1. POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS

In 2004, the Hong Kong Institute of Certified Public Accountants issued a number of new or revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards ("HKFRSs") (herein collectively referred to as "new HKFRSs") which are effective for accounting periods beginning on or after 1st January, 2005 except for HKFRS 3 "Business Combinations". The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31st March, 2005.

HKFRS 3 is applicable to business combinations for which the agreement date is on or after 1st January, 2005. The Group has not entered into any business combination for which the agreement date is on or after 1st January, 2005. Therefore HKFRS 3 did not have any impact on the Group for the year ended 31st March, 2005.

The Group has commenced considering the potential impact of these new HKFRSs but is not yet in a position to determine whether these new HKFRSs would have a significant impact on how its results of operations and financial position are prepared and presented. These new HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong.

The measurement basis used in the preparation of the financial statements is historical cost, as modified by the revaluation of investments in securities.

A summary of the significant accounting policies adopted by the Group is set out below.

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st March each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group have been eliminated on consolidation.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Goodwill/negative goodwill

Goodwill/negative goodwill arising on consolidation represents the excess/shortfall of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition.

Goodwill/negative goodwill arising on acquisitions prior to 1st April, 2001 continues to be held in reserves. Goodwill will be charged to the income statement at the time of disposal of the relevant subsidiary, or at such time as the goodwill is determined to be impaired. Negative goodwill will be credited to the income statement at the time of disposal of the relevant subsidiary.

Goodwill arising on acquisitions on or after 1st April, 2001 is capitalised and amortised on a straight-line basis over its useful economic life. Goodwill arising on the acquisition of a subsidiary is presented separately in the balance sheet. On disposal of a subsidiary, the attributable amount of unamortised goodwill is included in the determination of the profit or loss on disposal.

Negative goodwill arising on acquisitions on or after 1st April, 2001 is presented as a deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

To the extent that the negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to income in the year in which those losses or expenses arise. The remaining negative goodwill is recognised as income on a straight-line basis over the remaining average useful life of the identifiable acquired depreciable assets. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets, it is recognised in income immediately.

(c) Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(d) Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation and any identified impairment losses.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Property, plant and equipment (continued)

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives, on a straight line basis, as follows:

Category of assets	Estimated useful lives
Leasehold land	Over the remaining term of the relevant lease
Buildings	25 to 40 years or over the remaining term of the relevant lease, whichever is shorter
Other assets	4 to 10 years

The gain or loss arising on disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

(e) Properties for development

Properties for development are stated at cost less any identified impairment loss.

(f) Properties for sale

Properties held for sale are stated at the lower of cost and net realisable value.

(g) Impairment

At each balances sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

(h) Investments in securities

Investments in securities are recognised on a trade-date basis and are initially measured at cost.

Investments in securities, which are not held for an identified long-term strategic purpose, are measured at fair value, with unrealised gains and losses included in net profit or loss for the year.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Foreign currencies

Transactions in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date. Gains and losses arising on exchange are included in net profit or loss for the period.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising, if any, are classified as equity and transferred to the Group's exchange translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

(j) Operating leases

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the relevant lease terms.

(k) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Taxation (continued)

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(l) Revenue recognition

Revenue is recognised on the following bases when it is probable that the economic benefits associated with the transactions will flow to the Group and these benefits can be measured reliably:

(i) Rental income

Rental income is recognised on a straight line basis over the relevant lease term.

(ii) Interest income

Interest income from money market funds, debt securities and bank deposits is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

(m) Retirement benefit costs

Payments to the retirement benefit schemes are charged as an expense as they fall due.

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 (loss) profit of the Group:

	Turnover		**Contribution to (loss) profit before taxation**	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Property development and investment				
Property development	**–**	–	**(36,578)**	–
Property letting	**3,095**	3,370	**2,017**	2,350
	3,095	3,370		
Segment results			**(34,561)**	2,350
Other activities			**5,502**	13,468
Negative goodwill released to income			**6,601**	–
Less: Unallocated administrative and other expenses			**(14,109)**	(13,998)
			(36,567)	1,820

Notes:

(i) The Group's property development and investment activities were carried out in the Mainland China (the "PRC").

(ii) Other activities comprise mainly of treasury activities, including investments in securities and money market funds operating in the United States of America, European countries and Hong Kong, and the placement of bank deposits in Hong Kong.

(iii) The loss attributable to the property development of HK$36,578,000 shown above comprised of provision for properties for sale and impairment loss on properties for development amounted to HK$16,000,000 and HK$20,578,000 respectively. No depreciation or amortisation and other non-cash expenses are included in segment results.

