



# TERMBRAY INDUSTRIES INTERNATIONAL (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 0093)

## FINAL RESULTS FOR THE YEAR ENDED 31ST MARCH, 2006

### RESULTS

The board of directors of Termbray Industries International (Holdings) Limited (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31st March, 2006 together with the comparative figures for the last year as follows:

#### Consolidated Income Statement

		Year ended	
	Notes	31/3/2006 HK\$'000	31/3/2005 HK\$'000
<b>TURNOVER</b>	4	<b>5,399</b>	3,095
Rental outgoings		<u>(2,272)</u>	<u>(1,078)</u>
Rental income less outgoings		<b>3,127</b>	2,017
Other income	5	<b>21,295</b>	16,047
Losses arising from changes in fair value of investments held for trading		<b>(3,260)</b>	–
Unrealised holding loss on other securities		–	(9,951)
Realised loss on disposal of other securities		–	(594)
Administrative expenses		<b>(14,057)</b>	(14,109)
Provision for loss on settlement of legal action	6	<b>(3,000)</b>	–
Write down of properties for sale		–	(16,000)
Impairment loss on properties for development		–	(20,578)
Negative goodwill released to income		–	6,601
<b>PROFIT (LOSS) BEFORE TAXATION</b>	7	<b>4,105</b>	(36,567)
Taxation	8	<b>(130)</b>	–
<b>PROFIT (LOSS) FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b>		<b><u>3,975</u></b>	<b><u>(36,567)</u></b>
		<i>HK Cents</i>	<i>HK Cents</i>
<b>EARNINGS (LOSS) PER SHARE</b>	9		
Basic		<b><u>0.24</u></b>	<b><u>(2.20)</u></b>
Diluted		<b><u>0.23</u></b>	<b><u>N/A</u></b>

## Consolidated Balance Sheet

	<i>Notes</i>	<b>31/3/2006</b> <b>HK\$'000</b>	31/3/2005 HK\$'000 (restated)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		9,269	11,427
Prepaid lease payments for land		67,871	68,469
Investment properties		3,692	3,801
Properties for development		–	–
Pledged bank deposits		2,117	2,112
		<u>82,949</u>	<u>85,809</u>
<b>CURRENT ASSETS</b>			
Properties for sale		113,520	110,875
Trade and other receivables	10	6,289	6,688
Deposits and prepayments		2,436	2,421
Prepaid lease payments for land		598	598
Available-for-sale investments		339,251	–
Investments held for trading		239,665	–
Other securities		–	271,937
Investments in money market funds		–	298,386
Pledged bank deposits		465	465
Bank balances and cash		16,187	16,365
		<u>718,411</u>	<u>707,735</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables and accrued charges	11	6,165	6,263
Deposits received		1,035	871
Provisions		6,430	4,725
Amount due to a related company		370	1,236
Taxation liabilities		3,114	2,984
		<u>17,114</u>	<u>16,079</u>
<b>NET CURRENT ASSETS</b>		<u>701,297</u>	<u>691,656</u>
<b>NET ASSETS</b>		<u>784,246</u>	<u>777,465</u>
<b>CAPITAL AND RESERVES</b>			
Share capital		133,171	133,171
Reserves		650,659	643,878
Equity attributable to equity holders of the Company		<u>783,830</u>	<u>777,049</u>
Minority interests		416	416
<b>TOTAL EQUITY</b>		<u>784,246</u>	<u>777,465</u>

Notes:

## 1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

## 2. APPLICATION OF NEW HONG KONG FINANCIAL REPORTING STANDARDS/ CHANGES IN ACCOUNTING POLICIES

In the current year, 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 consolidated income statement, consolidated balance sheet and the consolidated statement of changes in equity. In particular, the presentation of minority interests has been changed. 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*

HKFRS 2 “Share-based Payments” 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 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 years.

### *Financial Instruments*

HKAS 32 “Financial Instruments: Disclosure and Presentation” 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 “Financial Instruments: Recognition and Measurement” 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:

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 other securities 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.

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 year.

#### *Leasehold Interest in Land*

Under HKAS 17 “Leases”, 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 land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments for land 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\$69,665,000 at 1st April, 2004, which were previously included in property, plant and equipment, have been reclassified as prepaid lease payments for land. The adoption of HKAS 17 has had no material impact on the results of the Group for the current and prior years.

