TEEM FOUNDATION GROUP LTD.
浩基集團有限公司 *

(Incorporated in Bermuda with limited liability)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2003

The board of directors (the "Board") of Teem Foundation Group Ltd. (the "Company") is pleased to announce the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (the "Group") for the six months ended 30th September 2003 together with the comparative figures. The condensed consolidated interim financial statements are unaudited, but have been reviewed by the Company's audit committee.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		For the six months ended 30th September	
		2003	2002
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Turnover	3	**8,188**	37,305
Cost of sales		**(7,778)**	(28,580)
Gross profit		**410**	8,725
Other revenue	4	**29**	37
Administrative expenses		**(6,749)**	(3,956)
Other operating expenses		**—**	(1,863)
Amortisation of goodwill		**(292)**	—
Profit/(loss) from operating activities	5	**(6,602)**	2,943
Finance costs	6	**(152)**	(1)
Share of result of an associate		**613**	—
Profit/(loss) before taxation		**(6,141)**	2,942
Taxation credit/ (charge)	7	**167**	(519)
Net profit/(loss) from ordinary activities attributable to shareholders		**(5,974)**	2,423
Dividends		**—**	13,440
Earnings/(loss) per share	8		
Basic		**(0.89 cents)**	0.36 cents
Diluted		**N/A**	N/A

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Basis of Presentation

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 scheme (the "Group Reorganisation") to rationalize the structure of the Group in preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited the Company became holding company of the Group on 5th July 2002.

The comparative condensed consolidated financial statements have been prepared in accordance with Statement of Standard Accounting Practice ("SSAP") No.27 "Accounting for group reconstructions" issued by the Hong Kong Society of Accountants ("HKSA"). On this basis, the Company has been treated as the holding company of its subsidiaries through Group Reorganisaion for the six months ended 30th September 2002 rather than from the date of their acquisitions. Accordingly the condensed consolidated results of the Group for the six months ended 30th September 2002 include results of the Company and subsidiaries with effect from 1st April 2002, or since their respective dates of incorporation, where this is a shorter period, as if the existing Group structure had been in existence throughout the six months ended 30th September 2002.

The unaudited condensed consolidated interim financial statements have been prepared in accordance with SSAP No. 25 "Interim financial reporting" issued by the HKSA and with the applicable disclosure requirements of Appendix 16 to Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. Principal Accounting Policies

The condensed interim financial statements have been prepared under the historical cost convention. The accounting policies adopted by the Group in this interim report are consistent with those in the annual financial statements for the year ended 31st March 2003, except as described below:

Additional accounting policies resulted from the acquisition of a subsidiary and an associate during the period

Goodwill

Goodwill arising on the acquisition of subsidiaries and associates represents the excess of the cost of the acquisition over the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition.

Goodwill arising on acquisition is recognized in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life of not more than 20 years. In the case of associates, any unamortised goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

Associates

An associate is a company, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post acquisition results and reserves of associates is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of the net assets under the equity method of accounting, less any impairment losses. Goodwill or negative goodwill arising from the acquisition of associates is included as part of the Group's interest in associates.

Adoption of revised SSAP

In the current period, the Company has adopted SSAP 12 (Revised) "Income Taxes". The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognized in respect to timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, where by deferred tax is recognized in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. However, the adoption of the SSAP 12 (Revised) has had no material effect on the Group's net assets and results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

3. Turnover and Segment Information

The Group is principally engaged in two main business segments:

Construction: provision and installation of fire-rated timber door sets as well as provision of interior decoration and renovation services, other carpentry works

Timber: trading of timber

Business segmentation analysis is presented as shown below.

	For the six months ended 30th September 2003		
	Construction	**Trading of Timber**	**Consolidated**
	(Unaudited)	**(Unaudited)**	**(Unaudited)**
	HK$'000	***HK$'000***	***HK$'000***
Turnover	**5,005**	**3,183**	**8,188**
Segment results	**(6,916)**	**285**	**(6,631)**
Unallocated other operating income			**29**
Loss from operating activities			**(6,602)**
Finance costs			**(152)**
Share of results of an associate			**613**
Loss before taxation			**(6,141)**
Taxation credit			**167**
Net loss from ordinary activities attributable to shareholders			**(5,974)**

	For the six months ended 30th September 2002		
	Construction	Trading of Timber	Consolidated
	(Unaudited)	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*	*HK$'000*
Turnover	37,305	—	37,305
Segment results	2,906	—	2,906
Unallocated other operating income			37
Profit from operating activities			2,943
Finance costs			(1)
Profit before taxation			2,942
Taxation charge			(519)
Net profit from ordinary activities attributable to shareholders			2,423

Geographical segmentation analysis is presented as shown below.

	Turnover For the six months ended		Segment results For the six months ended	
	30.9.2003	30.9.2002	**30.9.2003**	30.9.2002
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**5,005**	37,305	**(6,916)**	2,906
The People's Republic of China excluding Hong Kong (the "PRC")	**3,183**	—	**285**	—
	8,188	37,305	**(6,631)**	2,906
Unallocated other operating income			**29**	37
Profit/(loss) form operating activities			**(6,602)**	2,943

4. Other Revenue

	For the six months ended 30th September	
	2003	2002
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest income	**—**	25
Others	**29**	12
	29	37

5. Profit/(Loss) from Operating Activities

The Group's profit/(loss) from operating activities is arrived at after charging:

	For the six months ended 30th September	
	2003	2002
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Depreciation		
Owned fixed assets	**510**	31
Leased fixed assets	**883**	—

6. Finance Costs

	For the six months ended 30th September	
	2003	2002
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on hire purchase contracts	**152**	1

7. Taxation Credit/(Charge)

	For the six months ended 30th September	
	2003	2002
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current taxation — Company and subsidiaries	**—**	(519)
Deferred taxation — Company and subsidiaries	**167**	—
	167	(519)

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 16%) on the estimated assessable profits arising in Hong Kong.

