



TERMBRAY INDUSTRIES INTERNATIONAL (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 0093)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2004

The board of directors of Termbray Industries International (Holdings) Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30th September, 2004 together with the comparative figures for the corresponding period of last year as follows:

		Six months ended	
		30/9/2004	30/9/2003
		(unaudited)	(unaudited)
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
TURNOVER	3	1,449	1,647
Services costs		<u>(591)</u>	<u>(521)</u>
		858	1,126
Other operating income	4	6,950	8,313
Unrealised holding loss on investments in securities		(4,355)	(1,835)
Realised (loss) gain on disposal of securities		(394)	732
Administrative expenses		<u>(7,405)</u>	<u>(8,078)</u>
(LOSS)/PROFIT BEFORE TAXATION	5	(4,346)	258
Taxation	6	<u>—</u>	<u>—</u>
NET (LOSS)/PROFIT FOR THE PERIOD		<u>(4,346)</u>	<u>258</u>
		<i>HK Cent</i>	<i>HK Cent</i>
(LOSS)/EARNINGS PER SHARE BASIC	7	<u>(0.26)</u>	<u>0.02</u>
DILUTED		<u>N/A</u>	<u>0.02</u>

Notes:

1. In preparing the condensed financial statements, the directors have given careful consideration to the extension of the joint venture period of a subsidiary, Cong Hua White Swan Bow Yuen Real Estate Development Company Limited ("Cong Hua Bow Yuen"). The joint venture period of Cong Hua White Swan Yuen had expired on 26th September, 2004 and the Group is in the process of applying for an extension of the joint venture period in accordance with the joint venture agreement. The sole operating asset of Cong Hua Bow Yuen is the properties for development, which are situated in Cong Hua, the Guangdong Province of Mainland China ("PRC"), with a carrying amount of HK\$20,578,000. Should the extension of the joint venture period not be approved by the government authorities, the assets held by Cong Hua Bow Yuen, after discharging its liabilities to be determined by the relevant parties, will revert to the PRC joint venture partner free of payment. While the application for extension is at the preliminary stage, the directors are of the opinion that the outcome of the application cannot be ascertained with certainty at this stage. The condensed financial statements have been prepared on the basis that the joint venture period of Cong Hua Bow Yuen can be extended after 26th September, 2004 and that the recoverable amount of the properties is not less than their carrying amount.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the condensed financial statements are consistent with those adopted by the Group in its annual financial statements for the year ended 31st March, 2004.

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	
	Six months ended		Six months ended	
	30/9/2004	30/9/2003	30/9/2004	30/9/2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Property development and investment				
Property letting	<u>1,449</u>	<u>1,647</u>	858	1,126
Other activities				
– treasury (Note (ii))			2,190	4,391
– others			–	1,761
Less: Unallocated administrative and other expenses			<u>(7,394)</u>	<u>(7,020)</u>
(Loss)/profit before taxation			<u>(4,346)</u>	<u>258</u>

Notes:

- (i) The Group's property development and investment activities were carried out in Mainland China.
- (ii) Treasury activities comprise of 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.

4. OTHER OPERATING INCOME

	Six months ended	
	30/9/2004 HK\$'000	30/9/2003 HK\$'000
Interest income from		
– investments in money market funds	1,718	2,044
– debt securities	5,196	4,478
– bank deposits	34	30
Gain on disposal of property, plant and equipment	–	50
Trade and other payables written off	–	1,710
Other income	2	1
	<u>6,950</u>	<u>8,313</u>

5. (LOSS)/PROFIT BEFORE TAXATION

	Six months ended	
	30/9/2004 HK\$'000	30/9/2003 HK\$'000
(Loss)/profit before taxation has been arrived at after charging:		
Depreciation and amortisation	1,480	1,410
Exchange losses	9	1,058
	<u>1,489</u>	<u>2,468</u>

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. (LOSS)/EARNINGS PER SHARE

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

	Six months ended	
	30/9/2004 HK\$'000	30/9/2003 HK\$'000
Net (loss) profit for the period for the purposes of basic and diluted loss/earnings per share	<u>(4,346)</u>	<u>258</u>
	'000	'000
Number of ordinary shares for the purpose of basic loss/earnings per share	1,664,643	1,664,643
Effect of dilutive potential ordinary shares – share options	<u>N/A</u>	<u>18,946</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>N/A</u>	<u>1,683,589</u>

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

8. The condensed financial statements of the Group for the six months ended 30th September, 2004 have been reviewed by the Company's auditors and the auditors' review report contains the following review conclusion:

"In forming our review conclusion, we have considered the adequacy of the disclosure made in note 1 to the interim financial report concerning the joint venture period of a subsidiary, Cong Hua White Swan Bow Yuen Real Estate Development Company Limited ("Cong Hua Bow Yuen"). The joint venture period of Cong Hua Bow Yuen had expired on 26th September, 2004 and the Group is in the process of applying for an extension of the joint venture period in accordance with the joint venture agreement. The sole operating asset of Cong Hua Bow Yuen is the properties for development, which are situated in Cong Hua, the Guangdong Province of Mainland China ("PRC") with a carrying amount of HK\$20,578,000. Should the extension of the joint venture period not be approved by the government authorities, the assets held by Cong Hua Bow Yuen, after discharging its liabilities to be determined by the relevant parties, will revert to the PRC joint venture partner free of payment. The application for extension is at the preliminary stage and the directors are of the opinion that the outcome of the application cannot be ascertained with certainty at this stage. The interim financial report has been prepared on the basis that the joint venture period of Cong Hua Bow Yuen can be extended after 26th September, 2004 and that the recoverable amount of the properties is not less than their carrying amount. The interim financial report does not include any adjustment that would result from a failure to obtain the extension of the joint venture period of Cong Hua Bow Yuen. We consider that appropriate disclosure has been made in the interim financial report and our review conclusion is not modified in this respect.

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, 2004."

INTERIM DIVIDEND

The directors have resolved not to declare the payment of an interim dividend for the six months ended 30th September, 2004 (2003: Nil).

REVIEW OF OPERATIONS

During the current six months period under review, the Group achieved a turnover of HK\$1,449,000 (2003: HK\$1,647,000) and made a loss attributable to shareholders of HK\$4,346,000 (2003: profit of HK\$258,000).

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, the 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 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. As at 30th September, 2004, 228 residential units remained to be sold and out of which 23 residential units were let out. All the floor area of the commercial arcades were let out. The customer flow of the commercial arcades was at a satisfactory level.

Regarding other vacant land reserve, there are no development plans yet.

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. Due to the prevailing low interest rate environment, 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 materialise such unrealised holding loss.

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, 2004.

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, 2004. Exchange risk of the Group is low 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.

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

STAFF

As at 30th September, 2004, the Group employed 52 staff at market remunerations with staff benefits such as insurance, provident fund scheme, discretionary bonus and share option scheme.

OUTLOOK

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 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 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.

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

None of the directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months period ended 30th September, 2004, in compliance with the Code of Best Practice as set out in Appendix 14 of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

In addition, the Company has established an Audit Committee for review and supervision of the Group's financial reporting process and internal controls.

The interim report for the six months ended 30th September, 2004 has been reviewed by the Audit Committee.

OTHER INFORMATION

The interim report of the Group for the six months ended 30th September, 2004 containing all the information required by paragraphs 46(1) to 46(6) (in force prior to 31st March, 2004 but applicable to this announcement under the transitional arrangement) of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Exchange”) will be published in the Exchange’s website in due course.

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

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

By order of the Board
Lee Lap
Chairman & CEO

Hong Kong, 17th December, 2004