



# TEEM FOUNDATION GROUP LTD.

(浩基集團有限公司)\*

(Incorporated in Bermuda with limited liability)  
(Stock Code: 628)

## RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2007

The board of directors (the “Board”) of the Teem Foundation Group Ltd. (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 March 2007 together with the comparative figures as follows:

### CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2007

	Notes	2007 HK\$'000	2006 HK\$'000
Turnover	3	6,353	10,645
Cost of sales		(6,159)	(9,551)
Gross profit		194	1,094
Other revenue		96	72
Other income	4	2,180	455
Administrative expenses		(14,828)	(7,255)
Other operating expenses		–	(714)
Impairment loss recognised in respect of goodwill		–	(8,536)
Impairment loss recognised in respect of investment property		–	(395)
Share of results of an associate		40,566	–
Profit/(loss) from operating activities	4	28,208	(15,279)
Finance costs	5	(7,136)	(28)
Profit/(loss) before taxation		21,072	(15,307)
Taxation	6	16	–
Profit/(loss) for the year		21,088	(15,307)
Attributable to:			
Equity holders of the Company		21,088	(15,307)
Dividend – proposed final dividend	7	17,911	–
Earnings/(loss) per share attributable to the equity holders of the Company			
Basic and diluted	8	HK3.08 cents	HK(2.28) cents

### CONSOLIDATED BALANCE SHEET

At 31 March 2007

	2007 HK\$'000	2006 HK\$'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	1,336	519
Investment property	10,200	10,200
Goodwill	529,218	–
Interest in an associate	13,579	–
	554,333	10,719
Current Assets		
Deposits and other receivables	312,765	9
Financial assets at fair value through profit or loss	8,186	4,953
Tax recoverable	–	1,656
Cash and cash equivalents	101,512	29,985
	422,463	36,603
Total Assets	976,796	47,322
EQUITY		
Capital and reserves attributable to the Company's equity holders		
Share capital	87,800	67,200
Reserves	489,235	(22,086)
Proposed final dividend	17,911	–
Total Equity	594,946	45,114
LIABILITIES		
Non-Current Liabilities		
Promissory notes – due after one year	274,742	–
Convertible bond – due after one year	97,284	–
Deferred tax liabilities	6,495	–
	378,521	–
Current Liabilities		
Accounts payable	893	893
Other payables and accruals	2,256	1,315
Tax payable	180	–
	3,329	2,208
Total Liabilities	381,850	2,208
Total Equity and Liabilities	976,796	47,322
Net Current Assets	419,134	34,395
Total Assets Less Current Liabilities	973,467	45,114

Notes:

#### 1. BASIS OF PREPARATION

The consolidated financial statements have been prepared on the historical cost basis except for the investment property and certain financial instruments, which are measured at fair values.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Hong Kong Companies Ordinance.

\* For identification purpose only

#### 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Company and the Group have applied, for the first time, a number of new standards, amendments and interpretations (the “new HKFRSs”) issued by the HKICPA, which is effective for accounting periods beginning on or after 1 January 2006. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following area:

##### Financial guarantee contracts

In the current year, the Group has applied Hong Kong Accounting Standard 39 (“HKAS 39”) and HKFRS 4 (Amendments) Financial Guarantee Contracts which are effective for accounting periods beginning on or after 1 January 2006.

A financial guarantee contract is defined by HKAS 39 *Financial Instruments: Recognition and Measurement* as “a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument”.

Prior to 1 January 2006, financial guarantee contracts were not accounted for in accordance with HKFRS 4 *Insurance Contract* and those contracts were disclosed as contingent liabilities. A provision for financial guarantee was only recognised when it was probable that an outflow of resources would be required to settle the financial guarantee obligation and the amount can be estimated reliably.

Upon the application of these amendments, financial guarantee contracts issued by the Group and not designated as at fair value through profit or loss are recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and (ii) the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with HKAS 18 *Revenue*.

