

廣東
Guangdong

廣州
Guangzhou

深圳
Shenzhen

中山
Zhongshan

香港
Hong Kong

Annual Report
2004-2005



**Termbray Industries
International (Holdings) Limited**

廣東
Guangdong

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Corporate Information

EXECUTIVE DIRECTORS

Mr. Lee Lap, *Chairman & CEO*
Mdm. Leung Lai Ping
Mr. Wong Shiu Kee

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Lee Tung Hai, Leo, G.B.S., LL.D., J.P.
Mr. Chan Siu Kang
Mr. Lo Yiu Hee

NON-EXECUTIVE DIRECTOR

Mr. Lee Ka Sze, Carmelo

QUALIFIED ACCOUNTANT

Mr. Wong Shiu Kee

COMPANY SECRETARY

Mr. Lo Tai On

AUDIT COMMITTEE

Dr. Lee Tung Hai, Leo G.B.S., LL.D., J.P.
Mr. Lee Ka Sze, Carmelo
Mr. Chan Siu Kang
Mr. Lo Yiu Hee

REMUNERATION COMMITTEE

Mr. Lee Lap
Mr. Chan Siu Kang
Mr. Lo Yiu Hee

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Flat B, 8/F, Waylee Industrial Centre,
30-38 Tsuen King Circuit,
Tsuen Wan, New Territories, Hong Kong.
Telephone: (852) 2487 5211
Facsimile: (852) 2480 4214
Email: group@termbray.com.hk

HONG KONG REGISTRAR AND TRANSFER OFFICE

Standard Registrars Limited
G/F, Bank of East Asia Harbour View Centre,
56 Gloucester Road,
Wanchai, Hong Kong.
Telephone: (852) 2980 1768
Facsimile: (852) 2528 3158

LISTING INFORMATION

The Listing Code of the Company's shares on
The Stock Exchange of Hong Kong Limited 0093

PRINCIPAL BANKER

The Hongkong & Shanghai Banking Corporation Limited

LEGAL ADVISORS IN HONG KONG

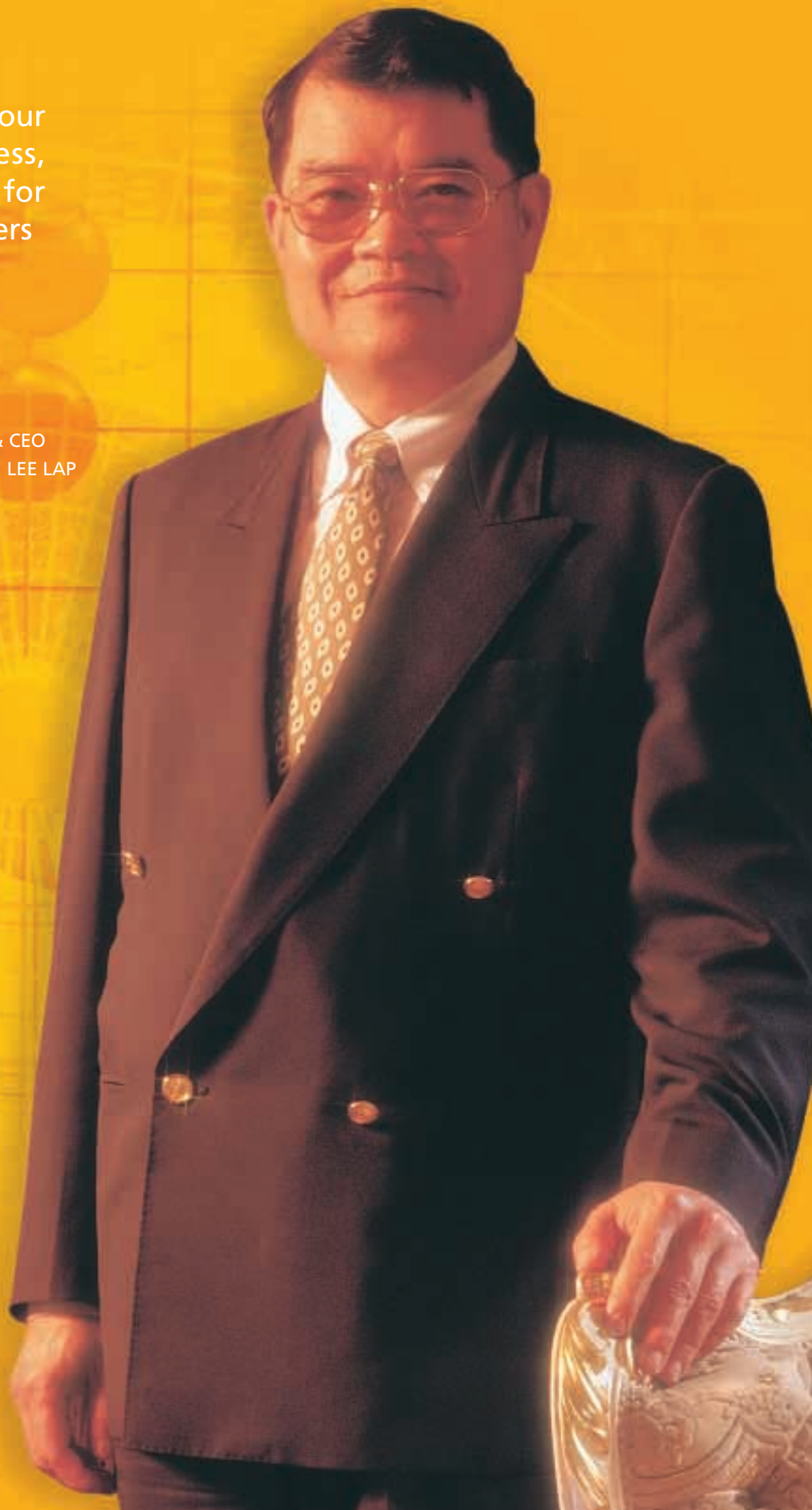
Woo, Kwan, Lee & Lo

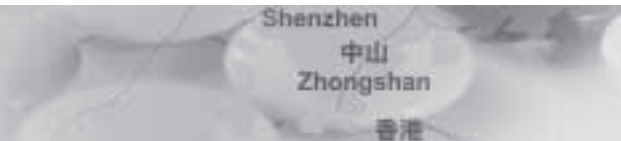
AUDITORS

Deloitte Touche Tohmatsu

To strengthen our
competitiveness,
to build value for
our shareholders

Chairman & CEO
LEE LAP





Chairman's Statement

RESULTS

I report to shareholders the results of Termbay Industries International (Holdings) Limited (the "Company") and its subsidiaries (together "the Group") for the financial year ended 31st March, 2005.

The Group recorded a loss attributable to shareholders for the year ended 31st March, 2005 of HK\$36,567,000 compared with profit attributable to shareholders of HK\$1,820,000 for the last year.

DIVIDENDS

The board of directors of the Company does not recommend the payment of a dividend in respect of the year (2004: Nil).

REVIEW OF OPERATIONS

The global economy continues its rebound during the year under review. The economic growth in the United States ("US") and the Mainland China ("PRC") creates synergies and driving force for global economic expansion. China economy still plays a focusing role in the world market.

Property Investment & Development

The operating environment for the Group's core business – property investment and development remains tough during the year under review. Property market in Guangdong Province, 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. As at 31st March, 2005, 228 residential units remained to be sold, out of which 25 residential units were let out. All the floor areas of the commercial arcades were let out. The tenants of the commercial arcades have been trying hard to improve the customers' flow. The competition of the property market in Zhongshan is keen. There are abundant supplies of properties with modern design. The Group has made a provision for loss of HK\$16,000,000 against the properties for sale in Zhongshan.

The sole assets of Cong Hua White Swan Bow Yuen Real Estate Development Company Limited ("Cong Hua Bow Yuen"), a wholly-owned subsidiary of the Group, are the properties for development in Cong Hua, the Guangdong Province of the PRC which amounted to HK\$20,578,000 as carried in the consolidated balance sheet of the Group at 31st March, 2004. The joint venture period of Cong Hua Bow Yuen had expired on 26th September, 2004. After discussions with the relevant government authorities through the PRC joint venture partner of Cong Hua Bow Yuen, the Company was informed in early 2005 by the PRC joint venture partner that the approval for extension of the joint venture period by the government authorities is very remote. The directors believe that the joint venture period of Cong Hua Bow Yuen is unlikely to be approved by the PRC government authorities because the original terms of the joint venture period was for 12 years and there had been no development plans at all for the properties of Cong Hua Bow Yuen which had been intended to be developed for residential use. Should the extension of the joint venture period not be approved by the government authorities, pursuant to the terms of the joint venture agreement of Cong Hua Bow Yuen, Cong Hua Bow Yuen will be wound up and all its assets (including

Chairman's Statement

the properties in Cong Hua) after discharging its liabilities to be determined by the relevant parties will revert to the PRC joint venture partner free of payment. The Directors are of the views that it is appropriate to make an impairment loss of HK\$20,578,000 in the consolidated income statement of the Group for the financial year ended 31st March, 2005 against the carrying amount of the properties for development as carried by Cong Huan Bow Yuen. The negative goodwill of HK\$6,601,000 arising from the acquisition of interest in Cong Hua Bow Yuen in the prior year, which was held in the reserve of the Group is released to the consolidated income statement of the Group for the financial year ended 31st March, 2005. It resulted in a net loss of HK\$13,977,000 accounted for in the consolidated income statement of the Group.

