



Termbray Industries  
International (Holdings) Limited

## Contents

2	Corporate Information
3	Review of Operations
4	Liquidity and Financial Resources
4	Order Book
5	Staff
5	Outlook
6	Directors' Interests in Shares and Options
9	Substantial Shareholders
11	Share Option Scheme
11	Purchase, Sale or Redemption of the Company's Listed Securities
11	Corporate Governance
12	Directors' Securities Transactions
13	Audit Committee
14	Independent Review Report
16	Condensed Consolidated Income Statement
17	Condensed Consolidated Balance Sheet
18	Condensed Consolidated Statement of Changes in Equity
19	Condensed Consolidated Cash Flow Statement
20	Notes to the Condensed Financial Statements

## 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., L.L.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., L.L.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  
E-mail : group@termbay.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 share 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

The board of directors of Terbray Industries International (Holdings) Limited (the "Company") has pleasure in submitting to shareholders the interim report together with the unaudited condensed consolidated financial statements of the Company and its subsidiaries (together the "Group") for the six months ended 30th September, 2005.

The unaudited consolidated profit attributable to shareholders for the six months ended 30th September, 2005 amounted to approximately HK\$1,461,000 (2004: loss of HK\$4,346,000). An analysis of the Group's segment results for the period is set out on page 24 of this report.

The directors have resolved not to declare the payment of an interim dividend for the six months ended 30th September, 2005 (2004: Nil).

## **Review of Operations**

During the current six months period under review, the Group achieved a turnover of HK\$2,494,000 (2004: HK\$1,449,000) and made a profit attributable to shareholders of HK\$1,461,000 (2004: loss of HK\$4,346,000).

The operating environment for the Group's core business – property investment and development remains tough during the period under review. Property market in Guangdong Province of Mainland China ("PRC") is still generally slack. The activities of the Group's property projects, which are mainly located in the Guangdong Province, 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. During the period, the management has launched a series of advertising campaign and put much effort in marketing the properties. The market response is positive. The rental income earned by the Group during the period is increased significantly. As at 30th September, 2005, 228 residential units remained to be sold, out of which 84 residential units were let out. All the floor area of the commercial arcades were let out. The tenants of the commercial arcade have been trying hard to attract customers and the customer flow of the commercial arcades was improved over the past few months.

With regard to the investment in Cong Hua White Swan Bow Yuen Real Estate Development Limited (“Cong Hua Bow Yuen”), the Group has continued the negotiation with the PRC joint venture partner for extension of the joint venture period. The chance for the extension of the joint venture period of Cong Hua Bow Yuen remains very remote. Provision for impairment loss against the property held by Cong Hua Bow Yuen had been made in the financial statements of the Group in the prior year.

The Group still holds a substantial amount of funds of approximately HK\$0.6 billion which have been placed as short term bank deposit or invested in money market funds with international financial institutions or fixed income notes generating a stable source of income to the Group. The continuing upward trend in interest rate environment has resulted in an improved income earned by the Group from these assets.

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

There have been no material change in the contingent liabilities and charge on assets of the Group since 31st March, 2005.

## **Liquidity and Financial Resources**

The Group remains cash rich and has no bank borrowing and no material capital expenditure commitment or financial obligations at 30th September, 2005. All operations are financed internally by shareholders’ funds. There is no maturity profile of debt and obligation.

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. No financial instrument are needed for hedging purposes in respect of interest rate and currency.

There was no change in the share capital of the Group during the period under review.

## **Order Book**

Due to its business nature, the Group has no order book at 30th September, 2005. The Group has no new product and services to be introduced to the market.

## Staff

As at 30th September, 2005, the Group employed 47 staff at market remunerations with staff benefits such as insurance, provident fund scheme, discretionary bonus and share option scheme.

## Outlook

The global economy will continue to grow in coming year, while China's economy continues to grow at a fast pace. The appreciation of Renminbi has created an environment for steady improvement in world trade and prosperous future of China's economy. The Group is confident to capitalize on these opportunities and will grasp every business opportunities available to build up its own distinctive strength and to explore new businesses in the PRC.

With the substantial available fund on hand, the Group is actively seeking for investment opportunities so as to achieve a diversification in business activities which will result in a steady growth in the Group's long time 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 still 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.