3. TURNOVER AND SEGMENT INFORMATION (continued)

The following is an analysis of the assets and liabilities of the Group by geographical location:

	Assets		Liabilities	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The PRC				
Property development and investment	**114,596**	151,651	**2,305**	2,340
Hong Kong and other jurisdictions				
Other activities *(Note (i))*	**573,319**	579,858	**–**	–
	687,915	731,509	**2,305**	2,340
Unallocated assets/liabilities	**105,629**	108,021	**13,774**	16,649
	793,544	839,530	**16,079**	18,989

Notes:

(i) The assets employed in other activities comprise investments in securities, money market funds and bank deposits as follows:

	2005	2004
	HK$'000	*HK$'000*
Debt securities and money market funds operating in:		
United States of America	**327,363**	342,196
European countries	**242,640**	235,611
	570,003	577,807
Equity securities listed in Hong Kong	**320**	703
Bank deposits placed in Hong Kong	**2,996**	1,348
	573,319	579,858

(ii) Substantially all of the property, plant and equipment of the Group acquired in 2004 were located in Hong Kong. These additions were not attributable to any specific activities.

4. OTHER OPERATING INCOME

	THE GROUP	
	2005	2004
	HK$'000	*HK$'000*
Interest income from		
– investment in money market funds	**4,715**	3,623
– investments in debt securities	**10,948**	8,817
– bank deposits	**65**	70
	15,728	12,510
Other income	**319**	1,873
	16,047	14,383

5. IMPAIRMENT LOSS ON PROPERTIES FOR DEVELOPMENT/NEGATIVE GOODWILL RELEASED TO INCOME

The sole assets of a wholly-owned subsidiary of the Company, Cong Hua White Swan Bow Yuen Real Estate Development Company Limited ("Cong Hua Bow Yuen") were the properties for development in Cong Hua, the Guangdong Province of the PRC. The joint venture period of Cong Hua Bow Yuen had been expired on 26th September, 2004 and the Group had applied for an extension of the joint venture period. After the 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 Company had further made inquiry with the government authorities. Against these background, the directors consider it appropriate to make full provision for impairment losses against the carrying amount of the properties for development amounted to HK$20,578,000 in the current year. In this respect, the negative goodwill of HK$6,601,000 arising from the acquisition of interest in Cong Hua Bow Yuen included in reserves has been released to the consolidated income statement of the current year. Details of the above have been set out in the Company's announcement dated 2nd February, 2005.

6. (LOSS) PROFIT BEFORE TAXATION

	THE GROUP	
	2005	2004
	HK$'000	*HK$'000*
(Loss) profit before taxation has been arrived at after charging (crediting):		
Auditors' remuneration	**343**	350
Depreciation for property, plant and equipment	**2,960**	2,821
Staff costs including directors' emoluments *(Note)*	**6,379**	6,480
Operating lease rentals in respect of land and buildings	**360**	360
Gain on disposal of property, plant and equipment	**–**	(50)
Rental income less outgoings of HK$1,078,000 (2004: HK$1,020,000)	**(2,017)**	(2,350)

Note: Included in staff costs are contributions paid or payable under the Group's retirement benefit schemes amounting to HK$104,000 (2004: HK$117,000) in respect of the year.

7. TAXATION

No provision for Hong Kong Profits Tax and overseas taxation has been made in the financial statements for either of the years presented as the Group has no assessable profits for these years.

The tax expense for the year can be reconciled to the (loss) profit before taxation per the income statement as follows:

	2005	2004
	HK$'000	*HK$'000*
(Loss) profit before taxation	**(36,567)**	1,820
Tax (credit) charge at the applicable income tax rate of 17.5%	**(6,399)**	319
Tax effect of expenses not deductible for tax purpose	**7,641**	2,529
Tax effect of income that are not taxable for tax purpose	**(3,950)**	(2,218)
Tax effect of deductible temporary differences not recognised	**2,923**	–
Tax effect of tax losses not recognised	**46**	34
Untilisation of tax losses previously not recognised	**(261)**	(664)
Tax expense for the year	**–**	–

Details of the deferred tax not recognised are set out in note 22.