Treasury Investment Activity

The Group still holds a substantial amount of funds of approximately HK\$0.6 billion which have been placed as short term bank deposits or invested in money market funds with international financial institutions or fixed income notes generating a stable source of income to the Group. Due to the prevailing low interest rate environment during the year, the relevant income earned by the Group from these assets remains at a low level. On the other hand, the foreseeing upward trend in interest rate has an unfavourable impact on the debt securities market. The Group suffered an unrealised holding loss on investment in securities. However, the Group does not have any funding need to realise the investments.

PROSPECTS

The Group is optimistic about the business environment in coming year as trend of continuing growth is seen in the PRC and US economies. The implementation of a series of macro-economic measures by the Central Government to regulate certain overheated industries is conducive to the healthy development of the PRC economy. The upgrading of domestic consumers' spending structure and the shift of global manufacturing bases will contribute to a robust economic growth in the PRC. The Group is confident to capitalise on these opportunities and will grasp every business opportunities available to build up its own distinctive strength and to explore new business in the PRC.

With the substantial available fund on hand, the Group is actively seeking investment opportunities in order to achieve a diversification in business activities which will result in a steady growth in the Group's long term performance. The Group is open minded on what areas the funds will be invested, but will always take a cautious and prudent approach in making investment decisions.

On the other hand, there exists some underlying risk factors such as oil price volatility, interest rate movements and natural disasters which cannot be ignored. The Group remains cautiously optimistic about the year ahead and has the confidence to strengthen its competitiveness and to build value for our shareholders.

Finally, I would like to thank my fellow directors for their invaluable advice and the staff members for their hard work and dedication to the Group during the past year.

Lee Lap

Chairman & C.E.O.

Hong Kong, 8th July, 2005

Management Discussion and Analysis

RESULTS

During the current year under review, the Group achieved a turnover of HK\$3,095,000 and loss attributable to shareholders of HK\$36,567,000, compared with the turnover of HK\$3,370,000 and profit attributable to shareholders of HK\$1,820,000 recorded in last year. The prevailing low interest rate environment during the year has resulted in an unsatisfactory treasury income earned by the Group and an unrealised holding loss on investments in securities. Further, the Group has made an impairment loss of HK\$20,578,000 against its properties for development in Cong Hua and provision of HK\$16,000,000 against its properties for sale in Zhongshan respectively.

SEGMENT INFORMATION

The principal activities of the Group are property development and investment.

The following is an analysis of the turnover and contribution to (loss)/profit of the Group:

	Turnover		Contribution to (loss)/profit before taxation	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Property development and investment				
Property development	–	–	(36,578)	–
Property letting	3,095	3,370	2,017	2,350
	3,095	3,370		
Segment results			(34,561)	2,350
Other activities			5,502	13,468
Negative goodwill released to income			6,601	–
Less: Unallocated administrative and other expenses			(14,109)	(13,998)
			(36,567)	1,820

Notes:

- (i) The Group's property development and investment activities were carried out in the Mainland China (the "PRC").
- (ii) Other activities comprise mainly of treasury activities, including investments in debt securities and money market funds operating in the United States of America, European countries and Hong Kong, and the placement of bank deposits in Hong Kong.
- (iii) The loss attributable to the property development of HK\$36,578,000 shown above comprised of provision for properties for sale and impairment loss on properties for development amounted to HK\$16,000,000 and 20,578,000 respectively.

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

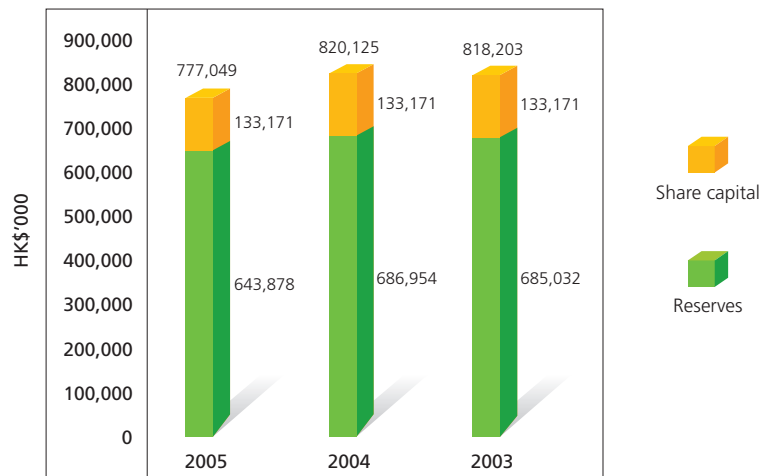
As at 31st March, 2005, the Group remains cash-rich and has no bank borrowings and no material capital expenditure commitments or financial obligations.

Cash and other liquid assets amounted to HK\$587,153,000 and accounted for 83.03% of total current assets.

Exchange risk of the Group is minimal as the assets of the Group comprised substantially of cash, fixed income notes or money market funds denominated in United States currency which is officially pegged to the Hong Kong currency.

CAPITAL STRUCTURE

As at 31st March, 2005, the Group had no long term borrowings and its operations were financed entirely by shareholders' funds.



MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's largest customer and five largest customers accounted for approximately 63.8% and 69.10% respectively of the Group's turnover for the year. The five largest suppliers of the Group accounted for less than 30% of the Group's total purchases for the year.

During the year, the Group has not made any purchases other than incurring rental outgoings and overhead expenses.

None of the Company's directors, their associates or any shareholders of the Company (who to the best of the knowledge of the Company's directors owned more than 5% of the Company's issued shares) had a beneficial interest in any of the Group's five largest customers and the five largest suppliers.

STAFF

As at 31st March, 2005, the Group employed 44 staff at market remunerations with staff benefits such as insurance, provident fund scheme, discretionary bonus and share option scheme.

Directors' Report

The directors of the Company present their report together with the audited financial statements of the Company and the Group for the year ended 31st March, 2005.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

The principal activities of the Company's subsidiaries during the year were property investment and development.

RESULTS

The results of the Group for the year ended 31st March, 2005 and the state of affairs of the Company and the Group as at that date are set out in the financial statements on pages 23 to 49.

DIVIDEND

The directors do not recommend the payment of a dividend (2004: Nil).

SHARE CAPITAL

Details of the share capital of the Company are set out in note 19 to the financial statements. There was no movement in the Company's share capital during the year.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year are set out in note 10 to the financial statements.

MAJOR PROPERTIES

Particulars of the Group's major completed properties for sale are set out on page 50.

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in note 20 to the financial statements.

DONATIONS

During the year, the Group had not made any charitable and other donations (2004: HK\$113,000).

Directors' Report

FIVE YEAR FINANCIAL SUMMARY

A five year financial summary of the Group is set out on pages 51 and 52.

DIRECTORS

The directors of the Company during the financial year and up to the date of this report were:

Executive Directors

Mr. Lee Lap
Mdm. Leung Lai Ping
Mr. Wong Shiu Kee

Independent Non-Executive Directors

Dr. Lee Tung Hai, Leo, G.B.S., LL.D., J.P.
Mr. Chan Siu Kang (appointed on 30th September, 2004)
Mr. Lo Yiu Hee (appointed on 30th September, 2004)

Non-Executive Director

Mr. Lee Ka Sze, Carmelo

In accordance with the Company's Bye-laws 102, Mr. Chan Siu Kang and Mr. Lo Yiu Hee, shall retire from the board at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

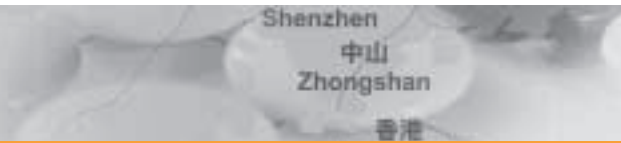
In accordance with the Company's Bye-laws 99, Mr. Wong Shiu Kee and Dr. Lee Tung Hai, Leo shall retire from the board by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

The Company has received annual confirmation from each of the independent non-executive directors as regards their independence to the Company and considers that each of the independent non-executive directors is independent to the Company.

DIRECTORS' SERVICE CONTRACTS

Each of the independent non-executive directors and non-executive director has entered into an appointment letter with the Company pursuant to which each of them is appointed for service with the Company from 30th September, 2004 to 31st December, 2006. The appointment shall terminate on the earlier of (i) 31st December, 2006, or (ii) the date on which the director ceases to be director for any reasons pursuant to the bye-laws of the Company or any other applicable laws.

Other than the aforesaid, none of the directors had any existing or proposed service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.



Directors' Report

BIOGRAPHICAL DETAILS OF DIRECTORS

Executive Directors

Mr. Lee Lap, aged 62, is the Chairman and Chief Executive Officer of the Company. He is the founder of the Group and has been actively involved in the printed circuit board and electronics industry in Hong Kong since 1968. Mr. Lee is responsible for overall policy and decision making and business development of the Group. Mr. Lee is an honorary citizen of Zhongshan, Shenzhen and Guangzhou in PRC.