## Directors' Interests in Shares and Options

As at 30th September, 2005, the interests of the Company's directors, chief executive 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 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 <i>(Note 2)</i>	884,752,780 <i>(Note 1)</i>	–	959,752,780	57.66%
Mdm. Leung Lai Ping	37,500,000	922,252,780 <i>(Note 3)</i>	–	–	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 included 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.

**(B) LONG POSITIONS IN SHARES OF ASSOCIATED CORPORATIONS**

<b>Name of directors</b>	<b>Name of subsidiary</b>	<b>Number of non-voting deferred shares held</b>
Mr. Lee Lap	Applied Industrial Company Limited	1,000
	Lee Plastics Manufacturing Company Limited	250,000
	Magnetic Electronics Limited	5,000
	Termbay Electronics Company Limited	7,000
Mdm. Leung Lai Ping	Applied Industrial Company Limited	1,500
	Lee Plastics Manufacturing Company Limited	250,000
	Termbay 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 SHARE OPTIONS GRANTED BY THE COMPANY**

<b>Name of directors</b>	<b>Number of share options outstanding at 1st April, 2005 and 30th September, 2005</b>	<b>Percentage of total issued shares</b>
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.

Apart from the share option scheme of the Company, at no time during the period was the Company or any of its subsidiaries a part 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.

Save as disclosed herein, as at 30th September, 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.

## Substantial Shareholders

As at 30th September, 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
Lee & Leung (B.V.I.) Limited (Note 1)	Beneficial owner	884,752,780	53.15%
Mr. Lee Lap (Note 2)	Beneficial owner, held by controlled corporation and held by spouse	959,752,780	57.66%
Mdm. Leung Lai Ping (Note 2)	Beneficial owner, held by controlled corporation and held by spouse	959,752,780	57.66%
Cosmo Telecommunication Inc. (Note 3)	Beneficial owner	151,202,960	9.08%
Ms. Jing Xiao Ju	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) 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.
- (2) 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.
- (3) Cosmo Telecommunication Inc. is wholly owned by Ms. Jing Xiao Ju.
- (4) East Glory Trading Limited is beneficially owned by Master Winner Limited, which in turn is wholly owned by Mr. Yuan Qinghua.

**(B) SHARE OPTIONS**

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

Save 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 30th September, 2005.

## 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. On 31st August, 2001, the Company granted pursuant to the share option scheme at an aggregate consideration of HK\$2 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. All these share options have not been exercised and remained outstanding as at 30th September, 2005. Save for the said share options, there were no other outstanding share option. During the six months period ended 30th September, 2005, no option was granted, exercised, lapsed nor cancelled.

## 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 period.

## Corporate Governance

The Company has met the code provisions of the Code on Corporate Governance Practices ("the Code") as set out in Appendix 14 of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited during the six months period ended 30th September, 2005 except code provision C.2 on internal control (which will be implemented for accounting periods commencing on or after 1st July, 2005) and the following:

- (1) Pursuant to code provision A.2.1, 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 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.

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

In view of the above and paragraph 4.2 of the Code, the Company at the annual general meeting held on 19th August, 2005 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 once every 3 years.

## **Directors' Securities Transactions**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the “Model Code”), as the code of conduct regarding directors' securities transactions. The Company have made specific enquiry of all directors that they have complied with the Model Code throughout the six months period ended 30th September, 2005.

## Audit Committee

The Company has established an audit committee comprising three independent non-executive directors and one non-executive director of the Company. Terms of reference of the audit committee have been updated in compliance with the Code. 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, 2005.

By order of the Board

**Lee Lap**

*Chairman & CEO*

Hong Kong, 16th December, 2005

## Independent Review Report

# Deloitte.

德勤

**TO THE BOARD OF DIRECTORS OF  
TERMBRAY INDUSTRIES INTERNATIONAL (HOLDINGS) LIMITED**  
*(incorporated in Bermuda with limited liability)*

### INTRODUCTION

We have been instructed by the Company to review the interim financial report set out on pages 16 to 30.

### DIRECTORS' RESPONSIBILITIES

The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### REVIEW WORK PERFORMED

We conducted our review in accordance with Statement of Auditing Standards No. 700 "Engagements to Review Interim Financial Reports" issued by the Hong Kong Institute of Certified Public Accountants. A review consists principally of making enquiries of group management and applying analytical procedures to the interim financial report and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures

such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

## **REVIEW CONCLUSION**

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30th September, 2005.