During the year ended 31 March 2005, the Company had provided guarantees to banks in connection with the finance lease contracts granted to certain subsidiaries disposed in previous years. At 31 March 2006 and 2007, the Company was still the guarantor in respect of the finance lease contracts of the disposed subsidiaries. However, the directors consider that the fair values of the leased items were higher than the outstanding amounts. Thus, the outstanding amounts were considered immaterial and it was low probable that an outflow of resources. Thus, the adoption of the new HKFRSs had no material effect on how the results and financial position for the current and prior accounting periods are prepared and presented. Accordingly, no prior period adjustments have been required.

The Company and the Group have not early applied the following new standards, amendments or interpretations that have been issued but are not yet effective. The Group is not yet in a position to determine whether these standards and interpretations will have significant impact on how the results of operations and financial position are prepared and presented. These standards and interpretations may result in changes in the future as to how the results and financial position are prepared and presented.

HKAS 1 (Amendment)	Capital Disclosures <sup>1</sup>
HKFRS 7	Financial Instruments: Disclosures <sup>1</sup>
HKFRS 8	Operating Segments <sup>2</sup>
HK(IFRIC)-Int 8	Scope of HKFRS 2 <sup>3</sup>
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives <sup>4</sup>
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment <sup>5</sup>
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions <sup>6</sup>
HK(IFRIC)-Int 12	Service Concession Arrangements <sup>7</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2007.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2009.

<sup>3</sup> Effective for annual periods beginning on or after 1 May 2006.

<sup>4</sup> Effective for annual periods beginning on or after 1 June 2006.

<sup>5</sup> Effective for annual periods beginning on or after 1 November 2006.

<sup>6</sup> Effective for annual periods beginning on or after 1 March 2007.

<sup>7</sup> Effective for annual periods beginning on or after 1 January 2008.

#### 3. BUSINESS AND GEOGRAPHICAL SEGMENTS

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provided. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follow:

- the construction segment provides and installs fire-rated timber door sets, as well as provides interior decoration and renovation services and other carpentry works;
- the timber segment engages in the trading of timber logs and wooden door sets; and
- the corporate segment included general corporate income and expense items.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

	Construction		Timber		Corporate		Total	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
<b>Segment revenue:</b>								
Sales to external customers	–	106	6,353	10,539	–	–	6,353	10,645
Other revenue	–	–	–	–	96	72	96	72
Other income	712	200	–	–	1,468	255	2,180	455
Total	712	306	6,353	10,539	1,564	327	8,629	11,172
Segment results	709	304	108	(79)	(13,175)	(6,573)	(12,358)	(6,348)
Impairment loss recognised in respect of goodwill	–	–	–	(8,536)	–	–	–	(8,536)
Impairment loss recognised in respect of investment property	–	–	–	–	–	(395)	–	(395)
Share of results of an associate	–	–	–	–	40,566	–	40,566	–
Finance costs	–	–	–	–	(7,136)	(28)	(7,136)	(28)
Profit/(loss) before tax							21,072	(15,307)
Taxation							16	–
Net profit/(loss) attributable to the equity holders of the Company							21,088	(15,307)
<b>Segment assets and liabilities:</b>								
Segment assets	9	10	172	–	976,615	45,656	976,796	45,666
Unallocated assets							–	1,656
Total assets							976,796	47,322
Segment liabilities	1,028	1,028	180	–	380,642	1,180	381,850	2,208
Total liabilities							381,850	2,208
<b>Other information:</b>								
Capital expenditure	–	–	–	–	592,953	10,595	592,953	10,595

**(b) Geographical segments**

The following tables present revenue, and assets and capital expenditure information for the Group's geographical segments.