8. (LOSS) EARNINGS PER SHARE

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

	2005	2004
	HK$'000	*HK$'000*
(Loss) profit attributable to shareholders for the purposes of basic and diluted loss/earnings per share	**(36,567)**	1,820

	Number of shares	
	'000	*'000*
Number of ordinary shares for the purposes of basic loss/earnings per share	**1,664,643**	1,664,643
Effect of dilutive potential ordinary shares – share options	**N/A**	20,071
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**N/A**	1,684,714

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

9. EMOLUMENTS OF DIRECTORS AND SENIOR EMPLOYEES

(a) Directors

	THE GROUP	
	2005	2004
	HK$'000	*HK$'000*
Non-executive directors		
Directors' fees	**300**	200
Executive directors		
Basic salaries, allowances and benefits-in-kind	**6,341**	6,520
Contributions to provident fund scheme	**76**	89
Total emoluments	**6,717**	6,809

The directors' fees shown above included fees amounted to HK$200,000 (2004: HK$200,000) payable to independent non-executive directors.

9. EMOLUMENTS OF DIRECTORS AND SENIOR EMPLOYEES (continued)

(a) Directors (continued)

During the year, the land and building of the Group with a rental value of HK$1,800,000 (2004: HK$1,680,000) were provided as accommodation to certain directors of the Company which has been included in the basic salaries, allowances and benefits-in-kind disclosed above.

The emoluments of the directors were within the following bands:

	2005 Number of Directors	2004 Number of Directors
HK$		
Nil – 1,000,000	**4**	2
1,000,001 – 1,500,000	**1**	1
2,000,001 – 2,500,000	**1**	1
2,500,001 – 3,000,000	**1**	1
	7	5

(b) Senior employees

Of the five individuals with the highest emoluments in the Group, three (2004: three) are directors of the Company, whose emoluments have been included above. The emoluments of the remaining two (2004: two) individuals, whose emoluments are individually below HK$1,000,000, are as follows:

	THE GROUP	
	2005	2004
	HK$'000	*HK$'000*
Basic salaries, allowances and benefits-in-kind	**559**	559
Contributions to provident fund scheme	**28**	28
	587	587

10. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Machinery, moulds and equipment	Furniture, fixtures and leasehold improvements	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
THE GROUP					
COST					
At 1st April, 2004 and					
at 31st March, 2005	**86,685**	**89**	**8,609**	**6,126**	**101,509**
DEPRECIATION					
At 1st April, 2004	7,594	89	4,048	2,523	14,254
Provided for the year	1,380	-	693	887	2,960
At 31st March, 2005	**8,974**	**89**	**4,741**	**3,410**	**17,214**
NET BOOK VALUES					
At 31st March, 2005	**77,711**	**-**	**3,868**	**2,716**	**84,295**
At 31st March, 2004	79,091	-	4,561	3,603	87,255

The net book value of the Group's land and buildings is analysed as follows:

	THE GROUP	
	2005	2004
	HK$'000	*HK$'000*
Land and buildings in Hong Kong on:		
Long lease	**73,197**	74,257
Medium-term leases	**4,514**	4,834
	77,711	79,091

11. PROPERTIES FOR DEVELOPMENT

	THE GROUP	
	2005	2004
	HK$'000	*HK$'000*
Land use rights in the PRC on long lease:		
At cost	**32,341**	32,341
Less: Impairment loss recognised *(Note 5)*	**(32,341)**	(11,763)
	–	20,578

12. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2005	2004
	HK$'000	*HK$'000*
Unlisted shares, at cost	**261,810**	261,810
Amounts due from subsidiaries less allowances	**403,054**	406,583
	664,864	668,393

12. INTERESTS IN SUBSIDIARIES (continued)

The following list contains only the particulars of the subsidiaries at 31st March, 2005 which principally affect the results, assets or liabilities of the Group as the directors are of the opinion that a full list of all the subsidiaries would be of excessive length. All subsidiaries are wholly owned subsidiaries and, unless otherwise specified, are operating in their place of incorporation/establishment. None of the subsidiaries had any loan capital outstanding at 31st March, 2005 or at any time during the year.

Name of company	Place of incorporation/ establishment	Paid up issued share capital/ registered capital	Principal activities
Direct subsidiary:			
Termbray Electronics (B.V.I.) Limited (i)	British Virgin Islands	100 ordinary shares of US$1 each	Investment holding
Indirect subsidiary:			
Bow Yuen Industries Limited (ii)	Hong Kong	28,000 ordinary shares of HK$1 each	Investment holding
Ever Success Properties Limited (ii)	Hong Kong	100 ordinary shares of HK$1 each	Investment holding
Termbray (China) Land Development Company Limited	Hong Kong	10,000 ordinary shares of HK$1 each	Investment holding
Termbray (Fujian) Land Development Company Limited	Hong Kong	10,000 ordinary shares of HK$1 each	Property holding
Termbray (Guangzhou) Land Development Company Limited	Hong Kong	10,000 ordinary shares of HK$1 each	Property holding
Termbray Electronics Company Limited	Hong Kong	2 ordinary shares of HK$100 each and 10,000 non-voting deferred shares of HK$100 each	Investment holding and treasury activities
Zhongshan Ever Success Properties Limited (iii)	PRC	Registered capital of RMB1,500,000	Property development

(i) Operating in Hong Kong
(ii) Operating in the PRC
(iii) A limited liability company established in the PRC

13. PROPERTIES FOR SALE

Included in properties for sale are properties carried at net realisable value amounted to HK$63,077,000 (2004: HK$79,077,000).