### **Deloitte Touche Tohmatsu**

Certified Public Accountants

Hong Kong

16th December, 2005



## Condensed Consolidated Income Statement

For the six months ended 30th September, 2005

	Notes	Six months ended	
		30/9/2005 (unaudited) HK\$'000	30/9/2004 (unaudited) HK\$'000
<b>TURNOVER</b>	3	<b>2,494</b>	1,449
Service costs		<b>(1,229)</b>	(591)
		<b>1,265</b>	858
Other operating income	4	<b>9,844</b>	6,950
Gains arising from changes in fair value of investments held for trading		<b>72</b>	–
Unrealised holding loss on investments in securities		–	(4,355)
Realised loss on disposal of investments in securities		–	(394)
Administrative expenses		<b>(9,720)</b>	(7,405)
<b>PROFIT (LOSS) BEFORE TAXATION</b>	5	<b>1,461</b>	(4,346)
Taxation	6	–	–
<b>PROFIT (LOSS) FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT</b>		<b>1,461</b>	(4,346)
		<b>HK Cent</b>	HK Cent
<b>EARNINGS (LOSS) PER SHARE BASIC</b>	8	<b>0.09</b>	(0.26)
<b>DILUTED</b>		<b>0.09</b>	N/A

## Condensed Consolidated Balance Sheet

At 30th September, 2005

	Notes	30/9/2005 (unaudited) HK\$'000	31/3/2005 (audited and restated) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		10,746	11,427
Prepaid land lease payments		68,170	68,469
Investment properties		3,748	3,801
Pledged bank deposits	13(b)	2,112	2,112
		<b>84,776</b>	<b>85,809</b>
<b>CURRENT ASSETS</b>			
Properties for sale		113,007	110,875
Trade and other receivables	9	7,026	6,688
Deposits and prepayments		2,309	2,421
Prepaid land lease payments		598	598
Available-for-sale investments		309,531	–
Investments held for trading		264,331	–
Investments in securities		–	271,937
Investments in money market funds		–	298,386
Pledged bank deposits	13(a)	465	465
Bank balances and cash		14,295	16,365
		<b>711,562</b>	<b>707,735</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables and accrued charges	10	5,850	6,263
Deposits received		1,010	871
Provisions	11	3,685	4,725
Amount due to a related company	14(b)	1,584	1,236
Taxation liabilities		2,984	2,984
		<b>15,113</b>	<b>16,079</b>
<b>NET CURRENT ASSETS</b>		<b>696,449</b>	<b>691,656</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>781,225</b>	<b>777,465</b>
<b>CAPITAL AND RESERVES</b>			
Share capital	12	133,171	133,171
Reserves		647,638	643,878
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT</b>		<b>780,809</b>	<b>777,049</b>
<b>MINORITY INTERESTS</b>		<b>416</b>	<b>416</b>
<b>TOTAL EQUITY</b>		<b>781,225</b>	<b>777,465</b>

## Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th September, 2005

	Attributable to equity holders of the parent							Total
	Share capital	Share premium	Exchange translation reserve	Negative goodwill	Retained profits	Total	Minority interests	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st April, 2004	133,171	132,550	(361)	6,601	548,164	820,125	416	820,541
Exchange differences arising on translation of financial statements of overseas subsidiaries recognised in equity	-	-	(9)	-	-	(9)	-	(9)
Loss for the period	-	-	-	-	(4,346)	(4,346)	-	(4,346)
Total recognised expenses for the period	-	-	(9)	-	(4,346)	(4,355)	-	(4,355)
At 30th September, 2004	133,171	132,550	(370)	6,601	543,818	815,770	416	816,186
At 1st April, 2005	<b>133,171</b>	<b>132,550</b>	<b>(269)</b>	-	<b>511,597</b>	<b>777,049</b>	<b>416</b>	<b>777,465</b>
Exchange differences arising on translation of financial statements of overseas subsidiaries recognised in equity	-	-	2,299	-	-	2,299	-	2,299
Profit for the period	-	-	-	-	1,461	1,461	-	1,461
Total recognised income for the period	-	-	2,299	-	1,461	3,760	-	3,760
At 30th September, 2005	<b>133,171</b>	<b>132,550</b>	<b>2,030</b>	-	<b>513,058</b>	<b>780,809</b>	<b>416</b>	<b>781,225</b>