	Hong Kong		United States of America		Total	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
<b>Segment revenue:</b>						
Sales to external customers	6,353	106	–	10,539	6,353	10,645
Other revenue	96	72	–	–	96	72
Other income	2,180	455	–	–	2,180	455
	<b>8,629</b>	<b>633</b>	<b>–</b>	<b>10,539</b>	<b>8,629</b>	<b>11,172</b>
<b>Other segment information:</b>						
Segment assets	976,796	45,666	–	–	976,796	45,666
Unallocated assets					–	1,656
					<b>976,796</b>	<b>47,322</b>
Capital expenditure	<b>592,953</b>	<b>10,595</b>	<b>–</b>	<b>–</b>	<b>592,953</b>	<b>10,595</b>

**4. PROFIT/(LOSS) FROM OPERATING ACTIVITIES**

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

	2007 HK\$'000	2006 HK\$'000
Depreciation	469	729
Impairment loss recognised in respect of goodwill	–	8,536
Impairment loss recognised in respect of investment property	–	395
Auditors' remuneration	580	580
Staff costs (excluding directors' remuneration):		
Salaries and wages	856	1,697
Pension scheme contributions	26	31
	<b>882</b>	<b>1,728</b>
Fair value loss on financial assets at fair value through profit or loss	–	714
Minimum lease payments under operating leases in respect of land and buildings	<b>914</b>	<b>495</b>
and after crediting:		
Other income		
Gain on disposal of a subsidiary	140	–
Gain on disposals of financial assets at fair value through profit or loss	785	255
Fair value gain on financial assets at fair value through profit or loss	543	–
Write-back of provision for impairment loss on trade receivables	712	200
	<b>2,180</b>	<b>455</b>

**5. FINANCE COSTS**

	2007 HK\$'000	2006 HK\$'000
Interest on obligations under finance leases	–	28
Imputed interest expenses on:		
Promissory notes	5,270	–
Convertible bond	1,866	–
	<b>7,136</b>	<b>–</b>
Total finance costs	<b>7,136</b>	<b>28</b>

**6. TAXATION**

Hong Kong Profits Tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profits arising from Hong Kong during the year.

	2007 HK\$'000	2006 HK\$'000
Charge for the year – Hong Kong	(15)	–
Over-provision in prior years	31	–
Tax credit	<b>16</b>	<b>–</b>

**7. DIVIDEND**

A final dividend of HK2 cents (2006: Nil) per share has been proposed by the directors and is subject to approval by the shareholders at the forthcoming annual general meeting.

**8. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY**

The calculation of the basic and diluted earnings/(loss) per share attributable to the equity holders of the Company is based on the following data:

	2007 HK\$'000	2006 HK\$'000
<b>Earnings/(loss)</b>		
Earnings/(loss) attributable to the equity holders of the Company for the purposes of basic earnings/(loss) per share	<b>21,088</b>	(15,307)
Effect of dilutive potential ordinary shares:		
Interest on convertible bond, net of tax	<b>1,866</b>	–
Earnings/(loss) attributable to the equity holders of the Company for the purpose of diluted earnings/(loss) per share	<b>22,954</b>	(15,307)
<b>Number of shares</b>		
	2007 '000	2006 '000
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	<b>684,936</b>	672,000
Effect of dilutive potential ordinary shares:		
Convertible bond	<b>32,035</b>	–
Weighted average number of ordinary shares for the purpose of diluted earnings/(loss) per share	<b>716,971</b>	672,000

Basic and diluted earnings per share amount for the year ended 31 March 2007 have been presented in a single line as the effect of the assumed conversion of the Company's outstanding convertible bond would be anti-dilutive.

**MANAGEMENT DISCUSSION AND ANALYSIS****Financial Review**

For the year ended 31 March 2007, the turnover of the Group was HK\$6,353,000, representing a 40.3% decrease over the corresponding figure of HK\$10,645,000 in 2006. The decrease in turnover was a result of the sluggish market conditions in the Group's timber business.

The profit for the year was HK\$21,088,000 compared to a loss of HK\$15,307,000 in the year ended 31 March 2006. Basic and diluted earnings per share for the year under review were HK3.08 cents (2006: basic and diluted loss per share of HK2.28 cents). Such significant turnaround in the overall results was attributable to the Group's successful efforts to diversify its earning base from trading of timber logs and provision of installation and decoration services only into investment in sharing profit streams generated from gaming business in Macau.

