



Teem Foundation Group Ltd.

浩基集團有限公司

(incorporated in Bermuda with limited liability)

INTERIM RESULTS

The Board of Director (the "Board") of Teem Foundation Group Ltd. (the "Company") is pleased to announce the unaudited condensed combined results of the Company and its subsidiaries (the "Group") for the six months ended 30th September, 2002 together with the comparative figures.

These financial statements have been reviewed by the Company's audit committee.

CONDENSED COMBINED PROFIT AND LOSS ACCOUNT

		For the six months ended 30th September,	
		2002	2001
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
	Notes		
TURNOVER	3	37,305	34,210
Cost of sales		(28,580)	(24,203)
Gross profit		8,725	10,007
Other revenue		37	49
Administrative expenses		(3,956)	(2,544)
Other operating expenses		(1,863)	–
PROFIT FROM OPERATING ACTIVITIES	4	2,943	7,512
Finance costs	5	(1)	(5)
PROFIT BEFORE TAX		2,942	7,507
Tax	6	(519)	(1,200)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		2,423	6,307
EARNINGS PER SHARE – Basis	7	0.36 cents	1.25 cents
DIVIDEND – Interim		13,440	–

Notes:

1. Group reorganisation and basis of preparation

The Company was incorporated as an exempted company with limited liability in Bermuda on 14th March, 2002 under the Companies Act 1981 of Bermuda.

Pursuant to a reorganisation arrangement (the "Group Reorganisation") to rationalise the structure of the Group in preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 24th July, 2002, the Company became the holding company of the Group on 5th July, 2002. The Group Reorganisation involved companies under common control. The unaudited combined interim financial statements for the six months ended 30th September, 2002 have been prepared in accordance with Statement of Standard Accounting Practice No. 27 "Accounting for group reconstructions" ("SSAP 27") issued by the Hong Kong Society of Accountants ("HKSA"). The condensed combined interim financial statements for the six months ended 30th September, 2002 together with the comparative figures of the corresponding period in the prior year and the related notes thereto have also been presented in these condensed combined interim financial statements on the basis as if the group structure immediately after the Group Reorganisation, which comprises the Company and all of the other companies as wholly-owned subsidiaries of the Company, resulting from the Group Reorganisation executed on 5th July, 2002, had been in existence throughout the six months ended 30th September, 2001 and 2002 and since 1st April, 2001 or since the respective dates of incorporation of the Company and its subsidiaries, where this is a shorter period.

The unaudited condensed combined interim financial statements have been prepared in accordance with Statements of Standard Accounting Practice No. 25 "Interim financial reporting" ("SSAP 25") issued by the HKSA and with the applicable disclosure requirements of Appendix 16 to Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

2. Principal accounting policies

Except for the following changes, the accounting policies adopted by the Group in this interim report are consistent with those adopted in the Group's accountants' report as set out in the Prospectus.

- SSAP 1 (Revised): Presentation of financial statements
- SSAP 11 (Revised): Foreign currency translation
- SSAP 15 (Revised): Cash flow statements
- SSAP 33: Discontinuing operations
- SSAP 34: Employee benefits

3. Turnover and segment information

The turnover represents the appropriate proportion of contract revenue from construction contracts.

The Group has only one business segment, which is the provision of carpentry works and other related services, and therefore, no business segmentation analysis is presented.

No geographical analysis is presented as the Group's operations were carried out in Hong Kong.

4. Profit from operating activities

The Group's profit from operating activities is arrived at after charging:

		For the six months ended 30th September,	
		2002	2001
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
Depreciation		31	54

5. Finance costs

		For the six months ended 30th September,	
		2002	2001
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
Interest on hire purchase contracts		1	5

6. Tax

Hong Kong profits tax has been provided at the rate of 16% on the estimated assessable profits arising in Hong Kong.

The Group did not have any significant unprovided deferred tax liabilities in respect of the six months ended 30th September, 2001 and 2002.

7. Earnings per share

The calculation of basic earnings per share for the six months ended 30th September, 2002 is based on the unaudited net profit from ordinary activities attributable to shareholders of approximately HK\$2,423,000 (2001: HK\$6,307,000), and the pro forma weighted average of 672,000,000 (2001: pro forma weighted average of 504,000,000) ordinary shares in issue during the period, assuming that the Group Reorganisation had been completed since 1st April, 2001 or since the respective dates of incorporation of the Company and its subsidiaries, where this is a shorter period.

Diluted earnings per share for the six months ended 30th September, 2001 and 2002 have not been disclosed as there were no dilutive potential ordinary shares outstanding during these periods.

