



INTERIM REPORT

2006-2007



Termbray
Industries International (Holdings) Limited

Stock Code: 93

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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. 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

Qualified Accountant

Mr. Wong Shiu Kee

Company Secretary

Mr. Lo Tai On

Audit Committee

Dr. The Hon. Lee Tung Hai, Leo
G.B.M., G.B.S., L.L.D., J.P.
Mr. Lee Ka Sze, Carmelo
Mr. Chan Siu Kang
Mr. Lo Yiu Hee

Remuneration Committee

Mr. Lee Lap
Mr. Chan Siu Kang
Mr. Lo Yiu Hee

Registered Office

Clarendon House, Church Street,
Hamilton HM11,
Bermuda

Head Office and Principal Place of Business

Flat B, 8/F, Waylee Industrial Centre,
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Website : www.termbray.com.hk

Hong Kong Registrar and Transfer Office

Standard Registrars Limited
26th Floor, Tesbury Centre,
28 Queen's Road East,
Wanchai, Hong Kong
Telephone : (852) 2980 1768
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 Termbray 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, 2006.

The unaudited consolidated profit attributable to shareholders for the six months ended 30th September, 2006 amounted to approximately HK\$14,004,000 (2005: HK\$1,461,000). An analysis of the Group's segment results for the period is set out on page 18 of this report.

The directors have resolved not to declare the 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.

Directors' Interests in Shares and Options

As at 30th September, 2006, the interests of the Company's directors, chief executive and their associates in the shares, underlying shares and debentures of the Company and its associated corporations as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), were as follows:

(a) Long Positions in Shares of the Company

Name of directors	Number of ordinary shares of HK\$0.08 each held				Total	Percentage of total issued shares
	Personal interest	Family interest	Corporate interest	Other interest		
Mr. Lee Lap	67,500,000	67,500,000 (Note 2)	884,752,780 (Note 1)	-	1,019,752,780	59.13%
Mdm. Leung Lai Ping	67,500,000	952,252,780 (Note 3)	-	-	1,019,752,780	59.13%

Notes:

- (1) The shares included under the corporate interest of Mr. Lee Lap refer to the 884,752,780 shares held by Lee & Leung (B.V.I.) Limited of which Mr. Lee Lap and his spouse, Mdm. Leung Lai Ping, are owners holding 68% and 32% of its issued share capital respectively.
- (2) The shares included under family interest of Mr. Lee Lap refer to the 67,500,000 shares held by Mdm. Leung Lai Ping under her personal interest.
- (3) The shares held under family interest of Mdm. Leung Lai Ping refer to the 67,500,000 shares held by Mr. Lee Lap under his personal interest and 884,752,780 shares under his corporate interest.

(b) Long Positions in Shares of Associated Corporations

Name of directors	Name of subsidiary	Number of non-voting deferred shares held
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

Note: All the above non-voting deferred shares are held by the above directors personally as beneficial owners.

(c) Long Positions in Share Options Granted by the Company

Name of directors	Number of share options outstanding at 1st April, 2006	Exercised during the period	Number of share options outstanding at 30th September, 2006
Mr. Lee Lap	30,000,000	(30,000,000)	-
Mdm. Leung Lai Ping	30,000,000	(30,000,000)	-

Note: These share options were granted at an aggregate consideration of HK\$2 on 31st August, 2001 under the share option scheme approved by the shareholders of the Company on 22nd August, 2001 and are exercisable at HK\$0.261 per share at any time between 1st October, 2001 and 30th September, 2006. These share options were exercised during the period. Apart from that, no options to subscribe for shares in the Company were granted, lapsed or cancelled during the period. No share option was outstanding at the period end.

Apart from the share option schemes 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, as at 30th September, 2006, none of the directors or chief executive of the Company had any interest or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO.