### **3. SUMMARY OF THE EFFECTS OF CHANGES IN ACCOUNTING POLICIES**

The changes in the accounting policies described in note 2 have had no material impact to the results of the Group for the current and prior years. The cumulative effects of the changes in these accounting policies as at 31st March, 2005 and 1st April, 2005 are summarised below:

Balance sheet items	As at	Effects of adoption of		Reclassifi- cation	As at	Effects of adoption of HKAS 39	As at
	31st March, 2005 (as originally stated)	HKAS 1	HKAS 17		31st March, 2005 (as restated)		1st April, 2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Property, plant and equipment	84,295	-	(69,067)	(3,801)	11,427	-	11,427
Prepaid lease payments for land							
– Non-current	-	-	68,469	-	68,469	-	68,469
– Current	-	-	598	-	598	-	598
Investment properties	-	-	-	3,801	3,801	-	3,801
Available-for-sale investments	-	-	-	-	-	298,386	298,386
Investments held for trading	-	-	-	-	-	271,937	271,937
Other securities	271,937	-	-	-	271,937	(271,937)	-
Investments in money market funds	<u>298,386</u>	-	-	-	<u>298,386</u>	<u>(298,386)</u>	<u>-</u>
Total effects on assets and liabilities		<u>-</u>	<u>-</u>	<u>-</u>		<u>-</u>	
Capital and Reserves							
Minority interests	<u>-</u>	<u>416</u>	<u>-</u>	<u>-</u>	<u>416</u>	<u>-</u>	<u>416</u>
Total effects on equity		<u>416</u>	<u>-</u>	<u>-</u>		<u>-</u>	
Minority interests	<u>416</u>	<u>(416)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The financial effects of the changes in the accounting policies described in note 2 to the Group's equity at 1st April, 2004 are summarised below:

	<b>As at 1st April, 2004 (as originally stated) HK\$'000</b>	<b>Effects of adoption of HKAS 1 HK\$'000</b>	<b>As at 1st April, 2004 (as restated) HK\$'000</b>
Capital and Reserves			
Minority interests	–	416	416
Total effects on equity		416	
Minority interests	416	(416)	–

The Group has not early adopted other new HKFRSs that have been issued but are not yet effective for the current year. The directors of the Company anticipate that the application of these new HKFRSs will have no material impact on the consolidated financial statements of the Group.

#### 4. TURNOVER AND SEGMENT INFORMATION

Turnover represents rental income from leasing of properties.

Segment information is set out below:

##### (A) Business segments

The Group is principally engaged in property development and property investment.

Segment information about this business is presented below:

	<b>Turnover</b>		<b>Contribution to profit (loss)</b>	
	<b>2006</b>	2005	<b>2006</b>	2005
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
Property development and property investment				
Property development	–	–	–	(36,578)
Property letting	<b>5,399</b>	3,095	<b>2,794</b>	1,684
	<b>5,399</b>	<b>3,095</b>		
Segment results			<b>2,794</b>	(34,894)
Other income ( <i>note (a)</i> )			<b>18,035</b>	5,502
Negative goodwill released to income			–	6,601
Less: Provision for loss on settlement of legal case			<b>(3,000)</b>	–
Unallocated administrative expenses			<b>(13,724)</b>	(13,776)
Profit (loss) before taxation			<b>4,105</b>	(36,567)
Taxation			<b>(130)</b>	–
Profit (loss) for the year			<b>3,975</b>	(36,567)

Notes:

- (a) Other income represents mainly net income from short-term treasury activities, including investments in securities and money market funds and the placement of bank deposits.
- (b) In prior year, the loss attributable to the property development of HK\$36,578,000 shown above comprised write down of properties for sale and impairment loss on properties for development amounted to HK\$16,000,000 and HK\$20,578,000 respectively.

**(B) Geographical segments**

The Group's principal activities, comprising property development and property investment, are carried out in Hong Kong and the PRC.

The following table provides an analysis of the Group's turnover by location of customers:

	<b>Turnover from geographical market</b>	
	<b>2006</b>	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	1,440	62
The PRC	3,959	3,033
	<u>5,399</u>	<u>3,095</u>

**5. OTHER INCOME**

	<b>Year ended</b>	
	<b>31/3/2006</b>	31/3/2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest income from		
– available-for-sale investments	11,268	–
– investments held for trading	9,459	–
– investments in money market funds	–	4,715
– debt securities	–	10,948
– bank deposits	69	65
	<u>20,796</u>	15,728
Sundry income	499	319
	<u>21,295</u>	<u>16,047</u>

**6. PROVISION FOR LOSS ON SETTLEMENT OF LEGAL ACTION**

In prior years, certain former subsidiaries purchased production materials amounted to approximately HK\$12,000,000 from an outside supplier for its printed circuit board manufacture 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.

