



# 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, 2006

The board of directors (the “Board”) of Termbay Industries International (Holdings) Limited (the “Company”) is pleased to present the unaudited condensed consolidated income statement of the Company and its subsidiaries (the “Group”) for the six months ended 30th September, 2006 and the Group’s unaudited condensed consolidated balance sheet at that date together with the comparative figures for the last year as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

		<b>Six months ended</b>	
		<b>30/9/2006</b>	<b>30/9/2005</b>
		<b>(unaudited)</b>	<b>(unaudited)</b>
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>TURNOVER</b>	3	<b>3,268</b>	2,494
Rental outgoings		<b>(906)</b>	(1,229)
Rental income less outgoings		<b>2,362</b>	1,265
Other income	4	<b>15,007</b>	9,844
Gain arising from changes in fair value of investments held for trading		<b>2,870</b>	72
Administrative expenses		<b>(6,170)</b>	(9,720)
<b>PROFIT BEFORE TAXATION</b>	5	<b>14,069</b>	1,461
Taxation	6	<b>(65)</b>	–
<b>PROFIT FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b>		<b>14,004</b>	1,461
		<i>HK Cents</i>	<i>HK Cents</i>
<b>EARNINGS PER SHARE</b>	7		
<b>BASIC</b>		<b>0.84</b>	0.09
<b>DILUTED</b>		<b>0.82</b>	0.09

## CONDENSED CONSOLIDATED BALANCE SHEET

	<i>Notes</i>	<b>30/9/2006</b> <b>(unaudited)</b> <b>HK\$'000</b>	31/3/2006 (audited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		8,515	9,269
Prepaid lease payments for land		67,572	67,871
Investment properties		3,639	3,692
Pledged bank deposits		2,111	2,117
		<b>81,837</b>	82,949
<b>CURRENT ASSETS</b>			
Properties for sale		115,790	113,520
Trade and other receivables	8	6,385	6,289
Deposits and prepayments		2,347	2,436
Prepaid lease payments for land		598	598
Available-for-sale investments		217,469	339,251
Investments held for trading		189,042	239,665
Pledged bank deposits		465	465
Bank balances and cash		216,935	16,187
		<b>749,031</b>	718,411
<b>CURRENT LIABILITIES</b>			
Trade and other payables and accrued charges	9	5,997	6,165
Deposits received		1,213	1,035
Provisions		3,280	6,430
Amount due to a related company		871	370
Taxation liabilities		3,179	3,114
		<b>14,540</b>	17,114
<b>NET CURRENT ASSETS</b>		<b>734,491</b>	701,297
<b>NET ASSETS</b>		<b>816,328</b>	784,246
<b>CAPITAL AND RESERVES</b>			
Share capital		137,971	133,171
Reserves		677,941	650,659
Equity attributable to equity holders of the Company		<b>815,912</b>	783,830
Minority interests		416	416
<b>TOTAL EQUITY</b>		<b>816,328</b>	784,246

Notes:

## 1. BASIS OF PREPARATION

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

## 2. SIGNIFICANT ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the annual consolidated financial statements of the Group for the year ended 31st March, 2006 except as described below.

In the current interim period, the Group has applied, for the first time, a number of new standards, amendments and interpretations (“new HKFRSs”) issued by the HKICPA, which are either effective for accounting periods beginning on or after 1st December, 2005, 1st January, 2006 or 1st March, 2006. The adoption of the new HKFRSs had no material effect on how the results for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new standard, amendment or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these new standard, amendment or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Amendment)	Capital Disclosures <sup>1</sup>
HKFRS 7	Financial Instruments: Disclosures <sup>1</sup>
HK(IFRIC) – Int 8	Scope of HKFRS 2 <sup>2</sup>
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives <sup>3</sup>
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st January, 2007

<sup>2</sup> Effective for annual periods beginning on or after 1st May, 2006

<sup>3</sup> Effective for annual periods beginning on or after 1st June, 2006

<sup>4</sup> Effective for annual periods beginning on or after 1st November, 2006

## 3. TURNOVER AND SEGMENT INFORMATION

Turnover represents rental income from leasing of properties.

The Group is principally engaged in property development and property investment. There were no property development activities in the periods ended 30th September 2006 and 2005.

The Group reports primary segment information based on its business. Segment information is presented below:

	Turnover		Contribution to profit	
	Six months ended		Six months ended	
	30/9/2006	30/9/2005	30/9/2006	30/9/2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Property investment				
Property letting	<u>3,268</u>	<u>2,494</u>	2,362	1,265
Other income ( <i>note</i> )			17,877	6,755
Unallocated administrative expenses			<u>(6,170)</u>	<u>(6,559)</u>
Profit before taxation			14,069	1,461
Taxation			<u>(65)</u>	<u>–</u>
Profit for the period			<u>14,004</u>	<u>1,461</u>

*Note:* Other income represents mainly net income from short-term treasury activities, including investments in securities and money market funds and placement of bank deposits.

