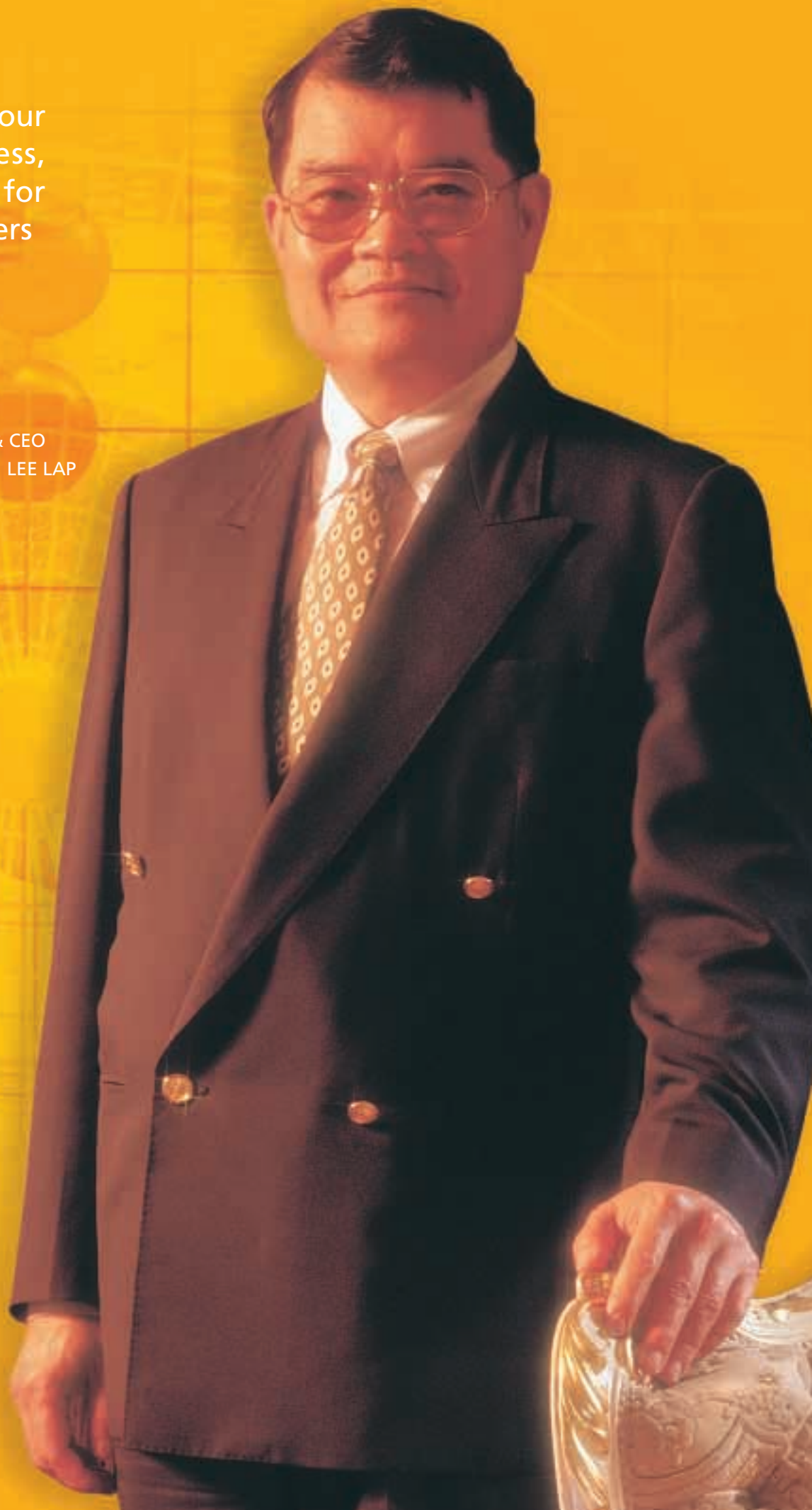


To strengthen our  
competitiveness,  
to build value for  
our shareholders

Chairman & CEO  
LEE LAP



## Chairman's Statement

### RESULTS

I report to shareholders the results of Termbay Industries International (Holdings) Limited (the "Company") and its subsidiaries (together "the Group") for the financial year ended 31st March, 2005.

The Group recorded a loss attributable to shareholders for the year ended 31st March, 2005 of HK\$36,567,000 compared with profit attributable to shareholders of HK\$1,820,000 for the last year.

### DIVIDENDS

The board of directors of the Company does not recommend the payment of a dividend in respect of the year (2004: Nil).

### REVIEW OF OPERATIONS

The global economy continues its rebound during the year under review. The economic growth in the United States ("US") and the Mainland China ("PRC") creates synergies and driving force for global economic expansion. China economy still plays a focusing role in the world market.

### 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. As at 31st March, 2005, 228 residential units remained to be sold, out of which 25 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. The competition of the property market in Zhongshan is keen. There are abundant supplies of properties with modern design. The Group has made a provision for loss of HK\$16,000,000 against the properties for sale in Zhongshan.

The sole assets of Cong Hua White Swan Bow Yuen Real Estate Development Company Limited ("Cong Hua Bow Yuen"), a wholly-owned subsidiary of the Group, 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 31st March, 2004. The joint venture period of Cong Hua Bow Yuen had expired on 26th September, 2004. After discussions with the relevant government authorities through the PRC joint venture partner of Cong Hua Bow Yuen, the Company was informed in early 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 terms of the joint venture period was for 12 years 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

## Chairman's Statement

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. The Directors are of the views that it is appropriate to make an impairment loss of HK\$20,578,000 in the consolidated income statement of the Group for the financial year ended 31st March, 2005 against the carrying amount of the properties for development as carried by Cong Huan Bow Yuen. 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 is released to the consolidated income statement of the Group for the financial year ended 31st March, 2005. It resulted in a net loss of HK\$13,977,000 accounted for in the consolidated income statement of the Group.

### 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. Due to the prevailing low interest rate environment during the year, 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 realise the investments.

### PROSPECTS

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 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 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.

Finally, I would like to thank my fellow directors for their invaluable advice and the staff members for their hard work and dedication to the Group during the past year.

### Lee Lap

*Chairman & C.E.O.*

Hong Kong, 8th July, 2005