



*Termbray Industries  
International (Holdings) Limited*

*Interim Report*

**2002-2003**



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## **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. Lee Ka Sze, *Carmelo*

### **COMPANY SECRETARY**

Mr. Lee Ka Sze, *Carmelo*

### **AUDIT COMMITTEE**

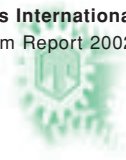
Dr. Lee Tung Hai, *Leo G.B.S., L.L.D., J.P.*  
Mr. Lee Ka Sze, *Carmelo*

### **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@termbray.com.hk](mailto:group@termbray.com.hk)

### **HONG KONG REGISTRAR AND TRANSFER OFFICE**

Standard Registrars Limited  
5th Floor, Wing On Centre,  
111 Connaught Road Central,  
Hong Kong  
Telephone : (852) 2528 4511  
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 Termbay 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, 2002.

The unaudited consolidated profit attributable to shareholders for the six months ended 30th September, 2002 amounted to approximately HK\$624,000 (2001: HK\$2,999,000). An analysis of the Group's results for the period is set out on page 11 of this report.

The directors have resolved not to declare the payment of an interim dividend for the six months ended 30th September, 2002 (2001: Nil).

## **REVIEW OF OPERATIONS**

During the current six months period, the Group achieved a turnover of HK\$1,442,000 (2001: HK\$1,207,000) and profit attributable to shareholders of HK\$624,000 (2001: HK\$2,999,000).

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 People's Republic of China ("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, 2002, 28 residential units were let out, 229 residential units remained to be sold and approximately 2000 square meters floor areas on the ground floor of commercial arcades were unoccupied. The opening of the commercial arcades in early 2002 has brought positive stimulus to the location.

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 deposits 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 low interest rate environment during the period, the relevant income earned by the Group from these assets is at a low level.

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, 2002.

## **LIQUIDITY AND FINANCIAL RESOURCES**

The Group remains cash rich and has no bank borrowings and no material capital expenditure commitments or financial obligations at 30th September, 2002. 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.

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

## **STAFF**

As at 30th September, 2002, the Group employed 55 staff at market remunerations with staff benefits such as insurance, provident fund scheme, discretionary bonus and share option scheme.

## **OUTLOOK**

The global economic outlook remains uncertain for the coming year. However, it is expected that there are ample business opportunities in the PRC following the entry of PRC into the World Trade Organisation. The Group 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 funds on hand, the Group is actively seeking for investment opportunities so as to achieve a diversification in business activities which bring a steady growth in the Group's performance. The Group is open minded on what areas the funds will be invested, but always takes a cautious and prudent approach in making investment decisions.

## **DIRECTORS' INTERESTS IN SHARES AND OPTIONS**

As at 30th September, 2002, the interests of the Company's directors, chief executive and their associates in the shares of the Company and its associated corporations as recorded in the register maintained under Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

### **(a) Interests in shares of the Company**

<b>Name of directors</b>	<b>Number of ordinary shares of HK\$0.08 each held</b>			
	<b>Personal Interest</b>	<b>Family Interest</b>	<b>Corporate Interest</b>	<b>Other Interest</b>
Mr. Lee Lap	37,500,000	-	884,752,780	-
Mdm. Leung Lai Ping	37,500,000	884,752,780	-	-

Mr. Lee Lap and his spouse, Mdm. Leung Lai Ping, are the beneficial owner of the issued share capital of Lee & Leung (B.V.I.) Limited. The shares included under corporate interest and family interest refer to the shares held by Lee & Leung (B.V.I.) Limited.



**(b) Interests 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
	Termbray Electronics Company Limited	7,000
Mdm. Leung Lai Ping	Applied Industrial Company Limited	1,500
	Lee Plastics Manufacturing Company Limited	250,000
	Termbray Electronics Company Limited	3,000

**(c) Interests in share options granted by the Company**

<b>Name of directors</b>	<b>Number of share options outstanding at 1st April, 2002 and 30th September, 2002</b>
Mr. Lee Lap	30,000,000
Mdm. Leung Lai Ping	30,000,000

*Note:* These share options were granted on 31st August, 2001 and are exercisable at HK\$0.261 per share at any time between 1st October, 2001 and 30th September, 2006. No options to subscribe for shares in the Company were granted, exercised, lapsed or cancelled during the period.