Madam Leung Lai Ping, aged 56, is the wife of Mr. Lee Lap. She has been involved in overall policy and decision making and general administration of the Group since 1968.

Mr. Wong Shiu Kee, aged 41, is the Finance Director of the Company. He first joined the Company in 1991 and rejoined the Company in October, 2000. With over 19 years of experience in financial management, he is a fellow member of both the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants, and is also a qualified Chartered Secretary designated as ACIS and ACS.

Independent Non-executive Directors

Dr. Lee Tung Hai, Leo, G.B.S., LL.D., J.P., aged 83, is the Chairman of Tung Tai Group of Companies and an independent non-executive or non-executive director of several public listed companies in Hong Kong, including Beijing Enterprises Holdings Limited, K. Wah International Holdings Limited, Asia Financial Holdings Limited, Liu Chong Hing Investments Limited and Shell Electric Mfg. (Holdings) Co., Ltd. In the past three years, Dr. Lee was a former independent non-executive director of Prime Investments Holdings Limited. He is a member of a number of public services committees and heads many social service organisations, including as an Advisor of the Advisory Board of the Tung Wah Group of Hospitals, Chairman of Association of Chairmen of Tung Wah Group of Hospitals, Chairman of Friends of Hong Kong Association and Vice President of the China Overseas Friendship Association. Dr. Lee served as a Standing Committee Member of the eighth and ninth National Committee of the Chinese People's Political Consultative Conference; an Adviser on Hong Kong Affairs to Hong Kong & Macau Affairs Office of the State Council and Xinhua News Agency, Hong Kong Branch; a member of the Preparatory Committee for the Hong Kong Special Administrative Region; and a member of the Hong Kong Special Administrative Region Selection Committee. He has been honoured with awards by different governments, which include Cavaliere di Gran Croce of Italy, O.B.E. of Great Britain, Chevalier Legion d'Honneur of France, Commandeur de l'Ordre de Leopold II of Belgium and Gold Bauhinia Star of the Hong Kong Special Administrative Region Government of the People's Republic of China. Dr. Lee has over 40 years of experience in business management.

Mr. Chan Siu Kang, aged 68, is a graduate of the National Taiwan University with bachelor's degree in Electrical Engineering. Mr. Chan has 30 years' manufacturing and senior management experience in the electronics industry. Among which, he has held 20 years in the role as general manager and director.

Mr. Lo Yiu Hee, aged 46, holds a master's degree in business administration from the Chinese University of Hong Kong. Mr. Lo is a fellow member of the Hong Kong Institute of Certified Public Accountants and CPA Australia. Mr. Lo has over 20 years of experience in finance and accounting in various listed companies. Mr. Lo was the former executive director of BEP International Holdings Limited, a company listed in Hong Kong. Mr. Lo is presently the Chief Operating Officer of a garment manufacturer and the Councilor of the CPA Australia, Hong Kong China Division.

Directors' Report

Non-Executive Director

Mr. Lee Ka Sze, Carmelo, aged 45, has been an independent non-executive director of the Company since March, 1997. On 30th September, 2004, he changes as non-executive director of the Company. He holds a Bachelor of Laws degree from the University of Hong Kong. He is a practising solicitor and a partner of Woo, Kwan, Lee & Lo.

SENIOR MANAGEMENT

The directors are closely involved in and are directly responsible for all activities of the Group. The board of directors considers that only the above-mentioned three Executive Directors are regarded as members of the Group's senior management.

EMOLUMENTS OF DIRECTORS AND SENIOR EMPLOYEES

Details of the emoluments of directors and senior employees are set out in note 9 to the financial statements.

DIRECTORS' INTERESTS IN SHARES AND OPTIONS

As at 31st March, 2005, the interests of the Company's directors, chief executives and their associates in the shares, underlying shares and debentures of the Company and its associated corporations as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), were as follows:

(A) Long Positions in the Shares of the Company

Name of directors	Number of ordinary shares of HK\$0.08 each held				Total	Percentage of total issued shares
	Personal interest	Family interest	Corporate interest	Other interest		
Mr. Lee Lap	37,500,000	37,500,000 (note 2)	884,752,780 (note 1)	–	959,752,780	57.66%
Mdm. Leung Lai Ping	37,500,000	922,252,780 (note 3)	–	–	959,752,780	57.66%

Notes:

- (1) The shares included under the corporate interest of Mr. Lee Lap refer to the 884,752,780 shares held by Lee & Leung (B.V.I.) Limited of which Mr. Lee Lap and his spouse, Mdm. Leung Lai Ping, are owners holding 68% and 32% of its issued share capital respectively.
- (2) The shares held under family interest of Mr. Lee Lap refer to the 37,500,000 shares held by Mdm. Leung Lai Ping under her personal interest.
- (3) The shares held under family interest of Mdm. Leung Lai Ping refer to the 37,500,000 shares held by Mr. Lee Lap under his personal interest and 884,752,780 shares under his corporate interest.

Directors' Report

(B) Long Positions in Shares of Associated Corporations

Name of directors	Name of subsidiary	Number of non-voting deferred shares held
Mr. Lee Lap	Applied Industrial Company Limited	1,000
	Lee Plastics Manufacturing Company Limited	250,000
	Magnetic Electronics Limited	5,000
	Termbray Electronics Company Limited	7,000
Mdm. Leung Lai Ping	Applied Industrial Company Limited	1,500
	Lee Plastics Manufacturing Company Limited	250,000
	Termbray Electronics Company Limited	3,000

Note: All the above non-voting deferred shares are held by the above directors personally as beneficial owners.

(C) Long Positions in Shares Options Granted by the Company

Name of directors	Number of share options outstanding at 1st April, 2004 and 31st March, 2005	Percentage of total issued shares
Mr. Lee Lap	30,000,000	1.80%
Mdm. Leung Lai Ping	30,000,000	1.80%

Note: These share options were granted at an aggregate consideration of HK\$2 on 31st August, 2001 under the share option scheme approved by the shareholders of the Company on 22nd August, 2001 and are exercisable at HK\$0.261 per share at any time between 1st October, 2001 and 30th September, 2006. No options to subscribe for shares in the Company were granted, exercised, lapsed or cancelled during the year. No other share option was outstanding during the year.

Apart from the share option scheme of the Company, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Saved as disclosed herein, as at 31st March, 2005, none of the directors or chief executive of the Company had any interest or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO.

Directors' Report

DIRECTORS' INTERESTS IN CONTRACTS

During the year, the Group had entered into transactions with Panda Investment Company Limited ("Panda Investment") as described in note 26 to the financial statements. Mr. Lee Lap and Mdm. Leung Lai Ping have controlling interests in Panda Investment.

Save as aforementioned, no other contracts of significance in relation to the Group's business to which the Company, its holding company or any of its subsidiaries was a party or were parties and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTEREST IN COMPETING BUSINESS

Pursuant to paragraph 8.10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), the Company discloses that Mr. Lee Lap and Mdm. Leung Lai Ping are interested in companies engaged in property investment and development in Mainland China and Hong Kong ("Competing Business").

The board of directors of the Company has established procedures to identify any conflict of interest due to the interests of Mr. Lee Lap and Mdm. Leung Lai Ping. If conflict of interest arises, Mr. Lee Lap and Mdm. Leung Lai Ping will abstain from participating in making any decision. The Company is therefore capable of carrying on its business independently of, and at arm's length from the Competing Business.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company or its subsidiaries were entered into or existed during the year.

Directors' Report

SUBSTANTIAL SHAREHOLDERS

As at 31st March, 2005, the person interested in 5% or more of the issued share capital of the Company as recorded in the register kept by the Company pursuant to Section 336 of the SFO were as follows:

(A) Ordinary Share of the Company

Name of shareholders	Capacity	Number of issued ordinary shares of HK\$0.08 each held	Percentage of the issued share capital of the Company
Mr. Lee Lap	Beneficial owner, held by controlled corporation and held by spouse	959,752,780 (note 1)	57.66%
Mdm. Leung Lai Ping	Beneficial owner, held by controlled corporation and held by spouse	959,752,780 (note 1)	57.66%
Lee & Leung (B.V.I.) Limited (note 2)	Beneficial owner	884,752,780	53.15%
Cosmo Telecommunication Inc. (note 3)	Beneficial owner	151,202,960	9.08%
Mr. Leung Wai Tak	Held by controlled corporation	151,202,960	9.08%
East Glory Trading Limited (note 4)	Beneficial owner	103,397,540	6.21%
Master Winner Limited (note 4)	Held by controlled corporation	103,397,540	6.21%
Mr. Yuan Qinghua	Held by controlled corporation	103,397,540	6.21%

Notes:

- (1) It represents 884,752,780 shares held by Lee & Leung (B.V.I.) Limited, 37,500,000 shares held by himself/herself and 37,500,000 shares of the Company held by his/her spouse.
- (2) Lee & Leung (B.V.I.) Limited is owned 68% by Mr. Lee Lap and 32% by his spouse, Mdm. Leung Lai Ping and its interest in the issued share capital of the Company is included in the interest held by Mr. Lee Lap and Mdm. Leung Lai Ping respectively.
- (3) Cosmo Telecommunication Inc. is a wholly owned by Mr. Leung Wai Tak.
- (4) East Glory Trading Limited is wholly owned by Master Winner Limited, which in turn is wholly owned by Mr. Yuan Qinghua.