Substantial Shareholders

As at 30th September, 2006, the person interested in 5% or more of the issued share capital of the Company as recorded in the register kept by the Company pursuant to Section 336 of the SFO were as follows:

Ordinary Share of the Company

Name of shareholders	Capacity	Number of issued ordinary shares of HK\$0.08 each held	Percentage of the issued share capital of the Company
Lee & Leung (B.V.I.) Limited (Note 1)	Beneficial owner	884,752,780	51.30%
Mr. Lee Lap (Note 2)	Beneficial owner, held by controlled corporation and held by spouse	1,019,752,780	59.13%
Mdm. Leung Lai Ping (Note 2)	Beneficial owner, held by controlled corporation and held by spouse	1,019,752,780	59.13%
Cosmo Telecommunication Inc. (Note 3)	Beneficial owner	151,202,960	8.77%
Ms. Jing Xiao Ju	Held by controlled corporation	151,202,960	8.77%
East Glory Trading Limited (Note 4)	Beneficial owner	103,397,540	6.00%
Master Winner Limited (Note 4)	Held by controlled corporation	103,397,540	6.00%
Mr. Yuan Qinghua	Held by controlled corporation	103,397,540	6.00%

Notes:

- (1) Lee & Leung (B.V.I.) Limited is owned 68% by Mr. Lee Lap and 32% by his spouse, Mdm. Leung Lai Ping and its interest in the issued share capital of the Company is included in the interest held by Mr. Lee Lap and Mdm. Leung Lai Ping respectively.
- (2) It represents 884,752,780 shares held by Lee & Leung (B.V.I.) Limited, 67,500,000 shares held by himself/herself and 67,500,000 shares of the Company held by his/her spouse.
- (3) Cosmo Telecommunication Inc. is wholly owned by Ms. Jing Xiao Ju.
- (4) East Glory Trading Limited is wholly owned by Master Winner Limited, which in turn is wholly owned by Mr. Yuan Qinghua.

Share Option Schemes

A share option scheme of the Company ("Old Scheme") was adopted on 22nd August, 2001 as an incentive to the employees of the Group. On 31st August, 2001, the Company granted pursuant to the Old Scheme at an aggregate consideration of HK\$2 to each of Mr. Lee Lap and Mdm. Leung Lai Ping, both being directors of the Company, options to subscribe for 30,000,000 shares at an exercise price of HK\$0.261 per share exercisable at any time between 1st October, 2001 to 30th September, 2006. All these share options were exercised during the period. The weighted average closing price of the shares immediately before the dates on which the options were exercised was HK\$0.68 per share. There was no outstanding share option as at 30th September, 2006. During the six months ended 30th September, 2006, no option was granted, lapsed nor cancelled pursuant to the Old Scheme.

In order to comply with the current requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), the board of directors proposed and the shareholders approved at an annual general meeting of the Company held on 18th August, 2006 early termination of the Old Scheme and adoption of a new share option scheme of the Company ("New Scheme").

The purpose of the New Scheme is for the Company to attract, retain and motivate talented participants to strive for future developments and expansion of the Group and to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the participants. The New Scheme is for a period of 10 years from the date of adoption on 18th August, 2006. No share option has been granted since the adoption of the New Scheme.

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 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.

By order of the Board

Lee Lap

Chairman & CEO

Hong Kong, 15th December, 2006

Independent Review Report

Deloitte.

德勤

**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 13 to 24.

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 Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report, and to report our conclusion solely to you, as a body, in accordance with our agreed terms on engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Review Work Performed

We conducted our review in accordance with Statement of Auditing Standards 700 "Engagement to Review Interim Financial Reports" issued by the Hong Kong Institute of Certified Public 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, 2006.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong, 15th December, 2006

**Condensed Consolidated Income Statement**

For the six months ended 30th September, 2006

	Notes	Six months ended 30/9/2006 (unaudited)	30/9/2005 (unaudited)
		HK\$'000	HK\$'000
TURNOVER	3	3,268	2,494
Rental outgoings		(906)	(1,229)
Rental income less outgoings		2,362	1,265
Other income	4	15,007	9,844
Gain arising from changes in fair value of investments held for trading		2,870	72
Administrative expenses		(6,170)	(9,720)
PROFIT BEFORE TAXATION	5	14,069	1,461
Taxation	6	(65)	-
PROFIT FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		14,004	1,461
		HK Cents	HK Cents
EARNINGS PER SHARE	8		
BASIC		0.84	0.09
DILUTED		0.82	0.09