## Condensed Consolidated Cash Flow Statement

For the six months ended 30th September, 2005

	Six months ended	
	30/9/2005 (unaudited) HK\$'000	30/9/2004 (unaudited) HK\$'000
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(5,065)</b>	<b>(3,308)</b>
<b>NET CASH GENERATED FROM INVESTING ACTIVITIES</b>	<b>2,828</b>	<b>5,481</b>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(2,237)</b>	<b>2,173</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>	<b>16,365</b>	<b>13,847</b>
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>	<b>167</b>	<b>(9)</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<b>14,295</b>	<b>16,011</b>
<b>ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Bank balances and cash	<b>14,295</b>	<b>16,011</b>

## Notes to the Condensed Financial Statements

For the six months ended 30th September, 2005

### 1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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

### 2. SIGNIFICANT ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention except for certain financial instruments, which are measured at fair value, as appropriate.

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31st March, 2005 except as described below:

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards (“HKFRSs”), Hong Kong Accounting Standards (“HKASs”) and Interpretations (hereinafter collectively referred to as “new HKFRSs”) issued by the HKICPA that are effective for accounting periods beginning on or after 1st January, 2005. The application of the new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and the statement of changes in equity. In particular, the presentation of minority interests has been changed in accordance with HKAS 1 “Presentation of Financial Statements”. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group’s accounting policies in the following areas:

#### Share-based Payments

In the current period, the Group has applied HKFRS 2 “Share-based Payment” which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares (“equity-settled transactions”), or in exchange for other assets equivalent in value to a given number of shares or rights over shares (“cash-settled transactions”). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of directors’ and employees’ share options of the Company determined at the date of grant of the share options over the vesting period. The Group has not applied HKFRS 2 to share options granted on or before 7th November, 2002 in accordance with the relevant transitional provisions. As the share options of the Company were granted before that date, the adoption of HKFRS 2 has had no impact to the results of the Group for the current and prior periods.

## Notes to the Condensed Financial Statements

For the six months ended 30th September, 2005

### Financial Instruments

In the current period, the Group has applied HKAS 32 “Financial Instruments: Disclosure and Presentation” and HKAS 39 “Financial Instruments: Recognition and Measurement”. HKAS 32 requires retrospective application. The application of HKAS 32 has had no material effect on the presentation of financial instruments in the financial statements of the Group. HKAS 39, which is effective for annual periods beginning on or after 1st January, 2005, generally does not permit to recognise, derecognise or measure financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 39 are summarised below:

#### *Classification and measurement of financial assets*

The Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

By 31st March, 2005, the Group classified and measured its debt and equity securities in accordance with the benchmark treatment of Statement of Standard Accounting Practice 24 (“SSAP 24”). Under SSAP 24, investments in debt or equity securities are classified as “investment securities”, “other investments” or “held-to-maturity investments” as appropriate. “Investment securities” are carried at cost less impairment losses (if any) while “other investments” are measured at fair value, with unrealised gains or losses included in the profit or loss. Held-to-maturity investments are carried at amortised cost less impairment losses (if any). From 1st April, 2005 onwards, the Group classifies and measures its debt and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as “financial assets at fair value through profit or loss”, “available for sale financial assets”, “loans and receivables”, or “held-to-maturity financial assets”. The classification depends on the purpose for which the assets are acquired. “Financial assets at fair value through profit or loss” and “available for sale financial assets” are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. “Loans and receivables” and “held-to-maturity financial assets” are measured at amortised cost using the effective interest method. The Group’s investments in securities held for trading purposes with the carrying amount of HK\$271,937,000 and investments in money market funds with the carrying amount of HK\$298,386,000 have been accounted for as “Investments held for trading” and “Available-for-sale investments” respectively on 1st April, 2005.

## Notes to the Condensed Financial Statements

For the six months ended 30th September, 2005

### *Financial assets and financial liabilities other than debt and equity securities*

From 1st April, 2005 onwards, the Group classifies and measures its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. As mentioned above, financial assets under HKAS 39 are classified as “financial assets at fair value through profit or loss”, “available-for-sale financial assets”, “loans and receivables” or “held-to-maturity financial assets”. Financial liabilities are generally classified as “financial liabilities at fair value through profit or loss” or “financial liabilities other than financial liabilities at fair value through profit or loss (other financial liabilities)”. “Other financial liabilities” are carried at amortised cost using the effective interest method.