With the decrease in the Group's turnover, cost of sales decreased from HK\$9,551,000 in the year ended 31 March 2006 to HK\$6,159,000 in the year ended 31 March 2007. Gross profit margin decreased from 10.3% in the year ended 31 March 2006 to 3.1% in the year ended 31 March 2007. The deterioration in gross profit margin was mainly attributed to the intense competition in timber logs trading which placed strong pressure on the Group's selling prices.

As announced by the Company on 18 September 2006, Team Jade Enterprises Limited ("Team Jade"), a wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement to acquire from Rich Game Capital Inc. ("Rich Game") the entire share capital of Youngrich Limited ("Youngrich") at a total consideration of HK\$539,000,000 (the "Acquisition") on 28 August 2006. Youngrich is an investment holding company and the major asset of Youngrich is its 49% equity interest in Worth Perfect International Limited ("Worth Perfect"). The major assets of Worth Perfect are the profit agreements signed with Global Rainbow Ltd. ("Global") and Smart Gallant Limited ("Smart"). Pursuant to the profit agreements, 0.4% of the rolling turnover generated by Sat Ieng Sociedade Unipessoal Limitada ("Sat Ieng") and Dore Entretenimento Sociedade Unipessoal Limitada ("Dore") and/or their customers at Sands Macao Paiza Club gaming rooms and Wynn Macau VIP gaming rooms respectively and such other VIP gaming rooms whereby Sat Ieng or Dore is a duly appointed junket representative or such other VIP gaming rooms whereby Sat Ieng or Dore can procure the sale/assignment of a percentage of rolling turnover generated by the duly appointed junket representatives. Pursuant to a deed of guarantee given by Mr. Tang Chien Chang ("Mr. Tang"), the sole owner of Global and Sat Ieng, and Mr. Jean Christophe Scolari ("Mr. Scolari"), the sole owner of Smart and Dore, the profit streams of Worth Perfect generated from the profit agreements for the two years ending 15 March 2008 shall not be less than HK\$400,000,000 (the "Profit Guarantee"). Taking into account the Group's 49% equity interest in Worth Perfect, the Group will receive at least HK\$196,000,000 in the two years ending 15 March 2008. On 4 January 2007, the Acquisition was completed. The consideration was settled by the cash payments of HK\$160,000,000, the issue of convertible bond of HK\$134,400,000 by the Company to Rich Game and the issue of promissory notes of HK\$244,600,000 by the Company to Rich Game. The cash payments of HK\$160,000,000 were financed by the issue of promissory note in the same amount to Smart Town Holdings Limited ("Smart Town"), a substantial shareholder of the Company. Please refer to the Company's circular dated 11 December 2006 for details.

During the year ended 31 March 2007, the Group received a total cash dividend of HK\$89,276,000 from Worth Perfect. As the completion of the Acquisition took place on 4 January 2007, the Group only took up the last quarter results of its 49% share in Worth Perfect, which was HK\$40,566,000, instead of the 49% of the full year results of HK\$99,729,000. The difference of HK\$59,163,000 was related to pre-acquisition and not included in the Group's consolidated income statement for the year ended 31 March 2007. If the Acquisition were completed on 1 April 2006, certain figures of the Group's pro-forma consolidated income statement for the year ended 31 March 2007 would be as follows:

	As reported HK\$'000	Pro-forma HK\$'000
Share of results of an associate	40,566	99,729
Finance costs	(7,136)	(29,527)
Profit for the year	<b>21,088</b>	<b>57,860</b>

In view of the contribution by Worth Perfect, the directors believe that the strategy for expanding into the gaming and entertainment sector in Macau is a right move in strengthening the Group's earning base and providing the Group with substantial and steady income.

Administration expenses increased from HK\$7,255,000 in the year ended 31 March 2006 to HK\$14,828,000 in the year ended 31 March 2007. The increase was mainly attributed to the substantial legal and professional fees of HK\$7,500,000 incurred in association with the Acquisition. With a view to maintaining a low level of operating costs, the Group implemented a set of stringent cost control procedures in its operation through streamlining its operation and reduction in unnecessary headcount.