Condensed Consolidated Balance Sheet

At 30th September, 2006

	Notes	30/9/2006 (unaudited) HK\$'000	31/3/2006 (audited) HK\$'000
NON-CURRENT ASSETS			
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	13(b)	2,111	2,117
		81,837	82,949
CURRENT ASSETS			
Properties for sale		115,790	113,520
Trade and other receivables	9	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	13(a)	465	465
Bank balances and cash		216,935	16,187
		749,031	718,411
CURRENT LIABILITIES			
Trade and other payables and			
accrued charges	10	5,997	6,165
Deposits received		1,213	1,035
Provisions	11	3,280	6,430
Amount due to a related company	14(b)	871	370
Taxation liabilities		3,179	3,114
		14,540	17,114
NET CURRENT ASSETS		734,491	701,297
NET ASSETS		816,328	784,246
CAPITAL AND RESERVES			
Share capital	12	137,971	133,171
Reserves		677,941	650,659
Equity attributable to equity holders			
of the Company		815,912	783,830
Minority interests		416	416
TOTAL EQUITY		816,328	784,246

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th September, 2006

	Attributable to equity holders of the Company						
	Exchange						
	Share capital	Share premium	translation reserve	Accumulated profits	Total	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st April, 2005	133,171	132,550	(269)	511,597	777,049	416	777,465
Arising from translation of foreign operations recognised in equity	-	-	2,299	-	2,299	-	2,299
Profit for the period	-	-	-	1,461	1,461	-	1,461
Total recognised income for the period	-	-	2,299	1,461	3,760	-	3,760
At 30th September, 2005	<u>133,171</u>	<u>132,550</u>	<u>2,030</u>	<u>513,058</u>	<u>780,809</u>	<u>416</u>	<u>781,225</u>
At 1st April, 2006	<u>133,171</u>	<u>132,550</u>	<u>2,537</u>	<u>515,572</u>	<u>783,830</u>	<u>416</u>	<u>784,246</u>
Arising from translation of foreign operations recognised in equity	-	-	2,418	-	2,418	-	2,418
Profit for the period	-	-	-	14,004	14,004	-	14,004
Total recognised income for the period	-	-	2,418	14,004	16,422	-	16,422
Issue of shares in respect of exercise of share options	4,800	10,860	-	-	15,660	-	15,660
At 30th September, 2006	<u>137,971</u>	<u>143,410</u>	<u>4,955</u>	<u>529,576</u>	<u>815,912</u>	<u>416</u>	<u>816,328</u>

Condensed Consolidated Cash Flow Statement

For the six months ended 30th September, 2006

	Six months ended	
	30/9/2006	30/9/2005
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
NET CASH USED IN OPERATING ACTIVITIES	(5,254)	(5,065)
NET CASH FROM INVESTING ACTIVITIES		
Interest received	13,304	9,765
Purchase of available-for-sale investments	(82,339)	(12,647)
Proceeds from disposal of available-for-sale investments	204,980	-
Proceeds from disposal of investments held for trading	54,326	5,891
Other investing activities	(836)	(181)
	189,435	2,828
CASH FROM FINANCING ACTIVITY		
Issue of shares	15,660	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	199,841	(2,237)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	16,187	16,365
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	907	167
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	216,935	14,295
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	216,935	14,295

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2006

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 Company and its subsidiaries (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 ¹
HKFRS 7	Financial Instruments: Disclosures ¹
HK(IFRIC) – Int 8	Scope of HKFRS 2 ²
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives ³
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment ⁴

¹ Effective for annual periods beginning on or after 1st January, 2007

² Effective for annual periods beginning on or after 1st May, 2006

³ Effective for annual periods beginning on or after 1st June, 2006

⁴ Effective for annual periods beginning on or after 1st November, 2006

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 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 HK\$'000	30/9/2005 HK\$'000	30/9/2006 HK\$'000	30/9/2005 HK\$'000
Property investment				
Property letting	<u>3,268</u>	<u>2,494</u>	<u>2,362</u>	1,265
Other income (<i>note</i>)			<u>17,877</u>	6,755
Unallocated administrative expenses			<u>(6,170)</u>	<u>(6,559)</u>
Profit before taxation			<u>14,069</u>	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 the placement of bank deposits.