The adoption of HKAS 39 has had no material impact on the results of the Group for the current period.

### **Leasehold Interest in Land**

In previous periods, leasehold land and buildings were included in property, plant and equipment and measured using the cost model. In the current period, the Group has applied HKAS 17 “Leases”. Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the leasehold land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid land lease payments under operating leases, which are carried at cost and amortised over the lease term. As a result of the adoption of HKAS 17, the leasehold interests in land with an aggregate carrying amount of HK\$68,768,000 at 30th September, 2005 (31.3.2005: HK\$69,067,000), which were previously included in property, plant and equipment, have been reclassified as prepaid land lease payments. The adoption of HKAS 17 has had no material impact on the results of the Group for the current and prior periods.

## Notes to the Condensed Financial Statements

For the six months ended 30th September, 2005

### Investment properties

In the current period, the Group has, for the first time, applied HKAS 40 "Investment Property". The Group has elected to use the cost model to account for its investment properties, under which investment properties are carried at cost less accumulated depreciation and accumulated impairment losses (if any). To the extent that the allocation of the lease payments between the leasehold land and building elements of an investment property can be allocated reliably, the leasehold interests in land are reclassified as prepaid land lease payments under operating leases and carried at cost and amortised over the lease terms. As a result, the leasehold interests in land of certain properties held for rental purposes with the carrying amount of HK\$28,589,000 at 30th September, 2005 (31.3.2005: HK\$28,702,000) have been included in prepaid land lease payments of the Group amounted to HK\$68,768,000 at that date (31.3.2005: HK\$69,067,000). The building element of these properties with the carrying amount of HK\$3,748,000 at 30th September, 2005 (31.3.2005: HK\$3,801,000), which was previously included in property, plant and equipment, has been reclassified as investment properties. The adoption of HKAS 40 has had no material impact on the results of the Group for the current and prior periods.

The Group has not early adopted other new HKFRSs which are not yet effective for the current period. 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.



## Notes to the Condensed Financial Statements

For the six months ended 30th September, 2005

### 3. TURNOVER AND SEGMENT INFORMATION

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

The Group reports primary segment information based on its businesses. The following is an analysis of the turnover and contribution to profit (loss) of the Group, analysed by business segments:

	Turnover		Contribution to profit (loss) before taxation	
	Six months ended		Six months ended	
	30/9/2005	30/9/2004	30/9/2005	30/9/2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Property development and investment				
Property letting	2,494	1,449	1,265	858
Other activities ( <i>note</i> )			6,755	2,190
Less: Unallocated administrative and other expenses			(6,559)	(7,394)
			1,461	(4,346)

*Note:* Other activities comprise mainly of treasury activities, including investments in securities and money market funds and placement of bank deposits.

### 4. OTHER OPERATING INCOME

	Six months ended	
	30/9/2005	30/9/2004
	HK\$'000	HK\$'000
Interest income from		
– available-for-sale investments	4,496	–
– investments held for trading	5,176	–
– investments in money market funds	–	1,718
– debt securities	–	5,196
– bank deposits	26	34
Other income	146	2
	9,844	6,950

## Notes to the Condensed Financial Statements

For the six months ended 30th September, 2005

### 5. PROFIT (LOSS) BEFORE TAXATION

	Six months ended	
	30/9/2005	30/9/2004
	HK\$'000	HK\$'000
Profit (loss) before taxation has been arrived at after charging:		
Depreciation and amortisation	1,214	1,480
Exchange losses	3,163	9

### 6. TAXATION

No provision for Hong Kong Profits Tax and overseas taxation has been made in the condensed financial statements as the Group has no assessable profit for both periods presented.

### 7. DIVIDEND

The directors do not recommend the payment of any interim dividend (30/9/2004: Nil).