Finance costs for the year ended 31 March 2007 amounted to HK\$7,136,000, a 25,386% increase from HK\$28,000 as compared to the corresponding figure for the previous year. The substantial increase in finance costs was attributed to the issues of the convertible bond and the promissory notes to Rich Game in relation to the Acquisition and the adoption of HKSA 39 *Financial Instruments: Recognition and Measurement*, where the interest expenses on the convertible bond and the promissory notes were calculated at the prevailing market interest of similar instruments of 8.25%, instead of the coupon rates of 5%. Based on the coupon rates of 5%, the interest expenses on convertible bond and promissory notes for the year ended 31 March 2007 amounted to HK\$4,460,000.

In view of the strong cashflow generated by Worth Perfect and its bright prospect, Team Jade entered into a conditional sale and purchase agreement with Rich Game, as vendor and warrantor, and Global, Smart, Mr. Tang and Mr. Scolari as warrantors on 27 February 2007 in relation to the acquisition of the entire issued share capital of Richsense Limited ("Richsense") for a total consideration of HK\$765,000,000. The major asset of Richsense is its 51% equity interest in Worth Perfect. In addition to the Profit Guarantee, Mr. Tang and Mr. Scolari have given a further joint and several guarantee to Worth Perfect that the profit streams of Worth Perfect generated from the profit agreements for the year ending 15 March 2009 shall not be less than HK\$275,000,000. Following the completion of the acquisition of Richsense, the Group will have 100% equity interest in Worth Perfect and receive at least HK\$460,000,000 for the period from 11 June 2007 to 15 March 2009. Please refer to the Company's circular dated 22 May 2007 for details. The acquisition of Richsense was completed on 11 June 2007. The directors believe that the acquisition of Richsense further provides the Group with substantial and steady income and substantially improves the Group's profitability.

Other than the Acquisition and the acquisition of Richsense, the Group did not have any material acquisitions and disposals of subsidiaries and associated companies during the year ended 31 March 2007.

At 31 March 2007, the Group has provided corporate guarantee of HK\$389,000 (2006: HK\$1,633,000) to certain financial institutions in connection with hire purchase contracts granted to certain subsidiaries disposed in the year ended 31 March 2005. Pursuant to the agreements dated 8 November 2004 and 21 March 2005, the purchaser has agreed to provide counter indemnities to the Company for its corporate guarantee provided. During the year ended 31 March 2007, no delinquent record was noted and none of the guarantees had been called. Save as disclosed above, the Group had no contingent liabilities at 31 March 2007.

At 31 March 2007, the Group had a commitment in respect of the acquisition of Richsense amounted to HK\$765,000,000, which will be financed by the Group's internal resources and the issues of convertible bond, promissory notes and the Company's new shares. At 31 March 2007, the Group paid refundable deposits of HK\$312,421,000 to Rich Game.

During the year ended 31 March 2007, the Group had not created any charge on its assets.

**Operation Review**

The Group currently has two business divisions, which are (i) investments in the Macau gaming and entertainment sector; and (ii) the trading of timber logs, and the provision of installation and decoration services. Due to the sluggish market conditions, the Group has scaled down its timber and services business.

The decrease in turnover was a result of the Group's prudent approach in securing sale orders as the Group has experienced problems in collecting trade receivables in previous years, which placed strong pressure in the Group's cashflow. As a result, the Group is now only seeking business with quality customers who have good repayment history. It, in turn, affected the volume of the Group's timber and services business in the year ended 31 March 2007. In addition, the surge in oil price has squeezed the profit margin in timber trading. As such, the Group had relatively low level of trading activities in the second half of 2007 fiscal year.