#### 4. OTHER INCOME

	<b>Six months ended</b>	
	<b>30/9/2006</b>	<b>30/9/2005</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Interest income from		
– available-for-sale investments	5,143	4,496
– investments held for trading	3,961	5,176
– bank deposits	4,172	26
Exchange gain	1,618	–
Others	113	146
	<u>15,007</u>	<u>9,844</u>

#### 5. PROFIT BEFORE TAXATION

	<b>Six months ended</b>	
	<b>30/9/2006</b>	<b>30/9/2005</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Profit before taxation has been arrived at after charging:		
Amortisation of prepaid lease payments for land	299	299
Depreciation of		
– property, plant and equipment	763	862
– investment properties	53	53
Exchange losses	–	3,163
	<u>–</u>	<u>3,163</u>

#### 6. TAXATION

The tax expense for the current period represents 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 condensed consolidated financial statements for last period as the Group had no assessable profits for that period.

#### 7. EARNINGS PER SHARE

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

	<b>Six months ended</b>	
	<b>30/9/2006</b>	<b>30/9/2005</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Profit for the period attributable to equity holders of the Company for the purposes of basic and diluted earnings per share	<u>14,004</u>	<u>1,461</u>
	<b>Number of shares</b>	
	<b>'000</b>	<b>'000</b>
Number of ordinary shares for the purpose of basic earnings per share	1,667,594	1,664,643
Effect of dilutive potential ordinary shares – share options	<u>32,623</u>	<u>28,675</u>
Number of ordinary shares for the purpose of diluted earnings per share	<u>1,700,217</u>	<u>1,693,318</u>

## 8. TRADE AND OTHER RECEIVABLES

Rentals receivable are payable in accordance with the terms of the relevant agreements.

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 reporting date:

	<b>30/9/2006</b> <i>HK\$'000</i>	31/3/2006 <i>HK\$'000</i>
1-90 days	4,264	4,072
Over 90 days	<u>2,121</u>	<u>2,217</u>
	<u><b>6,385</b></u>	<u><b>6,289</b></u>

## 9. TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

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

	<b>30/9/2006</b> <i>HK\$'000</i>	31/3/2006 <i>HK\$'000</i>
Trade and other payables, aged over 90 days	1,759	1,800
Accrued charges	<u>4,238</u>	<u>4,365</u>
	<u><b>5,997</b></u>	<u><b>6,165</b></u>

## INTERIM DIVIDEND

The directors have resolved not to declare payment of an interim dividend for the six months ended 30th September, 2006 (2005: Nil).

## REVIEW OF OPERATIONS

During the current six months period under review, the Group achieved a turnover of HK\$3,268,000 (2005: HK\$2,494,000) and made a profit attributable to shareholders of HK\$14,004,000 (2005: HK\$1,461,000).

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. There are abundant supplies of properties with modern design. 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 by 131%. As at 30th September, 2006, 228 residential units remained to be sold, out of which 208 residential units were let out. All the floor area of the commercial arcades were let out. The tenants of the commercial arcade have changed the retail commodities to computer products 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. Full provision for impairment loss against the property held by Cong Hua Bow Yuen had been made in the financial statements of the Group in prior years.

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 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, 2006.

## **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, 2006. 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.

The share options outstanding at 1st April, 2006 to subscribe for 60,000,000 ordinary shares in the Company at the subscription price of HK\$0.261 per share were exercised during the period. Share capital and share premium of the Group were increased by HK\$4,800,000 and HK\$10,860,000 respectively.

## **ORDER BOOK**

Due to its business nature, the Group has no order book at 30th September, 2006. The Group has no new product and services to be introduced to the market.

## **STAFF**

As at 30th September, 2006, the Group employed 61 staff at market remunerations with staff benefits such as insurance, provident fund scheme, discretionary bonus and share option scheme.

## **OUTLOOK**

The global economy sustained a stable and balance growth during the period under review. China continues to act as a key driver in the global economic growth. The appreciation of Renminbi has created an environment for prosperous future of China’s economy. China’s investment and trading have been expanding rapidly and are supported by a strong domestic consumption. 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 business in China.

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.

On the other hand, there still 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.

## **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 (the "Listing Rules") during the six months ended 30th September, 2006 save as disclosed below.

Pursuant to paragraph 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.

## **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 ended 30th September, 2006.

## **AUDIT COMMITTEE**

The Company has established an audit committee comprising three independent non-executive directors and one non-executive director of the Company. 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 results for the six months ended 30th September, 2006.

## **OTHER INFORMATION**

The interim results of the Group for the six months ended 30th September, 2006 have been reviewed by Deloitte Touche Tohmatsu, Certified Public Accountants.

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. The Hon. Lee Tung Hai, *Leo G.B.M., G.B.S., L.L.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, 15th December, 2006