4. OTHER INCOME

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2006

5. PROFIT BEFORE TAXATION

	Six months ended	
	30/9/2006	30/9/2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
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

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. DIVIDEND

The directors do not recommend the payment of any interim dividend (six months ended 30/9/2005: Nil).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2006

8. 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:

	Six months ended	
	30/9/2006	30/9/2005
	HK\$'000	HK\$'000
Profit for the period attributable to equity holders of the Company for the purposes of basic and diluted earnings per share	14,004	1,461
 Number of shares		
	'000	'000
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	32,623	28,675
 Number of ordinary shares for the purpose of diluted earnings per share	1,700,217	1,693,318

9. 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:

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2006

10. TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

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

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

11. PROVISIONS

	Provision for warranties and undertakings (note a) HK\$'000	Provision for loss on settlement of legal action (note b) HK\$'000	Total HK\$'000
At 1st April, 2006	3,430	3,000	6,430
Utilised during the period	<u>(150)</u>	<u>(3,000)</u>	<u>(3,150)</u>
At 30th September, 2006	<u>3,280</u>	<u>—</u>	<u>3,280</u>

Notes

- (a) 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 as referred to in note 13(c). The timing of payment of such costs and expenses is dependent upon finalisation of certain matters requiring the approval of the local authorities of the People's Republic of China, therefore it is not practicable to estimate with certainty the timing of payment at this stage.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2006

11. PROVISIONS (Continued)

Notes (Continued)

- (b) In prior years, certain former subsidiaries purchased production materials of approximately HK\$12,000,000 from an outside supplier for its printed circuit board manufacturing activities. The production materials acquired were subsequently found to be defective and settlement of the purchases was therefore withheld by these 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, these former subsidiaries instituted a legal action against the supplier claiming damages arising from the materials delivered by the supplier. In 1999, these 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 these former subsidiaries.

On 22nd April, 2006, these former subsidiaries entered into an agreement with the outside supplier pursuant to which these former subsidiaries have agreed to pay 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 had already been accounted for in the consolidated financial statements of the Group for the year ended 31st March, 2006. The settlement of HK\$3,000,000 has been made by the Group during the current period.

12. SHARE CAPITAL

(a) Ordinary shares of HK\$0.08 each

Issued and fully paid

	Number of shares '000	Share capital HK\$'000
At 1st April, 2006	<u>1,664,643</u>	<u>133,171</u>
Shares issued in respect of exercise of share options	<u>60,000</u>	<u>4,800</u>
At 30th September, 2006	<u><u>1,724,643</u></u>	<u><u>137,971</u></u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2006

12. SHARE CAPITAL (Continued)

(b) Share options

Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 18th August, 2006, the Company approved the adoption of a new share option scheme (the "2006 share option scheme") to replace the share option scheme adopted in 2001. The 2006 share option scheme was approved by The Stock Exchange of Hong Kong Limited on 9th October, 2006 and the share option scheme adopted in 2001 was terminated with effect from the adoption of the 2006 share option scheme.

13. 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 (31/3/2006: 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 HK\$234,000 (31/3/2006: HK\$411,000) and, in this connection, the Group's bank deposits of HK\$2,111,000 (31/3/2006: HK\$2,117,000) were pledged to the banks as security.
- (c) 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 certain warranties and undertakings to the purchaser, which are mainly in relation to securing title documents for certain properties held by former subsidiaries, 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, the directors are 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 condensed consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2006

14. RELATED PARTY TRANSACTIONS

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

- (a) Pursuant to the tenancy agreement entered into between Panda Investment Company Limited ("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\$180,000 (six months ended 30/9/2005: HK\$180,000). The Company's directors, Mr. Lee Lap and Madam Leung Lai Ping, have controlling interests in Panda Investment.
- (b) At 30th September, 2006, the Group had an amount of approximately HK\$871,000 (31/3/2006: HK\$370,000) due to Panda Investment which is unsecured, interest free and repayable on demand.
- (c) Pursuant to the tenancy agreement entered into between Mr. Lee Wing Keung, a son of Mr. Lee Lap, and a wholly-owned subsidiary of the Company, Termbray (Fujian) Land Development Company Limited ("Termbray Fujian"), Termbray Fujian leased its land and building to Mr. Lee Wing Keung for a period of 3 years commencing from 16th March, 2005 at the monthly rental of HK\$120,000. The rental income recognised during the period is HK\$720,000 (six months ended 30/9/2005: HK\$720,000).
- (d) The compensation of key management personnel paid or payable by the Group in respect of the current period, substantially all of which comprised of short term benefits attributable to the directors, amounted to HK\$3,423,000 (six months ended 30/9/2005: HK\$3,303,000).