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TERMBRAY INDUSTRIES INTERNATIONAL (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 93)

PROFIT WARNING

The Board wishes to inform the shareholders of the Company and investors that the Company is expected to record a loss for the financial year ending 31st March, 2005 after taking into account the impairment loss of HK\$20,578,000 and the negative goodwill of HK\$6,601,000 arising from the acquisition of interest in Cong Hua Bow Yuen as stated below.

Shareholders of the Company and investors are advised to exercise caution when dealing in the shares of the Company.

The board of directors (the “Board”) of Termbray Industries International (Holdings) Limited (the “Company” and together with its subsidiaries, the “Group”) wishes to inform the shareholders of the Company and investors that the Company is expected to record a loss for the financial year ending 31st March, 2005 after taking into account the impairment loss and the negative goodwill on acquisition of interest in Cong Hua White Swan Bow Yuen Real Estate Development Company Limited (“Cong Hua Bow Yuen”) which will be recognised in the consolidated income statement of the Group for the year as stated below. Cong Hua Bow Yuen is a sino-foreign cooperative joint venture established in the People’s Republic of China (“PRC”) by a wholly-owned subsidiary of the Company and 廣州白天鵝房地產開發公司 (Guangzhou White Swan Real Estate Development Company*), the PRC joint venture partner. The PRC joint venture partner is engaged in the business of real estate development and is independent of and not connected with the directors, chief executive and substantial shareholders of the Company or any of its subsidiaries or their respective associates. The entire equity interest in Cong Hua Bow Yuen is owned by the Group. The Group is principally engaged in property investment and development in Mainland China, and the Group’s property projects are mainly located in the Guangdong Province.

As stated in the interim results announcement of the Company dated 17th December, 2004 and the interim report of the Company for the six months ended 30th September, 2004, the sole assets of Cong Hua Bow Yuen, a wholly-owned subsidiary of the Company, 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 30th September, 2004. The joint venture period of Cong Hua Bow Yuen had expired on 26th September, 2004 and the Group was in the process of applying for an extension of the joint venture period. While the application for extension was at the preliminary stage, the directors of the Company (the “Directors”) at that time were of the opinion that the outcome of the application could not be ascertained with certainty at that stage, and the condensed financial statements for the six months ended 30th September, 2004 had been prepared on the basis that the joint venture period could be extended after its expiry and that the recoverable amount of the properties was not less than their carrying amount.

After recent 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 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 term of the joint venture period was for 12 years and had expired on 26th September, 2004, 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 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. Having carefully considered the position of the application for approval of the extension of the joint venture period as informed by the PRC joint venture partner and the Company's further inquiry with the government authorities (through its PRC legal advisers engaged for this matter), the Directors are of the view that it is appropriate to make provision for impairment loss of HK\$20,578,000 (representing the carrying cost of investment by the Group in Cong Hua Bow Yuen) in the consolidated income statement of the Group for the financial year ending 31st March, 2005 against the carrying amount of the properties for development as carried by Cong Hua Bow Yuen. As the extension of the joint venture period of Cong Hua Bow Yuen is unlikely to be successful, 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 as at 30th September, 2004, will be recognised in the consolidated income statement of the Group for the financial year ending 31st March, 2005. The recognition of the impairment loss against the properties for development and the negative goodwill in the consolidated income statement of the Group for the year ending 31st March, 2005 will lead to a net charge to the results of the Group for the same period amounting to HK\$13,977,000 and a decrease in the Group's net assets value by HK\$20,578,000. The Directors consider that there will not be any material adverse effect on the business operations of the Group, save that the opportunity to develop the piece of land owned by Cong Hua Bow Yuen will be lost. As far as the Directors are aware, there is no litigation against Cong Hua Bow Yuen arising out of the non-extension of its joint venture period.

The Company will make a further announcement if there is any material progress on the application for approval of the extension of the joint venture period of Cong Hua Bow Yuen.

The Group recorded a profit attributable to shareholders of HK\$1,820,000 for the year ended 31st March, 2004 and a loss attributable to shareholders of HK\$4,346,000 for the six months ended 30th September, 2004.

Shareholders of the Company and investors are advised to exercise caution when dealing in the shares of the Company.

By order of the Board
Lee Lap
Chairman & CEO

Hong Kong, 2nd February, 2005

As at the date hereof, the Board comprises three executive directors, namely Mr. LEE Lap, Mdm. LEUNG Lai Ping and Mr. WONG Shiu Kee; one non-executive director, namely Mr. LEE Ka Sze, Carmelo and three independent non-executive directors, namely Dr. LEE Tung Hai, Leo, Mr. CHAN Siu Kang and Mr. LO Yiu Hee.

* for identification purpose only