14. TRADE AND OTHER RECEIVABLES

Rentals 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 balance sheet date:

	THE GROUP	
	2005	2004
	HK$'000	*HK$'000*
1 – 90 days	**5,280**	4,240
Over 90 days	**1,408**	1,941
	6,688	6,181

15. INVESTMENTS IN SECURITIES

	THE GROUP	
	2005	2004
	HK$'000	*HK$'000*
Unlisted debt securities	**271,617**	232,750
Listed equity securities in Hong Kong	**320**	703
	271,937	233,453
Market value of listed securities	**320**	703

16. INVESTMENTS IN MONEY MARKET FUNDS

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

17. 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:

	THE GROUP	
	2005	2004
	HK$'000	*HK$'000*
Trade and other payables, aged over 90 days	**1,823**	1,761
Accrued charges	**4,440**	5,159
	6,263	6,920

18. PROVISIONS

	THE GROUP	
	2005	2004
	HK$'000	*HK$'000*
Provisions for warranty and undertakings		
At beginning of the year	**6,039**	7,336
Utilised during the year	**(1,314)**	(1,297)
At end of the year	**4,725**	6,039

The provision represents management's best estimate of the costs and expenses required to discharge the Group's obligations and liabilities under the warranties and undertakings given in connection with the disposal of subsidiaries in prior years. The timing of payment for such costs and expenses is dependent upon finalisation of certain matters requiring the approval of the PRC local authorities, therefore it is not practicable to estimate with certainty the timing of payment at this stage.

19. SHARE CAPITAL

	2005 & 2004	
	Number of shares	**Nominal value**
	'000	*HK$'000*
THE GROUP AND THE COMPANY		
Ordinary shares of HK$0.08 each		
Authorised	**2,800,000**	224,000
Issued and fully paid	**1,664,643**	133,171

(a) Ordinary shares

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

(b) Share options

Pursuant to an ordinary resolution passed at a special general meeting of the Company held on 22nd August, 2001, the Company adopted a new share option scheme to replace the scheme adopted in 1991 which was terminated on that date.

Under the new share option scheme, the Company granted options on 31st August, 2001 to its directors to subscribe for a total of 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. The consideration for the options granted amounted to HK$2, which was recognised in the income statement when received. These options remained outstanding at 31st March, 2004 and 2005. No options to subscribe for shares in the Company were granted, exercised, lapsed or cancelled during the year.

The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recognised in the income statement in respect of the value of options granted in the year. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

20. RESERVES

	Share premium	Exchange translation reserve	Negative goodwill	Contributed surplus	Retained profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
THE GROUP						
At 1st April, 2003	132,550	(463)	6,601	–	546,344	685,032
Arising from translation of financial statements of subsidiaries	–	102	–	–	–	102
Profit for the year	–	–	–	–	1,820	1,820
At 31st March, 2004	132,550	(361)	6,601	–	548,164	686,954
Arising from translation of financial statements of subsidiaries	–	92	–	–	–	92
Negative goodwill released to income *(Note 5)*	–	–	(6,601)	–	–	(6,601)
Loss for the year	–	–	–	–	(36,567)	(36,567)
At 31st March, 2005	**132,550**	**(269)**	**–**	**–**	**511,597**	**643,878**
THE COMPANY						
At 1st April, 2003	132,550	–	–	191,810	132,318	456,678
Loss for the year	–	–	–	–	(1,092)	(1,092)
At 31st March, 2004	132,550	–	–	191,810	131,226	455,586
Loss for the year	–	–	–	–	(3,715)	(3,715)
At 31st March, 2005	**132,550**	**–**	**–**	**191,810**	**127,511**	**451,871**

20. RESERVES (continued)

Notes:

(a) The contributed surplus represents the difference between the consolidated shareholders' funds of the subsidiaries acquired and the nominal amount of the Company's shares issued as consideration for the acquisition at the time of the group reorganisation implemented prior to the listing of the Company's shares in 1991.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

(i) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

(b) In the opinion of the directors, the Company's reserves available for distribution to shareholders were as follows:

	THE COMPANY	
	2005	2004
	HK$'000	*HK$'000*
Contributed surplus	**191,810**	191,810
Retained profits	**127,511**	131,226
	319,321	323,036

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

21. AMOUNTS DUE TO SUBSIDIARIES

The amounts due to subsidiaries are unsecured and interest free with no fixed repayment terms. Repayment of the amounts will not be demanded within one year from the balance sheet date, accordingly the amounts are classified as non-current liabilities.