Apart from the aforementioned share options granted to the directors of the Company, at no time during the period was the Company or any of its subsidiaries a party 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 and except for shares in the subsidiaries held by a director in trust for their immediate holding companies, at 30th September, 2002, none of the directors or chief executive of the Company had any interest in the equity or debt securities of the Company or any of its associated corporations (within the meaning of the SDI Ordinance) as recorded in the register required to be kept under Section 29 of the SDI Ordinance.

## **SUBSTANTIAL SHAREHOLDERS**

As at 30th September, 2002, the persons interested in 10% or more of the issued share capital of the Company as recorded in the register kept under Section 16(1) of the SDI Ordinance were as follows:

<b>Name of shareholders</b>	<b>Number of ordinary shares of HK\$0.08 each held</b>
Mr. Lee Lap	922,252,780
Mdm. Leung Lai Ping	922,252,780
Lee & Leung (B.V.I.) Limited*	884,752,780

- \* Lee & Leung (B.V.I.) Limited is beneficially owned by Mr. Lee Lap and his spouse, Mdm. Leung Lai Ping, and its interest in the issued share capital of the Company is included in the interests held by Mr. Lee Lap and Mdm. Leung Lai Ping respectively.

## **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, 2002, 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, 2002 has been reviewed by the Audit Committee.

By order of the Board

**Lee Lap**

*Chairman & CEO*

Hong Kong, 13th December, 2002



## INDEPENDENT REVIEW REPORT

德勤·關黃陳方會計師行

Certified Public Accountants  
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111 Connaught Road Central  
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**Deloitte  
Touche  
Tohmatsu**

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 11 to 20.

### 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 Statement of Standard Accounting Practice No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

### REVIEW WORK PERFORMED

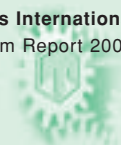
We conducted our review in accordance with Statement of Auditing Standards No. 700 "Engagements to Review Interim Financial Reports" issued by the Hong Kong Society of Accountants. A review consists principally of making enquiries of group management and applying analytical procedures to the interim 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, 2002.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*

Hong Kong, 13th December, 2002



## Condensed Consolidated Income Statement

For the six months ended 30th September, 2002

	Notes	Six months ended	
		30/9/2002 (unaudited) HK\$'000	30/9/2001 (unaudited and restated) HK\$'000
<b>TURNOVER</b>	3	<b>1,442</b>	1,207
Cost of sales and services		<b>(401)</b>	(551)
Other operating income	4	<b>1,041</b>	656
Unrealised holding gain on investments in securities		<b>6,681</b>	12,019
Administrative expenses		<b>481</b>	–
		<b>(7,579)</b>	(9,676)
<b>PROFIT BEFORE TAXATION</b>	5	<b>624</b>	2,999
Taxation	6	–	–
<b>PROFIT FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS</b>		<b>624</b>	2,999
		<b>HK cent</b>	HK cent
<b>EARNINGS PER SHARE BASIC</b>	7	<b>0.04</b>	0.18
<b>DILUTED</b>		<b>0.04</b>	0.18



## Condensed Consolidated Balance Sheet

At 30th September, 2002

	Notes	30/9/2002 (unaudited) HK\$'000	31/3/2002 (audited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	8	90,391	91,072
Properties for development		20,578	20,578
Instalments receivable		597	734
Pledged bank deposits		5,009	5,701
		<b>116,575</b>	118,085
<b>CURRENT ASSETS</b>			
Inventories		191	191
Properties for sale		127,195	127,195
Trade and other receivables	9	3,477	2,376
Deposits and prepayments		2,545	2,431
Investments in securities	10	109,595	62,074
Investments in money market funds	11	478,705	530,150
Pledged bank deposits		465	465
Bank balances and cash		10,695	9,384
		<b>732,868</b>	734,266
<b>CURRENT LIABILITIES</b>			
Trade and other payables and accrued charges	12	9,607	10,829
Deposits received		592	595
Provisions		7,626	13,727
Amount due to a related company	16(a)	11,887	8,078
Taxation liabilities		2,984	2,984
		<b>32,696</b>	36,213
<b>NET CURRENT ASSETS</b>			
		<b>700,172</b>	698,053
		<b>816,747</b>	816,138
<b>CAPITAL AND RESERVES</b>			
Share capital	13	133,171	133,171
Reserves		683,160	682,551
		<b>816,331</b>	815,722
<b>MINORITY INTERESTS</b>			
		416	416
		<b>816,747</b>	816,138



## Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th September, 2002

	Unaudited					Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Exchange equalisation reserve HK\$'000	Negative goodwill HK\$'000	Retained profits HK\$'000	
At 1st April, 2001	133,171	132,550	(510)	6,601	541,872	813,684
Exchange differences arising on translation of financial statements of subsidiaries not recognised in the income statement	-	-	46	-	-	46
Net profit for the period	-	-	-	-	2,999	2,999
At 30th September, 2001	133,171	132,550	(464)	6,601	544,871	816,729

	Unaudited					Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Exchange equalisation reserve HK\$'000	Negative goodwill HK\$'000	Retained profits HK\$'000	
At 1st April, 2002	133,171	132,550	(456)	6,601	543,856	815,722
Exchange differences arising on translation of financial statements of subsidiaries not recognised in the income statement	-	-	(15)	-	-	(15)
Net profit for the period	-	-	-	-	624	624
At 30th September, 2002	133,171	132,550	(471)	6,601	544,480	816,331



## Condensed Consolidated Cash Flow Statement

For the six months ended 30th September, 2002

	<b>Six months ended</b>	
	<b>30/9/2002</b>	30/9/2001
	<b>(unaudited)</b>	(unaudited)
		and restated)
	<b>HK\$'000</b>	HK\$'000
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(9,298)</b>	(7,357)
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>10,624</b>	7
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>1,326</b>	(7,350)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>	<b>9,384</b>	24,209
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>	<b>(15)</b>	46
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<b>10,695</b>	16,905
<b>ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Bank balances and cash	<b>10,695</b>	16,905



# Notes to the Condensed Financial Statements

*For the six months ended 30th September, 2002*

## 1. BASIS OF PREPARATION

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 Statement of Standard Accounting Practice (“SSAP”) 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants (“HKSA”).

## 2. SIGNIFICANT ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain property, plant and equipment and investments in securities.

The accounting policies adopted are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31st March, 2002, except as described below.

In the current period, the Group has adopted, for the first time, the following new and revised SSAPs issued by the HKSA:

SSAP 1 (revised)	Presentation of financial statements
SSAP 11 (revised)	Foreign currency translation
SSAP 15 (revised)	Cash flow statements
SSAP 34	Employee benefits

The adoption of these SSAPs has resulted in the introduction of the statement of changes in equity and a change in the format of presentation of the cash flow statement but has had no significant effect on the results for the current or prior accounting periods.

Under SSAP 15 (revised), cash flows are classified under three headings – operating, investing and financing rather than the previous five headings and cash and cash equivalents are redefined. Interest received previously presented under cash flows from returns on investments and servicing of finance is classified as cash flows from investing activities. In addition, the amounts presented for cash and cash equivalents have been amended to exclude investments in money market funds and bank balances held for investment purposes. The classification of interest received and the re-definition of cash and cash equivalents have resulted in an increase in net cash from investing activities for the six months period ended 30th September, 2002 and 2001 by HK\$58,104,000 and HK\$445,000 respectively and a decrease in net cash and cash equivalents as at 30th September, 2002 and 2001 by HK\$478,705,000 and HK\$589,452,000 respectively. Comparative figures have been restated to conform with the current period’s presentation.

Apart from aforementioned, no further adjustments relating to prior years have been required as a result of the adoption of the new and revised SSAPs.





### 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 profit of the Group:

	<b>Turnover</b>		<b>Contribution to profit</b>	
	<b>Six months ended</b>		<b>before taxation</b>	
	<b>30/9/2002</b>	30/9/2001	<b>30/9/2002</b>	30/9/2001
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
Property development and investment				
Property letting	<b>1,442</b>	580	<b>629</b>	(508)
Sale of completed properties	-	627	-	76
	<b>1,442</b>	1,207		
Segment results			<b>629</b>	(432)
Other activities			<b>7,140</b>	12,019
Less: Unallocated administrative and other expenses			<b>(7,145)</b>	(8,588)
			<b>624</b>	2,999

*Notes:*

- (i) The Group's property development and investment activities were carried out in Mainland China ("PRC").
- (ii) Other activities comprise mainly of treasury activities, including investments in debt securities and money market funds operating in the United States of America and European countries and placement of bank deposits in Hong Kong.
- (iii) Interest income from investments in money market funds and bank deposits amounted to an aggregate of HK\$12,003,000 in respect of the six months ended 30th September, 2001, which was previously included in turnover, has been reclassified as other operating income to conform with the current period's presentation.



