chairman of the Board, was unable to attend the annual general meeting of the Company held on 9th September, 2016 due to physical discomfort and Mr. Tommy Lee, the Vice-Chairman of the Board, took the chair of the annual general meeting.

Following the passing away of Mr. Siu Lok Chow, Gabriel, an independent non-executive director of the Company, on 6th May, 2016, the Board comprised seven members, including four executive directors, one non-executive director and two independent non-executive directors, with the number of independent non-executive directors falling below the minimum number required under Rule 3.10(1) of the Listing Rules and falling below one-third of the Board as required under Rule 3.10A of the Listing Rules. Besides, the remuneration committee members decreased from three to two, comprising one independent non-executive director and one executive director, which did not fulfill the requirement that a remuneration committee must comprise a majority of independent non-executive directors under

Rule 3.25 of the Listing Rules; and the nomination committee members decreased from three to two, comprising one independent non-executive director and one executive director, which did not fulfill the requirement that a nomination committee must comprise a majority of independent non-executive directors under code provision A.5.1 of the CG Code.

On 4th November, 2016, Mr. Tong Hin Wor, an independent non-executive director of the Company, was appointed as members of remuneration committee and nomination committee of the Company. Following the said appointment, the Company complies with Rule 3.25 of the Listing Rules and code provision A.5.1 of the CG Code.

On 10th November, 2016, Mr. Ching Yu Lung was appointed as an independent non-executive director and a member of audit committee of the Company. Following the said appointment, the number of independent non-executive directors of the Company is three and is not less than one-third of the Board which fulfils the requirements under Rule 3.10(1) and Rule 3.10A of the Listing Rules.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code"), as the code of conduct regarding directors' securities transactions. The Company have made specific enquiry of all directors that they have complied with the Model Code throughout the six months period ended 30th September, 2016.

AUDIT COMMITTEE

The Company has established an audit committee currently comprising three independent non-executive directors and one non-executive director of the Company. The audit committee of the Company has reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including review of the interim report for the six months ended 30th September, 2016.

OTHER INFORMATION

The interim results of the Group for the six months ended 30th September, 2016 have been reviewed by Messrs. Deloitte Touche Tohmatsu, Certified Public Accountants.

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

Executive Directors:

Mr. Lee Lap (*Chairman*)

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

Mdm. Leung Lai Ping

Mr. Wong Shiu Kee

Independent Non-Executive Directors:

Mr. Lo Yiu Hee

Mr. Tong Hin Wor

Mr. Ching Yu Lung

Non-Executive Director:

Mr. Lee Ka Sze, Carmelo

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

Hong Kong, 18th November, 2016