INTERIM DIVIDEND

The directors have determined that an interim dividend of HK\$2 cents per share amounting to HK\$13,440,000 should be paid to the shareholders of the Company whose names appear in the Register of Members on 3rd January, 2003 and payable on 7th January, 2003.

The Register of Members of the Company will be closed from 30th December, 2002 to 3rd January, 2003, both day inclusive, during which period no transfer of shares will be effected.

In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with Tengis Limited at 4/F., Hutchison House, 10 Harcourt House, Central, Hong Kong, not later than 4:00 p.m. on 27th December, 2002.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

For the six months ended 30th September, 2002, the turnover of the Group was approximately HK\$37.3 million, representing a growth of 9% as compared to the corresponding period last year.

The profit attributable to shareholders of the Group for the six months ended 30th September, 2002 decreased by approximately HK\$3.9 million (or 61.6%) to approximately HK\$2.4 million as compared to the corresponding period last year. Such decrease was mainly attributable to the increase in the administrative expenses after listing and a doubtful debt provision on a contract customer has been made.

Review of operation

During the period under review, the Group successfully completed several substantial contracts including installation of timber door sets at Wan Hoi Street and interior decoration at West Kowloon Reclamation.

As at 30th September, 2002, the total value of the contracts on hand was approximately HK\$24.2 million. The contracts on hand are all progressing satisfactorily and on schedule.

Future prospect

With the PRC's entry in the World Trade Organisation and the hosting of the Olympic Games in 2008, the Board anticipate that the PRC's market of high quality interior decoration and renovation business will become increasingly important and thus the demand for the Group's products and services will strong.

In order to explore the PRC market, the Group will implement the following strategies:

- (a) set up representative offices in the PRC;
- (b) develop sales and marketing strength; and
- (c) develop the sales and marketing team specialized for the PRC market.

By adopting the above-mentioned strategies, the Group intends to establish a close relationship with potential PRC customers and to actively penetrate into the PRC market.

To conclude, the Board is optimistic that the market share and prospects of the Group will continue to grow at a rapid pace.

Liquidity and financial resources

The Group maintains its good financial position with cash and cash equivalents of approximately HK\$69.0 million (31st March, 2002: HK\$26.7 million). The cash and cash equivalents increased significantly by approximately HK\$42.3 million was mainly attributable to the net proceeds from the Company's initial public offer and profits from operations during the period.

As at 30th September, 2002, the Group had a net current assets of approximately HK\$105.3 million (31st March, 2002: HK\$58.5 million). The shareholder equity was of approximately HK\$105.5 million (31st March, 2002: HK\$58.6 million) and the outstanding bank loan and other borrowings was only of approximately HK\$27,000 (31st March, 2002: HK\$40,000), and accordingly the gearing ratio was only 0.00026 (31st March, 2002: 0.00068).

The Board is in the opinion that the Group has sufficient resources and working capital to meet its future development.

The Group's business transactions are denominated in Hong Kong dollars, and thus the Group did not engage in any hedging activities.

As at 30th September, 2002, the Company and the Group had no significant commitments and contingent liabilities.

Employees and remuneration policies

The Group had a total of approximately 29 employees as at 30th September, 2002. The Group recognises the importance of its human resources to its success. Employees are remunerated based on their performance and the prevailing industry practice, with remuneration policies and packages being reviewed on a regular basis. Other staff benefits provided by the Group include mandatory provident fund, medical insurance schemes and life insurance schemes.

USE OF NET PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The net proceeds from the Company's issue of new shares at the time of its listing on the Stock Exchange on 24th July, 2002 amounted to approximately HK\$39.4 million. At the date of this announcement, approximately HK\$1.5 million has been applied as general working capital. The remaining proceeds are place on short-term deposits with licensed banks in Hong Kong.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

The Company's shares were listed on the Stock Exchange on 24th July, 2002. Save for this, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period.

AUDIT COMMITTEE

The Company established its audit committee with written terms of reference in compliance with the Code of Best Practice as set out in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group. This interim financial statements for the period has been reviewed by the Audit Committee.

The Audit Committee comprises two independent non-executive directors of the Company.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the Directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules on The Stock Exchange of Hong Kong Limited since the date of the listing of the Company's shares in accordance with the provisions of the Company's bye-laws.

PUBLICATION OF DETAILED UNAUDITED INTERIM RESULTS ANNOUNCEMENT ON THE WEBSITE OF THE STOCK EXCHANGE

A detailed unaudited interim results announcement for the six months ended 30th September, 2002 containing all information required by paragraphs 46(1) to 46(6) of Appendix 16 of the Listing Rules will be published on the website of the Stock Exchange in due course.

By Order of the Board
Mak Kui Yuen
Director

Hong Kong, 12th December, 2002