Directors' Report

(B) Share Option

Name	Capacity	Number of share options	Number of underlying shares
Mr. Lee Lap	Beneficial owner	30,000,000	30,000,000
Mdm. Leung Lai Ping	Beneficial owner	30,000,000	30,000,000

Saved as disclosed above, the Company has not been notified of any other interests or short positions in the shares or the underlying shares of the Company representing 5% or more of the issued share capital of the Company as at 31st March, 2005.

CONNECTED TRANSACTION

Pursuant to Chapter 14A of the Listing Rules, the Company discloses the following continuing connected transaction entered into during the year:

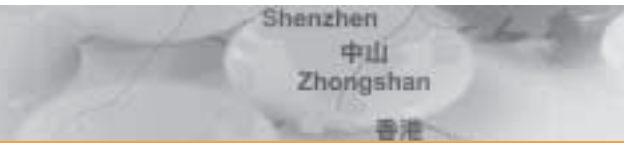
On 11th March, 2005, Termbay (Fujian) Land Development Company Limited, a wholly owned subsidiary of the Company, as lessor and Mr. Lee Wing Keung as lessee entered into a lease agreement, pursuant to which the lessee will lease a residential property in the Hong Kong Island with a saleable area of approximately 306 square metres from the lessor for a term of three years commencing on 16th March, 2005 at a monthly rent of HK\$120,000 (inclusive of rates, management fees, utility charges and maintenance fees of security alarm system) for domestic purposes.

The rental income earned by the Group during the current year is HK\$62,000.

Mr. Lee Wing Keung is the son of Mr. Lee Lap, Chairman and Chief Executive Officer of the Company, and, as such, is treated as an associate of Mr. Lee Lap under Rule 14A.11(4)(b) of the Listing Rules and thereby is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the signing of the lease agreement constitutes a continuing connected transaction for the Company under the Listing Rules.

The independent non-executive directors of the Company have reviewed the above transaction and opined that the connected transaction has been entered into:

- (i) in the ordinary and usual course of business of the Company, and
- (ii) on normal commercial terms, and
- (iii) in accordance with the relevant agreement governing it on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.



Directors' Report

SHARE OPTION SCHEME

A share option scheme of the Company was adopted on 22nd August, 2001 as an incentive to the employees of the Group. The directors may, at their discretion, invite full time employees including executive directors of the Group, to take up options to subscribe for shares of the Company at a price to be determined by the directors which will be the higher of a price being not less than 80% of the average closing prices of the shares of the Company on the five trading days immediately preceding the date on which the option is offered or the nominal value of a share. The maximum number of shares in respect of which options may be granted (together with shares issued pursuant to options exercised or cancelled and shares in respect of which any options remain outstanding) under the scheme and any other share option schemes will not exceed 10% of the issued share capital of the Company from time to time, excluding any shares issued on exercise of options granted pursuant to the scheme. No employee shall be granted an option which, if exercised in full, would result in such employee becoming entitled to subscribe for such number of shares, exceeding 25% of the aggregate number of shares for the time subject to the scheme. The offer of a grant of share option may be accepted within 28 days from the date of offer with a payment of nominal consideration of HK\$1.00 by the grantee. Each option gives the holder the right to subscribe for one share at the relevant exercise price. The exercisable period of an option should not exceed a period of five years commencing on the expiry of a period of not less than one month after the option is accepted. Full amount of the subscription price of the share must be paid upon the exercise of options.

The scheme will remain in force for a period of ten years commencing on 22nd August, 2001.

The Stock Exchange of Hong Kong Limited (the "Stock Exchange") amended the rules for share option schemes under the Listing Rules. The new requirements have become effective from 1st September, 2001 and render some of the provisions of the Company's share option scheme, including the basis of determining the subscription price, no longer applicable. According to the Listing Rules, the subscription price of the options will be determined as the highest of (i) the nominal value of the share of Company, (ii) the average of the closing prices of the shares of the Company as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant of the option, and (iii) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheet on the date of grant of the option. Unless approved by shareholders of the Company in the manner as set out in the Listing Rules, the total number of shares issued and to be issued upon exercise of the options granted to each employee (other than directors of the Group), including both exercised and outstanding options, in any 12 months period must not exceed 1% of the shares of the Company in issue.

On 31st August, 2001, the Company granted pursuant to the scheme to each of Mr. Lee Lap and Mdm. Leung Lai Ping, both being directors of the Company, options to subscribe for 30,000,000 shares at an exercise price of HK\$0.261 per share exercisable at any time between 1st October, 2001 to 30th September, 2006.

During the year, no option was granted, exercised, lapsed nor cancelled pursuant to the scheme. All the said options granted under the scheme, of which 60,000,000 shares to be subscribed for, remained outstanding as at 31st March, 2005.

Directors' Report

PROVIDENT FUND SCHEME

The Group has a mandatory provident fund scheme ("MPF Scheme") managed by a banking group. All staff employed in Hong Kong joined the MPF Scheme. The MPF Scheme is a defined contribution scheme and the assets of which are held separately from those of the Group in independently administered funds. Both of the employer and the employee are required to make mandatory contributions to the MPF Scheme calculated at 5% of the employee's monthly relevant income, subject to the rules and regulations of the Mandatory Provident Fund Schemes Ordinance.

The contribution made by the Group charged to the income statement in respect of the year are as follows:

	2005 HK\$'000	2004 HK\$'000
Gross employers' contributions	104	117
Less: Forfeited contributions	-	-
Net contributions	104	117

As at 31st March, 2005, the Group had no forfeited contributions (2004: Nil) available to offset future employers' contributions to the MPF Scheme.

PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of its directors, as of the date of this report, there is sufficient public float of the shares of the Company with not less than 25% of the total issued shares of the Company as required under the Listing Rules.

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.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws although there are no statutory restrictions against such rights under the laws in Bermuda.

Directors' Report

AUDITORS

The financial statements for the three years ended 31st March, 2005 were audited by Messrs. Deloitte Touche Tohmatsu.

A resolution to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company will be proposed at the forthcoming annual general meeting.

By order of the Board

Lee Lap

Chairman & CEO

Hong Kong, 8th July, 2005

Corporate Governance Report

The Company are committed to maintaining a high standard of corporate governance. We firmly believe that to maintain a good, solid and sensible framework of corporate governance will ensure the Company to run its business in the best interests of its shareholders as a whole.

The Company has complied throughout the year ended 31st March, 2005 with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, which has been replaced by the Code on Corporate Governance Practices with effect on 1st January 2005.

BOARD OF DIRECTORS

The Board of Directors (the "Board") is charged with leading the Group in a responsible and effective manner. Each director has to carry out his/her duties in utmost good faith above and beyond any prevailing applicable laws and regulations and act in the best interests of the shareholders. The duties of the Board include establishing the strategic direction of the Group, setting objectives and monitoring the performance of the Group.

The Board of the Company consists of 3 executive directors, 3 independent non-executive directors and one non-executive director.

The independent non-executive directors, all of whom are independent of the management of the Company, are highly experienced professionals coming from a diversified industrial background. Their brief biographical details are described on page 10 of the Annual Report. They ensure that the Board maintains high standards of financial and other mandatory reporting as well as providing adequate check and balance to safeguard the interest of shareholders and the Company as a whole.

The full Board meets no less than twice a year to review the financial and operating performance of the Group.

There were 5 board meetings held in the financial year ended 31st March, 2005. The attendance record of each director is shown below. All business transacted at the above meetings are well-documented and maintained in accordance with applicable laws and regulations.

Name of director	No. of board meeting held	No. of board meeting attended	Attendance Rate
Mr. Lee Lap	5	4	80%
Mdm. Leung Lai Ping	5	2	40%
Mr. Wong Shiu Kee	5	5	100%
Dr. Lee Tung Hai, Leo	5	3	60%
Mr. Lee Ka Sze, Carmelo	5	1	20%
Mr. Chan Siu Kang	3	3	100%
Mr. Lo Yiu Hee	3	3	100%

Corporate Governance Report

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, 2005.

In addition, the Board also established written guidelines on no less exacting terms than the Model Code for senior management of the Company in respect of their dealings in the securities of the Company.

CHAIRMAN & CHIEF EXECUTIVE OFFICER

Pursuant to paragraph A.2.1. of the Code on Corporate Governance Practice's in Appendix 14 to the Listing Rules, the roles of chairman and chief executive officer of an issuer should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. Mr. Lee Lap is currently the chairman of the board and chief executive officer of the Group. Having considered the current business operation and the size of the Group, the Board is of the view that Mr. Lee Lap acting as both the chairman of the Board and also as the chief executive officer of the Group is acceptable and in the best interest of the Group. The Board will review this situation periodically.

NON-EXECUTIVE DIRECTOR

Each of the independent non-executive directors and non-executive director has entered into an appointment letter with the Company pursuant to which each of them is appointed for service with the Company from 30th September, 2004 to 31st December, 2006. The appointment shall terminate on the earlier of (i) 31st December, 2006, or (ii) the date on which the director ceases to be director for any reasons pursuant to the bye-laws of the Company or any other applicable laws.