#### 4. OTHER OPERATING INCOME

	<b>Six months ended</b>	
	<b>30/9/2002</b>	30/9/2001
	<b>HK\$'000</b>	HK\$'000
Interest income from		
– investments in money market funds	<b>5,040</b>	6,644
– debt securities	<b>1,554</b>	–
– bank deposits	<b>65</b>	5,359
Other income	<b>22</b>	16
	<b>6,681</b>	12,019

#### 5. PROFIT BEFORE TAXATION

	<b>Six months ended</b>	
	<b>30/9/2002</b>	30/9/2001
	<b>HK\$'000</b>	HK\$'000
Profit before taxation has been arrived at after charging :		
Depreciation on property, plant and equipment	<b>1,689</b>	2,506
Loss on disposal of property, plant and equipment	<b>123</b>	–

#### 6. TAXATION

No provision for Hong Kong profits tax and overseas taxation has been made as the Group has no assessable profit for both periods presented.



## 7. EARNINGS PER SHARE

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

	<b>Six months ended</b>	
	<b>30/9/2002</b>	30/9/2001
	<b>HK\$'000</b>	HK\$'000
Earnings		
Profit attributable to shareholders for the purposes of basic and diluted earnings per share	<b>624</b>	2,999
	<b>'000</b>	'000
Number of shares		
For the purpose of basic earnings per share	<b>1,664,643</b>	1,664,643
Effect of dilutive potential ordinary shares – share options	<b>22,047</b>	2,660
Weighted average for the purpose of diluted earnings per share	<b>1,686,690</b>	1,667,303

## 8. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment at a total cost of approximately HK\$1,480,000.

## 9. TRADE AND OTHER RECEIVABLES

Rental receivable and proceeds from sales of properties are payable in accordance with the terms of the relevant agreements.

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

	<b>30/9/2002</b>	31/3/2002
	<b>HK\$'000</b>	HK\$'000
0-90 days	<b>2,477</b>	2,101
Over 90 days	<b>1,000</b>	275
	<b>3,477</b>	2,376



## 10. INVESTMENTS IN SECURITIES

	<b>30/9/2002</b>	31/3/2002
	<b>HK\$'000</b>	HK\$'000
Unlisted debt securities	<b>109,595</b>	62,074

## 11. INVESTMENTS IN MONEY MARKET FUNDS

The amount represents the Group's investments in money market funds which are managed by international financial institutions and are redeemable on demand.

## 12. 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>30/9/2002</b>	31/3/2002
	<b>HK\$'000</b>	HK\$'000
Trade and other payables, aged over 90 days	<b>7,087</b>	7,125
Accrued charges	<b>2,520</b>	3,704
	<b>9,607</b>	10,829

## 13. SHARE CAPITAL

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

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, 2002 comprised options previously granted by the Company 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.

## 14. PROJECT COMMITMENTS

At the balance sheet date, the Group had contracted project commitments in respect of property development expenditure and purchase of land use rights in Mainland China amounted to an aggregate of HK\$65,347,000 (31/3/2002: HK\$65,347,000) not provided for in the financial statements.



## 15. PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

- (a) The Group's bank deposits of approximately HK\$465,000 (31/3/2002: 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 amounted to approximately HK\$4,158,000 (31/3/2002: HK\$8,652,000) and, in this connection, the Group's bank deposits of HK\$5,009,000 (31/3/2002: HK\$5,701,000) were pledged to the banks as security.
- (c) In prior year, certain former subsidiaries of the Company purchased production materials for its printed circuit board manufacturing activities amounted to approximately HK\$12,000,000 from an outside supplier. Such 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 the 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. The said former subsidiaries were subsequently 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.
- (d) In connection with the disposal in prior year of the subsidiaries engaged in printed circuit boards manufacturing, the Group has given certain warranties and undertakings to the purchaser as specified in the agreement for the disposal of these subsidiaries. The Group has received notification from the purchaser raising claims against the Group arising from the warranties and undertakings. It is the intention of the management to contest the claims vigorously. No legal proceedings have yet been instituted against the Group for these claims. Based upon legal advice obtained, management is 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 financial statements.

## 16. RELATED PARTY TRANSACTIONS

During the period, the Group had the following transactions with Panda Investment Company Limited ("Panda Investment"), a company in which Mr. Lee Lap and Madam Leung Lai Ping, the directors of the Company, have controlling interests:

- (a) Panda Investment made advances to the Group which are unsecured and interest free with no fixed repayment terms. The balance of such advances outstanding at 30th September, 2002 was approximately HK\$11,887,000 (31/3/2002: HK\$8,078,000).
- (b) Pursuant to a tenancy agreement entered into between 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\$250,000 (six months ended 30/9/2001: HK\$300,000).