## Notes to the Condensed Financial Statements

For the six months ended 30th September, 2005

### 8. EARNINGS (LOSS) PER SHARE

The calculation of the basic and diluted earnings/loss per share attributable to equity holders of the parent is based on the following data:

	Six months ended	
	30/9/2005 HK\$'000	30/9/2004 HK\$'000
Profit (loss) for the period attributable to equity holders of the parent for the purposes of basic and diluted earnings/loss per share	1,461	(4,346)
	Number of shares	
	'000	'000
Number of ordinary shares for the purpose of basic earnings/loss per share	1,664,643	1,664,643
Effect of dilutive potential ordinary shares – share options	28,675	N/A
Number of ordinary shares for the purpose of diluted earnings per share	1,693,318	N/A

No diluted loss for the six months ended 30th September, 2004 is presented as the assumed exercise of the Company's share options would result in a decrease in the loss per share for that period.

### 9. TRADE AND OTHER RECEIVABLES

No credit period has been allowed by the Group to its tenants.

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

	30/9/2005 HK\$'000	31/3/2005 HK\$'000
0-90 days	4,909	5,280
Over 90 days	2,117	1,408
	7,026	6,688

## Notes to the Condensed Financial Statements

For the six months ended 30th September, 2005

### 10. TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

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

	30/9/2005 HK\$'000	31/3/2005 HK\$'000
Trade and other payables, aged over 90 days	1,812	1,823
Accrued charges	4,038	4,440
	<b>5,850</b>	<b>6,263</b>

### 11. PROVISIONS

	30/9/2005 HK\$'000	31/3/2005 HK\$'000
Provisions for warranty and undertakings		
At beginning of the period	4,725	6,039
Utilised during the period	(1,040)	(1,314)
At end of the period	<b>3,685</b>	<b>4,725</b>

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 local authorities of the Mainland China, therefore it is not practicable to estimate with certainty the timing of payment at this stage.

## Notes to the Condensed Financial Statements

For the six months ended 30th September, 2005

### 12. SHARE CAPITAL

#### (a) Ordinary shares

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

#### (b) Share options

No options to subscribe for shares in the Company were granted, exercised, lapsed or cancelled during the period. The share options outstanding at 30th September, 2005 comprised options previously granted by the Company on 31st August, 2001 to subscribe for 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.

### 13. PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

- (a) The Group's bank deposits of HK\$465,000 (31/3/2005: 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 amounting to HK\$561,000 (31/3/2005: HK\$775,000) and, in this connection, the Group's bank deposits of HK\$2,112,000 (31/3/2005: HK\$2,112,000) were pledged to the banks as security.
- (c) In prior years, certain former subsidiaries of the Company purchased production materials amounted to HK\$12,000,000 from an outside supplier for their printed circuit boards manufacturing activities. 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.

## Notes to the Condensed Financial Statements

For the six months ended 30th September, 2005

- (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 certain 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 management to contest the claims vigorously. No legal proceedings have yet been instituted against the Group for these claims. Based upon legal advice obtained, the directors are 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 condensed financial statements.

### 14. RELATED PARTY TRANSACTIONS

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

- (a) Pursuant to a tenancy agreement entered into between Panda Investment Company Limited ("Panda Investment") and a wholly-owned subsidiary of the Company, Termbray Electronics Company Limited ("Termbray Electronics"), Termbray Electronics leased certain office premises and warehouses from Panda Investment during the period at the agreed rental of HK\$180,000 (six months ended 30/9/2004: HK\$180,000). The Company's directors, Mr. Lee Lap and Madam Leung Lai Ping, have controlling interests in Panda Investment.
- (b) At 30th September, 2005, the Group had an amount of HK\$1,584,000 (31/3/2005: HK\$1,236,000) due to Panda Investment which is unsecured, interest free with no fixed repayment terms.
- (c) Pursuant to a tenancy agreement entered into between Mr. Lee Wing Keung, a son of Mr. Lee Lap, and a wholly owned subsidiary of the Company, 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 recognized in the period is HK\$720,000. (six months ended 30/9/2004: Nil).

## Notes to the Condensed Financial Statements

For the six months ended 30th September, 2005

### 14. RELATED PARTY TRANSACTIONS (CONTINUED)

The remuneration of directors and other members of key management during the period was as follows:

	Six months ended	
	30/9/2005	30/9/2004
	HK\$'000	HK\$'000
Directors' fees	200	100
Basic salaries, allowances and benefits-in-kind	3,070	3,190
Contribution to provident funds	33	39
	<b>3,303</b>	<b>3,329</b>

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.