AUDIT COMMITTEE

The Company has established an Audit Committee, chaired by Dr. Lee Tung Hai, Leo with defined terms of reference in alignment with the recommendations set out in "A Guide for Effective Audit Committees" issued by the Hong Kong Institute of Certified Public Accountants and the code provisions set out in the Corporate Governance Code of the Listing Rules. Other members are Mr. Lee Ka Sze Carmelo, Mr. Chan Siu Kang and Mr. Lo Yiu Hee.

The Audit Committee meets no less than twice a year with the senior management and the external auditors to review the accounting principles and practices adopted by the Group and other financial reporting matters, assures the completeness, accuracy and fairness of the financial statements of the Group, discuss the effectiveness of the systems of internal control throughout the Group and most importantly, reviews all significant business affairs managed by the executive directors in particular on connected transactions. The Committee also provides advice and recommendations to the Board and oversees all matters relating to the external auditors, and it plays an important role in monitoring and safeguarding the independence of external auditors.

The Audit Committee met twice during the financial year ended 31st March, 2005. The attendance record of each member is shown below. All business transacted at the above meetings are well-documented and maintained in accordance with applicable laws and regulations.

Corporate Governance Report

After each audit committee meeting, the chairman of the Audit Committee will present to the Board a report which highlights any significant issues discussed in the meeting.

Name of audit committee member	No. of audit committee meeting held	No. of meeting attended	Attendance Rate
Dr. Lee Tung Hai, Leo	2	2	100%
Mr. Lee Ka Sze, Carmelo	2	2	100%
Mr. Chan Siu Kang	1	1	100%
Mr. Lo Yiu Hee	1	1	100%

REMUNERATION COMMITTEE

The Company has established a Remuneration Committee on 17th December, 2004, chaired by Mr. Lee Lap with defined terms of reference. Other members are Mr. Chan Siu Kang and Mr. Lo Yiu Hee.

The Company aims to design remuneration policies that attract and retain executives needed to run the Group successfully and to motivate executives to pursue appropriate growth strategies whilst taking into account performance of the individual. The remuneration should reflect performance, complexity and responsibility of the individual; and the remuneration package will be structured to include salary, bonus and share options scheme to provide incentives to directors and senior management to improve their individual performances.

The Remuneration Committee meets once during the financial year ended 31st March, 2005. The Remuneration committee will make recommendation to the Board on the Company's policy and structure for all remuneration of directors, including non-executive directors, and senior management.

AUDITOR'S REMUNERATION

The remuneration in respect of services provided by Deloitte Touche Tohmatsu for the Group for the year ended 31st March, 2005 are analysed as follows:

	31st March, 2005 HK\$	31st March, 2004 HK\$
Audit service	343,000	350,000
Non audit service	92,000	91,000
	435,000	441,000

CONCLUSION

The Company strongly believes that the quality and standard of corporate governance reflects the quality of the management and the operations of the Group's business. Good corporate governance can safeguard the proper use of funds and effective allocation of resources and to protect shareholders' interests. The management wholeheartedly advocates of the good practice in corporate governance and will try our best to maintain, strengthen and improve the standard and quality of the Group's corporate governance.

Auditors' Report

Deloitte. 德勤

TO THE MEMBERS OF TERMBRAY INDUSTRIES INTERNATIONAL (HOLDINGS) LIMITED

(incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 23 to 49 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31st March, 2005 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

8th July, 2005

Consolidated Income Statement For the year ended 31st March, 2005

	<i>Notes</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
TURNOVER	3	3,095	3,370
Services costs		(1,078)	(1,020)
Other operating income	4	2,017	2,350
Unrealised holding loss on investments in securities		16,047	14,383
Realised (loss) gain on disposal of investments in securities		(9,951)	(1,757)
Administrative expenses		(594)	842
Provision for properties for sale		(14,109)	(13,998)
Provision for properties for sale		(16,000)	–
Impairment loss on properties for development	5	(20,578)	–
Negative goodwill released to income	5	6,601	–
(LOSS) PROFIT BEFORE TAXATION	6	(36,567)	1,820
Taxation	7	–	–
(LOSS) PROFIT ATTRIBUTABLE TO SHAREHOLDERS		(36,567)	1,820
		<i>HK Cents</i>	<i>HK Cents</i>
(LOSS) EARNINGS PER SHARE	8		
Basic		(2.20)	0.11
Diluted		N/A	0.11

Consolidated Balance Sheet At 31st March, 2005

	Notes	2005 HK\$'000	2004 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	84,295	87,255
Properties for development	11	–	20,578
Pledged bank deposits	25(b)	2,112	2,806
		86,407	110,639
CURRENT ASSETS			
Properties for sale	13	110,875	126,875
Trade and other receivables	14	6,688	6,181
Deposits and prepayments		2,421	2,468
Investments in securities	15	271,937	233,453
Investments in money market funds	16	298,386	345,057
Pledged bank deposits	25(a)	465	465
Bank balances and cash		16,365	14,392
		707,137	728,891
CURRENT LIABILITIES			
Trade and other payables and accrued charges	17	6,263	6,920
Deposits received		871	655
Provisions	18	4,725	6,039
Amount due to a related company	26(b)	1,236	1,846
Taxation liabilities		2,984	2,984
Bank overdrafts, unsecured		–	545
		16,079	18,989
NET CURRENT ASSETS		691,058	709,902
		777,465	820,541
CAPITAL AND RESERVES			
Share capital	19	133,171	133,171
Reserves	20	643,878	686,954
		777,049	820,125
MINORITY INTERESTS		416	416
		777,465	820,541

The financial statements on pages 23 to 49 were approved and authorised for issue by the board of directors on 8th July, 2005 and are signed on its behalf by:

Lee Lap
Director

Wong Shiu Kee
Director

Balance Sheet At 31st March, 2005

	<i>Notes</i>	2005 HK\$'000	2004 HK\$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	12	664,864	668,393
CURRENT ASSETS			
Trade and other receivables		168	229
Pledged bank deposits		465	465
Bank balances and cash		42	40
		675	734
CURRENT LIABILITIES			
Trade and other payables and accrued charges		3,130	2,994
NET CURRENT LIABILITIES			
		(2,455)	(2,260)
		662,409	666,133
CAPITAL AND RESERVES			
Share capital	19	133,171	133,171
Reserves	20	451,871	455,586
		585,042	588,757
NON-CURRENT LIABILITIES			
Amounts due to subsidiaries	21	77,367	77,376
		662,409	666,133

Lee Lap
Director

Wong Shiu Kee
Director

Consolidated Statement of Changes in Equity For the year ended 31st March, 2005

	Total equity
	<i>HK\$'000</i>
At 1st April, 2003	818,203
Exchange differences arising from translation of financial statements of subsidiaries not recognised in the consolidated income statement	102
Profit for the year	1,820
At 31st March, 2004	820,125
Exchange differences arising from translation of financial statements of subsidiaries not recognised in the consolidated income statement	92
Loss for the year	(36,567)
Negative goodwill released from equity to income statement	(6,601)
At 31st March, 2005	777,049

Consolidated Cash Flow Statement For the year ended 31st March, 2005

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
OPERATING ACTIVITIES		
(Loss) profit before taxation	(36,567)	1,820
Adjustments for:		
Depreciation of property, plant and equipment	2,960	2,821
Unrealised holding loss on investments in securities	9,951	1,757
Realised loss (gain) on disposal of investments in securities	594	(842)
Gain on disposal of property, plant and equipment	–	(50)
Provision for properties for sale	16,000	–
Impairment loss on properties for development	20,578	–
Negative goodwill released to income	(6,601)	–
Inventories written off	–	191
Interest income	(15,728)	(12,510)
Operating cash flows before movements in working capital	(8,813)	(6,813)
Decrease (increase) in trade and other receivables, deposits and prepayments	520	(285)
Decrease in instalments receivable	–	452
Decrease in trade and other payables and accrued charges and deposits received	(441)	(1,347)
Decrease in provisions	(1,314)	(1,297)
Decrease in amount due to a related company	(610)	(14,418)
NET CASH USED IN OPERATING ACTIVITIES	(10,658)	(23,708)
INVESTING ACTIVITIES		
Interest received	14,748	11,712
Decrease in bank deposits not maturing within three months when placed	694	1,534
Purchase of property, plant and equipment	–	(978)
Proceeds from disposal of property, plant and equipment	–	50
Purchase of investments in securities	(67,607)	(166,382)
Proceeds from disposal of investments in securities	18,578	136,747
Proceeds from redemption of money market funds	46,671	41,214
NET CASH FROM INVESTING ACTIVITIES	13,084	23,897
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,426	189
CASH AND CASH EQUIVALENT AT BEGINNING OF THE YEAR	13,847	13,556
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	92	102
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	16,365	13,847
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	16,365	14,392
Bank overdrafts	–	(545)
	16,365	13,847

Notes to the Financial Statements For the year ended 31st March, 2005

1. POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS

In 2004, the Hong Kong Institute of Certified Public Accountants issued a number of new or revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards ("HKFRSs") (herein collectively referred to as "new HKFRSs") which are effective for accounting periods beginning on or after 1st January, 2005 except for HKFRS 3 "Business Combinations". The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31st March, 2005.