22. DEFERRED TAXATION

At the balance sheet date, the Group has deductible temporary differences of HK$34,490,000 (2004: HK$17,786,000) and unused tax losses of HK$90,409,000 (2004: HK$107,388,000) available for offset against future profit. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

During the year, the unused tax losses of the Group to the extent of HK$15,756,000 has been disallowed by the Hong Kong Inland Revenue Department as available for off-setting future assessable profits. No deferred tax asset had been recognised on such unused tax losses in prior years. Hence no adjustment on the Group's deferred taxation is required.

The Company did not have any significant deferred tax assets or liabilities at the balance sheet date.

23. PROJECT COMMITMENTS

The Group did not have any significant project commitments at the balance sheet date. At 31st March, 2004, the Group had contracted project commitments in respect of property development expenditure and purchase of land use rights in the PRC amounting to an aggregate of HK$65,347,000 not provided for in the financial statements.

The Company did not have any significant project commitments at the balance sheet date.

24. OPERATING LEASE COMMITMENTS

The Group as lessor

At the balance sheet date, the Group's properties held for sale with an aggregate carrying value of HK$49,949,000 (2004: HK$51,225,000) and the Group's property, plant and equipment with carrying value of HK$32,504,000 (2004: Nil) were let out under operating leases. All of properties leased out have committed tenants for the next one to seven years without termination options.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	THE GROUP	
	2005	2004
	HK$'000	*HK$'000*
Within one year	**3,376**	1,826
In the second to fifth years inclusive	**8,315**	5,074
Over five years	**3,668**	5,672
	15,359	12,572

The Group as lessee

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating lease which fall due as follows:

	THE GROUP	
	2005	2004
	HK$'000	*HK$'000*
Within one year	**270**	270

Operating lease payments represent rentals payable by the Group for office premises and warehouses. These are negotiated and rentals are fixed on an annual basis.

25. PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

Details of assets pledged and contingent liabilities of the Group outstanding at the balance sheet date are as follows:

(a) Bank deposits of HK$465,000 (2004: 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$775,000 (2004: HK$1,412,000) and, in this connection, the Group's bank deposits of HK$2,112,000 (2004: HK$2,806,000) were pledged to the banks as security.

(c) In prior year, certain former subsidiaries purchased production materials amounted to approximately HK$12,000,000 from an outside supplier. 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. 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 1999 of the subsidiaries engaged in the business of manufacture and sale of printed circuit boards, the Group has given warranties and undertakings to the purchaser as specified in the agreement for the disposal of these subsidiaries. During the year ended 31st March 2001, the Group 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.

26. RELATED PARTY TRANSACTIONS

During the year, the Group had the following transactions with related parties:

(a) Pursuant to the tenancy agreements entered into between Panda Investment Company Limited ("Panda Investment") and a wholly-owned subsidiary, Termbray Electronics Company Limited ("Termbray Electronics"), Termbray Electronics leased certain office premises and warehouses from Panda Investment during the year at the agreed rental of HK$360,000 (2004: HK$360,000). The Company's directors, Mr. Lee Lap and Madam Leung Lai Ping, have controlling interests in Panda Investment.

(b) At 31st March, 2005, the Group had an amount of approximately HK$1,236,000 (2004: HK$1,846,000) due to Panda Investment which is unsecured, interest free with no fixed repayment terms.

(c) Pursuant to the tenancy agreement entered into between Mr. Lee Wing Keung, a son of Mr. Lee Lap, and a wholly-owned subsidiary, Termbray (Fujian) Land Development Company Limited ("Termbray Fujian"), on 11th March, 2005, Termbray Fujian leased its land and building to Mr. Lee Wing Keung at the monthly rental of HK$120,000 determined by reference to the market rental value of the property as valued by a property valuer. The rental income recognised in the consolidated income statement for the year is HK$62,000. Details of the tenancy agreement have been set out in the Company's announcement dated 11th March, 2005.

27. ULTIMATE HOLDING COMPANY

The directors consider the Company's ultimate holding company to be Lee & Leung (B.V.I.) Limited, a company incorporated in the British Virgin Islands.