Subsequent to 31st March, 2006, the former subsidiaries entered into an agreement with the outside supplier pursuant to which the former subsidiaries have paid to the outsider supplier an amount of HK\$3,000,000 for the settlement of the legal action. The loss from the settlement of HK\$3,000,000 arising from the indemnity given by the Group in this respect has been accounted for in the consolidated financial statements.

## 7. PROFIT (LOSS) BEFORE TAXATION

	Year ended	
	31/3/2006 <i>HK\$'000</i>	31/3/2005 <i>HK\$'000</i>
Profit (loss) before taxation has been arrived at after charging:		
Amortisation of prepaid lease payments for land	598	598
Depreciation of		
– property, plant and equipment	1,686	2,253
– investment properties	109	109
Loss on disposal of property, plant and equipment	<u>330</u>	<u>–</u>

## 8. TAXATION

The tax expense for the year represents the Hong Kong Profits Tax calculated at 17.5% on estimated assessable profit. No provision for Hong Kong Profits Tax and overseas taxation had been made in the financial statements for last year as the Group has no assessable profits for that year.

## 9. EARNINGS (LOSS) PER SHARE

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

	Year ended	
	31/3/2006 <i>HK\$'000</i>	31/3/2005 <i>HK\$'000</i>
Profit (loss) for the year attributable to equity holders of the Company for the purposes of basic and diluted earnings/loss per share	<u>3,975</u>	<u>(36,567)</u>
	<b>Number of shares</b>	
	<b>'000</b>	<b>'000</b>
Number of ordinary shares for the purposes of basic earnings/loss per share	1,664,643	1,664,643
Effect of dilutive potential ordinary shares – share options	<u>29,010</u>	<u>N/A</u>
Number of ordinary shares for the purpose of diluted earnings per share	<u>1,693,653</u>	<u>N/A</u>

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

## 10. TRADE AND OTHER RECEIVABLES

The Group does not generally provide any credit period to its tenants.

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

	<b>31/3/2006</b> <i>HK\$'000</i>	31/3/2005 <i>HK\$'000</i>
1 – 90 days	4,072	5,280
Over 90 days	2,217	1,408
	<u>6,289</u>	<u>6,688</u>

## 11. 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:

	<b>31/3/2006</b> <i>HK\$'000</i>	31/3/2005 <i>HK\$'000</i>
Trade and other payables, aged over 90 days	1,800	1,823
Accrued charges	4,365	4,440
	<u>6,165</u>	<u>6,263</u>

## DIVIDENDS

The board of directors of the Company does not recommend the payment of a dividend in respect of the year (2005: Nil).

## REVIEW OF OPERATIONS

### 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. The competition of the property market in Zhongshan is keen. There are abundant supplies of properties with modern design. During the year, 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 year is increased significantly. As at 31st March, 2006, 228 residential units remained to be sold, out of which 159 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.

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.

### **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. The continuing upward trend in interest rate environment has resulted in an improved income earned by the Group from these assets. 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 global economy sustained rapid growth during the year under review, while Asia Pacific region with China (“PRC”) in particular, continued to be leading in the economy growth.

The global economy is expected to continue to grow in coming year, while China remains acting as a key driver. The appreciation of Renminbi has created an environment for steady improvement in world trade and prosperous future of China’s economy. China’s imports and exports will continue to record strong growth, particularly in the region of Pearl River Delta. 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 and commodity 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.

### **LIQUIDITY AND FINANCIAL RESOURCES**

As at 31st March, 2006, the Group remains cash-rich and has no bank borrowings and no material capital expenditure commitments or financial obligations. All operations are financed internally by shareholders’ funds. There is no maturity profile of debt and obligation.

Exchange risk of the Group is not significant 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.

## **STAFF**

As at 31st March, 2006, the Group employed 61 staff at market remunerations with staff benefits such as insurance, provident fund scheme, discretionary bonus and share option scheme.

## **CAPITAL STRUCTURE**

As at 31st March, 2006, the Group had no long term borrowings and its operations were financed entirely by shareholders' funds.

There is no change in the share capital of the Group during the year under review.

## **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.

## **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 year ended 31st March, 2006 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 Termbray Industries International (Holdings) Limited Act 1991". Section 4(g) of the said Act provides that: "Notwithstanding anything contained in the Companies Act or rule of law to the contrary, the directors of the Company shall not be required to be elected at each annual general meeting, but shall (save for any chairman or managing director) be subject to retirement by rotation 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 year ended 31st March, 2006.

## **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 annual results for the year ended 31st March, 2006.

## **OTHER INFORMATION**

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, 7th July, 2006