HKFRS 3 is applicable to business combinations for which the agreement date is on or after 1st January, 2005. The Group has not entered into any business combination for which the agreement date is on or after 1st January, 2005. Therefore HKFRS 3 did not have any impact on the Group for the year ended 31st March, 2005.

The Group has commenced considering the potential impact of these new HKFRSs but is not yet in a position to determine whether these new HKFRSs would have a significant impact on how its results of operations and financial position are prepared and presented. These new HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong.

The measurement basis used in the preparation of the financial statements is historical cost, as modified by the revaluation of investments in securities.

A summary of the significant accounting policies adopted by the Group is set out below.

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st March each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group have been eliminated on consolidation.

Notes to the Financial Statements For the year ended 31st March, 2005

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Goodwill/negative goodwill

Goodwill/negative goodwill arising on consolidation represents the excess/shortfall of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition.

Goodwill/negative goodwill arising on acquisitions prior to 1st April, 2001 continues to be held in reserves. Goodwill will be charged to the income statement at the time of disposal of the relevant subsidiary, or at such time as the goodwill is determined to be impaired. Negative goodwill will be credited to the income statement at the time of disposal of the relevant subsidiary.

Goodwill arising on acquisitions on or after 1st April, 2001 is capitalised and amortised on a straight-line basis over its useful economic life. Goodwill arising on the acquisition of a subsidiary is presented separately in the balance sheet. On disposal of a subsidiary, the attributable amount of unamortised goodwill is included in the determination of the profit or loss on disposal.

Negative goodwill arising on acquisitions on or after 1st April, 2001 is presented as a deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

To the extent that the negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to income in the year in which those losses or expenses arise. The remaining negative goodwill is recognised as income on a straight-line basis over the remaining average useful life of the identifiable acquired depreciable assets. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets, it is recognised in income immediately.

(c) Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(d) Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation and any identified impairment losses.

Notes to the Financial Statements For the year ended 31st March, 2005

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Property, plant and equipment (continued)

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives, on a straight line basis, as follows:

Category of assets	Estimated useful lives
Leasehold land	Over the remaining term of the relevant lease
Buildings	25 to 40 years or over the remaining term of the relevant lease, whichever is shorter
Other assets	4 to 10 years

The gain or loss arising on disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

(e) Properties for development

Properties for development are stated at cost less any identified impairment loss.

(f) Properties for sale

Properties held for sale are stated at the lower of cost and net realisable value.

(g) Impairment

At each balances sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

(h) Investments in securities

Investments in securities are recognised on a trade-date basis and are initially measured at cost.

Investments in securities, which are not held for an identified long-term strategic purpose, are measured at fair value, with unrealised gains and losses included in net profit or loss for the year.

Notes to the Financial Statements For the year ended 31st March, 2005

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Foreign currencies

Transactions in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date. Gains and losses arising on exchange are included in net profit or loss for the period.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising, if any, are classified as equity and transferred to the Group's exchange translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

(j) Operating leases

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the relevant lease terms.

(k) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Notes to the Financial Statements For the year ended 31st March, 2005

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Taxation (continued)

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(l) Revenue recognition

Revenue is recognised on the following bases when it is probable that the economic benefits associated with the transactions will flow to the Group and these benefits can be measured reliably:

(i) *Rental income*

Rental income is recognised on a straight line basis over the relevant lease term.

(ii) *Interest income*

Interest income from money market funds, debt securities and bank deposits is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

(m) Retirement benefit costs

Payments to the retirement benefit schemes are charged as an expense as they fall due.

Notes to the Financial Statements For the year ended 31st March, 2005

3. TURNOVER AND SEGMENT INFORMATION

The principal activities of the Group are property development and investment.

The following is an analysis of the turnover and contribution to (loss) profit of the Group:

	Turnover		Contribution to (loss) profit before taxation	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Property development and investment				
Property development	–	–	(36,578)	–
Property letting	3,095	3,370	2,017	2,350
	3,095	3,370		
Segment results			(34,561)	2,350
Other activities			5,502	13,468
Negative goodwill released to income			6,601	–
Less: Unallocated administrative and other expenses			(14,109)	(13,998)
			(36,567)	1,820

Notes:

- (i) The Group's property development and investment activities were carried out in the Mainland China (the "PRC").
- (ii) Other activities comprise mainly of treasury activities, including investments in securities and money market funds operating in the United States of America, European countries and Hong Kong, and the placement of bank deposits in Hong Kong.
- (iii) The loss attributable to the property development of HK\$36,578,000 shown above comprised of provision for properties for sale and impairment loss on properties for development amounted to HK\$16,000,000 and HK\$20,578,000 respectively. No depreciation or amortisation and other non-cash expenses are included in segment results.

Notes to the Financial Statements For the year ended 31st March, 2005

3. TURNOVER AND SEGMENT INFORMATION (continued)

The following is an analysis of the assets and liabilities of the Group by geographical location:

	Assets		Liabilities	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
The PRC				
Property development and investment	114,596	151,651	2,305	2,340
Hong Kong and other jurisdictions				
Other activities (Note (i))	573,319	579,858	–	–
	687,915	731,509	2,305	2,340
Unallocated assets/liabilities	105,629	108,021	13,774	16,649
	793,544	839,530	16,079	18,989

Notes:

- (i) The assets employed in other activities comprise investments in securities, money market funds and bank deposits as follows:

	2005 HK\$'000	2004 HK\$'000
Debt securities and money market funds operating in:		
United States of America	327,363	342,196
European countries	242,640	235,611
	570,003	577,807
Equity securities listed in Hong Kong	320	703
Bank deposits placed in Hong Kong	2,996	1,348
	573,319	579,858

- (ii) Substantially all of the property, plant and equipment of the Group acquired in 2004 were located in Hong Kong. These additions were not attributable to any specific activities.

Notes to the Financial Statements For the year ended 31st March, 2005

4. OTHER OPERATING INCOME

	THE GROUP	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest income from		
– investment in money market funds	4,715	3,623
– investments in debt securities	10,948	8,817
– bank deposits	65	70
	15,728	12,510
Other income	319	1,873
	16,047	14,383

5. IMPAIRMENT LOSS ON PROPERTIES FOR DEVELOPMENT/NEGATIVE GOODWILL RELEASED TO INCOME

The sole assets of a wholly-owned subsidiary of the Company, Cong Hua White Swan Bow Yuen Real Estate Development Company Limited (“Cong Hua Bow Yuen”) were the properties for development in Cong Hua, the Guangdong Province of the PRC. The joint venture period of Cong Hua Bow Yuen had been expired on 26th September, 2004 and the Group had applied for an extension of the joint venture period. After the discussions with the relevant government authorities through the PRC joint venture partner of Cong Hua Bow Yuen, the Company was informed on 21st January, 2005 by the PRC joint venture partner that the approval for extension of the joint venture period by the government authorities is very remote. The Company had further made inquiry with the government authorities. Against these background, the directors consider it appropriate to make full provision for impairment losses against the carrying amount of the properties for development amounted to HK\$20,578,000 in the current year. In this respect, the negative goodwill of HK\$6,601,000 arising from the acquisition of interest in Cong Hua Bow Yuen included in reserves has been released to the consolidated income statement of the current year. Details of the above have been set out in the Company’s announcement dated 2nd February, 2005.

Notes to the Financial Statements For the year ended 31st March, 2005

6. (LOSS) PROFIT BEFORE TAXATION

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
(Loss) profit before taxation has been arrived at after charging (crediting):		
Auditors' remuneration	343	350
Depreciation for property, plant and equipment	2,960	2,821
Staff costs including directors' emoluments (Note)	6,379	6,480
Operating lease rentals in respect of land and buildings	360	360
Gain on disposal of property, plant and equipment	–	(50)
Rental income less outgoings of HK\$1,078,000 (2004: HK\$1,020,000)	(2,017)	(2,350)

Note: Included in staff costs are contributions paid or payable under the Group's retirement benefit schemes amounting to HK\$104,000 (2004: HK\$117,000) in respect of the year.

7. TAXATION

No provision for Hong Kong Profits Tax and overseas taxation has been made in the financial statements for either of the years presented as the Group has no assessable profits for these years.

The tax expense for the year can be reconciled to the (loss) profit before taxation per the income statement as follows:

	2005 HK\$'000	2004 HK\$'000
(Loss) profit before taxation	(36,567)	1,820
Tax (credit) charge at the applicable income tax rate of 17.5%	(6,399)	319
Tax effect of expenses not deductible for tax purpose	7,641	2,529
Tax effect of income that are not taxable for tax purpose	(3,950)	(2,218)
Tax effect of deductible temporary differences not recognised	2,923	–
Tax effect of tax losses not recognised	46	34
Utilisation of tax losses previously not recognised	(261)	(664)
Tax expense for the year	–	–

Details of the deferred tax not recognised are set out in note 22.