8. Earnings/(Loss) Per Share

The calculation of the basic loss per share is based on the net loss from ordinary activities attributable to shareholders for the six months period ended 30th September 2003 of approximately HK$5,974,000 (2002: net profit of HK$2,423,000), and the weighted average of 672,000,000 (2002: 672,000,000) ordinary shares in issue during the period.

Diluted earnings or loss per share amounts for the six months ended 30th September 2002 and 2003 have not been disclosed as there were no dilutive potential ordinary shares outstanding during these periods.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the six months ended 30th September 2003, the turnover of the Group was approximately HK$8.2 million representing a drop of 78% compared to the corresponding period last year.

The loss attributable to shareholders of the Group for the six months ended 30th September 2003 was HK$6.0 million comparing to corresponding period last year profit of HK$2.4 million. Such decrease was mainly attributable to the decrease in turnover and the squeezing in profit margin.

Business Review

During the period under review, the Group has submitted a number of bids for projects for installation of timber door sets and interior decoration. However, due to the Government's policy on slowing down the public housing construction and reducing the budgeted expenditure on infrastructure projects, and the cut throat price competition, the Group has only successfully got a contract of amount approximately HK$19M but at a low profit margin. In view of the current government's housing policy, the Group would adopt a prudent view in this business line.

Owing to the difficulties in Hong Kong market, the Group tried to capture construction market in the People's Republic of China (the "PRC") through an investment in a joint venture located in Shanghai. However, the result is not satisfactory. The Group will try another way to participate in the PRC market.

The Group, in view of the competitive and difficulties in the construction business, has taken remedial actions in order to reduce the impact of the restriction in new buildings to be constructed. During the period under review, the Group acquiring a 49% interest in a stainless steel trading company for a cash consideration of HK$11 million and 100% in a timber trading company for manufacturing of plywood and/or furniture for a cash consideration of HK$12.5 million. Business result is quite promising and a positive contribution to the bottom line is reaped.

Future Prospect

The management believes that the competition in Hong Kong would remain intense and the market potential would not be promising. The PRC market and related product's market which have not been much touched would become a breakthrough for the Group. As such, the Group would implement the following strategies:

(a) more emphasis would be placed in the PRC market which is growing at a much faster pace;

(b) continue looking for the potential projects that can effect additional integration, either horizontal or vertical one, to take advantage of the connection established while at the same time, can avoid the price war — a de facto "niche" market and in effecting the synergy effect; and

(c) continue "slimming" exercise in effecting further cost control, quality enhancement and efficiency. Only justified staff would be retained or recruited.

The management believes that through this strategies, the Group can re-establish its revenue and profit power and rewarding the shareholders in return.

Liquidity And Financial Resources

Due to the acquisition of the two companies during the interim period, the cash position of the company reduced to HK$2.5 million. The Group, meanwhile, is comfortable on the same in view of

a) the cash on hand is sufficient for the running of the Group;

b) the cash flow generated from these two investments; and

c) the inflow due to the payment of the receivable.

As at 30th September,2003, the shareholder equity was approximately HK$80.7 million (31st March 2003: HK$86.6 million) and the outstanding hire purchase contract payables were of approximately HK$6.3million (31st March 2003: HK$7.1 million), and accordingly the gearing ratio, calculated on the basis of total debts divided by total equity, was decreased from 8.2% to 7.8%.

As at 30th September,2003, the Group had a net current assets of approximately HK$45.6 million. The Board is therefore in the opinion that the Group has sufficient resources and working capital to meet its future development.

As the majority of the inflow and the outlay are both denominated in Hong Kong Dollars and the United States Dollars which are pegged together, the Group has not adopted any hedging policy.

As at 30th September, 2003, the Group had no significant contingent liabilities.

Employees and Remuneration Policies

The Group had a total of 30 employees as at 30th September 2003. During the year, total staff costs amounted to approximately HK$1.4 million. Following the streamlining policy, the actual need and in view of the change in relative emphasis, the number of staff is expected to be further reduced. 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.

INTERIM DIVIDEND

The directors do not recommend the payment of any interim dividend for the six months ended 30th September 2003 (2002: HK2 cents per ordinary share).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30th September 2003.

CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the six months ended 30th September 2003, except that the non-executive directors of the Company were not appointed for specific terms as recommended under Appendix 14 of the Listing Rules, but are subject to retirement by rotation in accordance with the Company's articles of association.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code as set out in Appendix 14 of the Listing Rules. The primary duties of the Audit Committee is for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. These interim financial statements have been reviewed by the audit committee. The audit committee comprises two independent non-executive directors of the Company.

PUBLICATION OF RESULTS ON THE STOCK EXCHANGE'S WEBSITE

A detailed results announcement containing all information required by paragraphs 46(1) to 46(6) of Appendix 16 of the Listing Rules will be subsequently published on the website of The Stock Exchange of Hong Kong Limited in due course.

By order of the Board
Pun Yuen Sang
Director

Hong Kong, 9th December 2003

* *For identification purpose only*