Notes to the Financial Statements For the year ended 31st March, 2005

8. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted loss/earnings per share is based on the following data:

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
(Loss) profit attributable to shareholders for the purposes of basic and diluted loss/earnings per share	(36,567)	1,820
	Number of shares	
	<i>'000</i>	<i>'000</i>
Number of ordinary shares for the purposes of basic loss/earnings per share	1,664,643	1,664,643
Effect of dilutive potential ordinary shares – share options	N/A	20,071
Weighted average number of ordinary shares for the purpose of diluted earnings per share	N/A	1,684,714

No diluted loss per share for the current year is presented as the assumed exercise of the Company's share options would result in a decrease in the loss per share.

9. EMOLUMENTS OF DIRECTORS AND SENIOR EMPLOYEES

(a) Directors

	THE GROUP	
	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Non-executive directors		
Directors' fees	300	200
Executive directors		
Basic salaries, allowances and benefits-in-kind	6,341	6,520
Contributions to provident fund scheme	76	89
Total emoluments	6,717	6,809

The directors' fees shown above included fees amounted to HK\$200,000 (2004: HK\$200,000) payable to independent non-executive directors.

Notes to the Financial Statements For the year ended 31st March, 2005

9. EMOLUMENTS OF DIRECTORS AND SENIOR EMPLOYEES (continued)

(a) Directors (continued)

During the year, the land and building of the Group with a rental value of HK\$1,800,000 (2004: HK\$1,680,000) were provided as accommodation to certain directors of the Company which has been included in the basic salaries, allowances and benefits-in-kind disclosed above.

The emoluments of the directors were within the following bands:

	2005	2004
	Number of	Number of
	Directors	Directors
HK\$		
Nil – 1,000,000	4	2
1,000,001 – 1,500,000	1	1
2,000,001 – 2,500,000	1	1
2,500,001 – 3,000,000	1	1
	7	5

(b) Senior employees

Of the five individuals with the highest emoluments in the Group, three (2004: three) are directors of the Company, whose emoluments have been included above. The emoluments of the remaining two (2004: two) individuals, whose emoluments are individually below HK\$1,000,000, are as follows:

	THE GROUP	
	2005	2004
	HK\$'000	HK\$'000
Basic salaries, allowances and benefits-in-kind	559	559
Contributions to provident fund scheme	28	28
	587	587

Notes to the Financial Statements For the year ended 31st March, 2005

10. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings <i>HK\$'000</i>	Machinery, moulds and equipment <i>HK\$'000</i>	Furniture, fixtures and leasehold improvements <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE GROUP					
COST					
At 1st April, 2004 and at 31st March, 2005	86,685	89	8,609	6,126	101,509
DEPRECIATION					
At 1st April, 2004	7,594	89	4,048	2,523	14,254
Provided for the year	1,380	-	693	887	2,960
At 31st March, 2005	8,974	89	4,741	3,410	17,214
NET BOOK VALUES					
At 31st March, 2005	77,711	-	3,868	2,716	84,295
At 31st March, 2004	79,091	-	4,561	3,603	87,255

The net book value of the Group's land and buildings is analysed as follows:

	THE GROUP	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Land and buildings in Hong Kong on:		
Long lease	73,197	74,257
Medium-term leases	4,514	4,834
	77,711	79,091

Notes to the Financial Statements For the year ended 31st March, 2005

11. PROPERTIES FOR DEVELOPMENT

	THE GROUP	
	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Land use rights in the PRC on long lease:		
At cost	32,341	32,341
Less: Impairment loss recognised (<i>Note 5</i>)	(32,341)	(11,763)
	–	20,578

12. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Unlisted shares, at cost	261,810	261,810
Amounts due from subsidiaries less allowances	403,054	406,583
	664,864	668,393

Notes to the Financial Statements For the year ended 31st March, 2005

12. INTERESTS IN SUBSIDIARIES (continued)

The following list contains only the particulars of the subsidiaries at 31st March, 2005 which principally affect the results, assets or liabilities of the Group as the directors are of the opinion that a full list of all the subsidiaries would be of excessive length. All subsidiaries are wholly owned subsidiaries and, unless otherwise specified, are operating in their place of incorporation/establishment. None of the subsidiaries had any loan capital outstanding at 31st March, 2005 or at any time during the year.

Name of company	Place of incorporation/ establishment	Paid up issued share capital/ registered capital	Principal activities
<i>Direct subsidiary:</i>			
Termbray Electronics (B.V.I.) Limited (i)	British Virgin Islands	100 ordinary shares of US\$1 each	Investment holding
<i>Indirect subsidiary:</i>			
Bow Yuen Industries Limited (ii)	Hong Kong	28,000 ordinary shares of HK\$1 each	Investment holding
Ever Success Properties Limited (ii)	Hong Kong	100 ordinary shares of HK\$1 each	Investment holding
Termbray (China) Land Development Company Limited	Hong Kong	10,000 ordinary shares of HK\$1 each	Investment holding
Termbray (Fujian) Land Development Company Limited	Hong Kong	10,000 ordinary shares of HK\$1 each	Property holding
Termbray (Guangzhou) Land Development Company Limited	Hong Kong	10,000 ordinary shares of HK\$1 each	Property holding
Termbray Electronics Company Limited	Hong Kong	2 ordinary shares of HK\$100 each and 10,000 non-voting deferred shares of HK\$100 each	Investment holding and treasury activities
Zhongshan Ever Success Properties Limited (iii)	PRC	Registered capital of RMB1,500,000	Property development

(i) Operating in Hong Kong

(ii) Operating in the PRC

(iii) A limited liability company established in the PRC

Notes to the Financial Statements For the year ended 31st March, 2005

13. PROPERTIES FOR SALE

Included in properties for sale are properties carried at net realisable value amounted to HK\$63,077,000 (2004: HK\$79,077,000).

14. TRADE AND OTHER RECEIVABLES

Rentals receivable and proceeds from sales of properties are payable in accordance with the terms of the relevant agreements.

The following is an aged analysis of trade and other receivables at the balance sheet date:

	THE GROUP	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
1 – 90 days	5,280	4,240
Over 90 days	1,408	1,941
	6,688	6,181

15. INVESTMENTS IN SECURITIES

	THE GROUP	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted debt securities	271,617	232,750
Listed equity securities in Hong Kong	320	703
	271,937	233,453
Market value of listed securities	320	703

16. INVESTMENTS IN MONEY MARKET FUNDS

The amount represents the cost of the Group's investments in money market funds which are managed by international financial institutions and are redeemable on demand.

Notes to the Financial Statements For the year ended 31st March, 2005

17. TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

The following is an analysis of trade and other payables and accrued charges at the balance sheet date:

	THE GROUP	
	2005	2004
	HK\$'000	HK\$'000
Trade and other payables, aged over 90 days	1,823	1,761
Accrued charges	4,440	5,159
	6,263	6,920

18. PROVISIONS

	THE GROUP	
	2005	2004
	HK\$'000	HK\$'000
Provisions for warranty and undertakings		
At beginning of the year	6,039	7,336
Utilised during the year	(1,314)	(1,297)
At end of the year	4,725	6,039

The provision represents management's best estimate of the costs and expenses required to discharge the Group's obligations and liabilities under the warranties and undertakings given in connection with the disposal of subsidiaries in prior years. The timing of payment for such costs and expenses is dependent upon finalisation of certain matters requiring the approval of the PRC local authorities, therefore it is not practicable to estimate with certainty the timing of payment at this stage.

Notes to the Financial Statements For the year ended 31st March, 2005

19. SHARE CAPITAL

	2005 & 2004	
	Number of shares '000	Nominal value HK\$'000
THE GROUP AND THE COMPANY		
Ordinary shares of HK\$0.08 each		
Authorised	2,800,000	224,000
Issued and fully paid	1,664,643	133,171

(a) Ordinary shares

There was no change in the share capital of the Company for either of the years presented.

(b) Share options

Pursuant to an ordinary resolution passed at a special general meeting of the Company held on 22nd August, 2001, the Company adopted a new share option scheme to replace the scheme adopted in 1991 which was terminated on that date.

Under the new share option scheme, the Company granted options on 31st August, 2001 to its directors to subscribe for a total of 60,000,000 ordinary shares in the Company at the subscription price of HK\$0.261 per share exercisable during the period from 1st October, 2001 to 30th September, 2006. The consideration for the options granted amounted to HK\$2, which was recognised in the income statement when received. These options remained outstanding at 31st March, 2004 and 2005. No options to subscribe for shares in the Company were granted, exercised, lapsed or cancelled during the year.

The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recognised in the income statement in respect of the value of options granted in the year. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

Notes to the Financial Statements For the year ended 31st March, 2005

20. RESERVES

	Share premium <i>HK\$'000</i>	Exchange translation reserve <i>HK\$'000</i>	Negative goodwill <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE GROUP						
At 1st April, 2003	132,550	(463)	6,601	–	546,344	685,032
Arising from translation of financial statements of subsidiaries	–	102	–	–	–	102
Profit for the year	–	–	–	–	1,820	1,820
At 31st March, 2004	132,550	(361)	6,601	–	548,164	686,954
Arising from translation of financial statements of subsidiaries	–	92	–	–	–	92
Negative goodwill released to income (Note 5)	–	–	(6,601)	–	–	(6,601)
Loss for the year	–	–	–	–	(36,567)	(36,567)
At 31st March, 2005	132,550	(269)	–	–	511,597	643,878
THE COMPANY						
At 1st April, 2003	132,550	–	–	191,810	132,318	456,678
Loss for the year	–	–	–	–	(1,092)	(1,092)
At 31st March, 2004	132,550	–	–	191,810	131,226	455,586
Loss for the year	–	–	–	–	(3,715)	(3,715)
At 31st March, 2005	132,550	–	–	191,810	127,511	451,871

Notes to the Financial Statements For the year ended 31st March, 2005

20. RESERVES (continued)

Notes:

- (a) The contributed surplus represents the difference between the consolidated shareholders' funds of the subsidiaries acquired and the nominal amount of the Company's shares issued as consideration for the acquisition at the time of the group reorganisation implemented prior to the listing of the Company's shares in 1991.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- (i) it is, or would after the payment be, unable to pay its liabilities as they become due; or
- (ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.
- (b) In the opinion of the directors, the Company's reserves available for distribution to shareholders were as follows:

	THE COMPANY	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Contributed surplus	191,810	191,810
Retained profits	127,511	131,226
	319,321	323,036

The directors do not recommend the payment of a dividend in respect of the year (2004: Nil).

21. AMOUNTS DUE TO SUBSIDIARIES

The amounts due to subsidiaries are unsecured and interest free with no fixed repayment terms. Repayment of the amounts will not be demanded within one year from the balance sheet date, accordingly the amounts are classified as non-current liabilities.

22. DEFERRED TAXATION

At the balance sheet date, the Group has deductible temporary differences of HK\$34,490,000 (2004: HK\$17,786,000) and unused tax losses of HK\$90,409,000 (2004: HK\$107,388,000) available for offset against future profit. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

During the year, the unused tax losses of the Group to the extent of HK\$15,756,000 has been disallowed by the Hong Kong Inland Revenue Department as available for off-setting future assessable profits. No deferred tax asset had been recognised on such unused tax losses in prior years. Hence no adjustment on the Group's deferred taxation is required.

The Company did not have any significant deferred tax assets or liabilities at the balance sheet date.

Notes to the Financial Statements For the year ended 31st March, 2005

23. PROJECT COMMITMENTS

The Group did not have any significant project commitments at the balance sheet date. At 31st March, 2004, the Group had contracted project commitments in respect of property development expenditure and purchase of land use rights in the PRC amounting to an aggregate of HK\$65,347,000 not provided for in the financial statements.

The Company did not have any significant project commitments at the balance sheet date.

24. OPERATING LEASE COMMITMENTS

The Group as lessor

At the balance sheet date, the Group's properties held for sale with an aggregate carrying value of HK\$49,949,000 (2004: HK\$51,225,000) and the Group's property, plant and equipment with carrying value of HK\$32,504,000 (2004: Nil) were let out under operating leases. All of properties leased out have committed tenants for the next one to seven years without termination options.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	THE GROUP	
	2005	2004
	HK\$'000	HK\$'000
Within one year	3,376	1,826
In the second to fifth years inclusive	8,315	5,074
Over five years	3,668	5,672
	15,359	12,572

The Group as lessee

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating lease which fall due as follows:

	THE GROUP	
	2005	2004
	HK\$'000	HK\$'000
Within one year	270	270

Operating lease payments represent rentals payable by the Group for office premises and warehouses. These are negotiated and rentals are fixed on an annual basis.

Notes to the Financial Statements For the year ended 31st March, 2005

25. PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

Details of assets pledged and contingent liabilities of the Group outstanding at the balance sheet date are as follows:

- (a) Bank deposits of HK\$465,000 (2004: HK\$465,000) were pledged to secure the credit facilities granted to the Group.
- (b) Guarantees were issued to banks by a subsidiary in respect of mortgage loans granted to property purchasers amounted to approximately HK\$775,000 (2004: HK\$1,412,000) and, in this connection, the Group's bank deposits of HK\$2,112,000 (2004: HK\$2,806,000) were pledged to the banks as security.
- (c) In prior year, certain former subsidiaries purchased production materials amounted to approximately HK\$12,000,000 from an outside supplier. The production materials acquired were subsequently found to be defective and settlement of the purchases was therefore withheld by the former subsidiaries. A legal action for settlement of the purchases together with interest was taken by the supplier against these former subsidiaries. On the other hand, the said former subsidiaries instituted a legal action against the supplier claiming damages arising from the materials delivered by the supplier. In 1999, the said former subsidiaries were disposed of to outside parties. In connection with the disposal, the Group has undertaken to indemnify the purchasers the losses, if any, arising from the legal action taken by the supplier against the former subsidiaries. While the outcome of these proceedings cannot be estimated with certainty at this stage, based on legal advice obtained, the directors are of the opinion that the outcome of these cases would not have a material adverse impact on the financial position of the Group.
- (d) In connection with the disposal in 1999 of the subsidiaries engaged in the business of manufacture and sale of printed circuit boards, the Group has given warranties and undertakings to the purchaser as specified in the agreement for the disposal of these subsidiaries. During the year ended 31st March 2001, the Group received notification from the purchaser raising claims against the Group arising from the warranties and undertakings. It is the intention of the management to contest the claims vigorously. No legal proceedings have yet been instituted against the Group for these claims. Based upon legal advice obtained, management is of the opinion that such claims, if materialised, would not result in any material liabilities to the Group in excess of the amounts already provided for in the financial statements.

Notes to the Financial Statements For the year ended 31st March, 2005

26. RELATED PARTY TRANSACTIONS

During the year, the Group had the following transactions with related parties:

- (a) Pursuant to the tenancy agreements entered into between Panda Investment Company Limited ("Panda Investment") and a wholly-owned subsidiary, Termbray Electronics Company Limited ("Termbray Electronics"), Termbray Electronics leased certain office premises and warehouses from Panda Investment during the year at the agreed rental of HK\$360,000 (2004: HK\$360,000). The Company's directors, Mr. Lee Lap and Madam Leung Lai Ping, have controlling interests in Panda Investment.
- (b) At 31st March, 2005, the Group had an amount of approximately HK\$1,236,000 (2004: HK\$1,846,000) due to Panda Investment which is unsecured, interest free with no fixed repayment terms.
- (c) Pursuant to the tenancy agreement entered into between Mr. Lee Wing Keung, a son of Mr. Lee Lap, and a wholly-owned subsidiary, Termbray (Fujian) Land Development Company Limited ("Termbray Fujian"), on 11th March, 2005, Termbray Fujian leased its land and building to Mr. Lee Wing Keung at the monthly rental of HK\$120,000 determined by reference to the market rental value of the property as valued by a property valuer. The rental income recognised in the consolidated income statement for the year is HK\$62,000. Details of the tenancy agreement have been set out in the Company's announcement dated 11th March, 2005.

27. ULTIMATE HOLDING COMPANY

The directors consider the Company's ultimate holding company to be Lee & Leung (B.V.I.) Limited, a company incorporated in the British Virgin Islands.

List of Major Properties

PROPERTIES FOR SALE

Property location	Use	Approximate gross floor area <i>Sq.m.</i>	Group's attributable interest %
90-124 An Lan Road, Zhongshan, Guangdong Province	Commercial and car park Residential	16,452 27,020	100 100

Five Year Financial Summary

The following tables summarise certain consolidated financial information in respect of the Group's results, assets and liabilities for the last five financial years, as extracted from the audited financial statements.

CONSOLIDATED RESULTS

	Year ended 31st March,				
	2005 HK\$'000	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000
Turnover	3,095	3,370	3,316	2,258	6,656
(Loss)/profit before taxation	(36,567)	1,820	2,488	506	9,142
Taxation	–	–	–	–	817
(Loss)/profit attributable to shareholders	(36,567)	1,820	2,488	506	9,959

CONSOLIDATED ASSETS AND LIABILITIES

	As at 31st March,				
	2005 HK\$'000	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000
Non-current assets					
Property, plant and equipment	84,295	87,255	89,098	91,072	94,497
Properties for development	–	20,578	20,578	20,578	24,227
Other non-current assets	2,112	2,806	4,792	6,435	3,186
Current assets	707,137	728,891	739,657	734,266	735,431
TOTAL ASSETS	793,544	839,530	854,125	852,351	857,341
Current liabilities	(16,079)	(18,989)	(35,506)	(36,213)	(43,241)
Minority interests	(416)	(416)	(416)	(416)	(416)
TOTAL LIABILITIES	(16,495)	(19,405)	(35,922)	(36,629)	(43,657)
NET ASSETS	777,049	820,125	818,203	815,722	813,684

Five Year Financial Summary

PER SHARE DATA

	Year ended 31st March,				
	2005 <i>HK cents</i>	2004 <i>HK cents</i>	2003 <i>HK cents</i>	2002 <i>HK cents</i>	2001 <i>HK cents</i>
Basic (loss)/earnings per share	(2.20)	0.11	0.15	0.03	0.60
Dividends per share	–	–	–	–	–
Net asset value per share	46.68	49.27	49.15	49.00	48.88