For the investment in gaming and entertainment sector in Macau, the Group received a total cash dividend of HK\$89,276,000 during the year ended 31 March 2007. Sat Ieng and Dore in aggregate generated an average monthly rolling turnover of HK\$6,900,000,000 for the period from 4 January 2007 to 31 March 2007, 0.4% of which was HK\$27,600,000. The superb performances of Sat Ieng and Dore were beyond the directors' expectation and the actual profit received by Worth Perfect for the year ended 15 March 2007 has well exceeded the Profit Guarantee for the year ended 15 March 2007 of HK\$150,000,000 by HK\$46,000,000 or 31%. As reported by Sat Ieng and Dore, the aggregate average monthly rolling turnover was HK\$10,000,000,000 for the months of April and May 2007, 0.4% of which was HK\$40,000,000. The figures of monthly rolling turnover have proved the business models and the extensive client bases of Sat Ieng and Dore are sound and solid. The directors have confidence that the Group's investment in gaming and entertainment sector has laid a solid foundation on the Group's long-term profitability.

In line with the Group's business strategy to focus on investment in gaming and entertainment sector, the Group will seek an opportunity to dispose its investment property in Tuen Mun in order to streamline its operations.

**Liquidity and Financial Resources**

During the year ended 31 March 2007, the Group funded its operation by cash generated from its operating activities, convertible bond, promissory notes and issues of new shares. Total equity amounted to HK\$594,946,000 at 31 March 2007.

The Group had cash and cash equivalents of HK\$101,512,000 at 31 March 2007 (2006: HK\$29,985,000). At 31 March 2007, the Group had a net current asset of HK\$419,134,000 (2006: HK\$34,395,000). The current ratio calculated on the basis of current assets divided by current liabilities of the Group was 126.9 at 31 March 2007 (2006: 16.6). The improvements in the Group's cash position and current ratio were attributed to the monthly cash dividends paid by Worth Perfect and the issue of 206,000,000 new shares in the year ended 31 March 2007 as detailed below.

On 14 February 2007, the Company entered into a placing agreement with a placing agent and Smart Town and a subscription agreement with Smart Town. Pursuant to the placing agreement, the placing agent placed 206,000,000 shares to professional and institutional investors at a price of HK\$1.525 per share on behalf of Smart Town. Pursuant to the subscription agreement, the Company raised HK\$307,000,000 (net of expenses) by issuing 206,000,000 new shares to Smart Town at a price of HK\$1.525 per share to finance the acquisition of Richsense.

At 31 March 2007, the face values of the Group's total outstanding borrowings amounted to HK\$539,000,000 (2006: Nil), the fair values of which were HK\$372,026,000 (2006: Nil), representing the convertible bond of HK\$134,400,000, with a conversion price of HK\$1.00 per share, which is unsecured, interest bearing at 5% per annum and maturing on 3 January 2017; the promissory notes issued to Rich Game of HK\$244,600,000 which are unsecured, interest bearing at 5% per annum and maturing on 3 January 2017; the promissory note issued to Smart Town of HK\$160,000,000 which is unsecured, non-interest bearing and maturing on 3 January 2017. The Group's gearing ratio calculated on the basis of total borrowings at fair value divided by total equity was 0.63 at 31 March 2007 (2006: Nil).

To protect the Group's investment in Worth Perfect, Rich Game has undertaken that:

- (i) the convertible bond of HK\$134,400,000 and the promissory note of HK\$61,600,000 hold in escrow in the Company's lawyers until the Profit Guarantee have been fully paid to Worth Perfect;
- (ii) if the profit actually received or receivable by Worth Perfect is less than the Profit Guarantee during the relevant period, the Company can deduct the shortfall from the outstanding sums under the convertible bond and the promissory notes;
- (iii) the convertible bond of HK\$134,400,000 shall not be converted into the shares of the Company until the Profit Guarantee has been fully paid to Worth Perfect; and
- (iv) if the gaming promoter licence of Sat Ieng or Dore is terminated or is not renewed at any time before the maturity of the promissory notes, Rich Game shall return the promissory notes of HK\$244,600,000 to the Company.

The management has adopted a prudent policy in financial management policy, closely monitoring the Group's fund position and maintaining a sound financial position of the Group. All bank deposits are in Hong Kong Dollars in order to keep a minimum exposure to foreign exchange risks. As the majority of the cash inflows and outflows are denominated in Hong Kong Dollars, the Group has not adopted any hedging policy or entered into any derivative products, which are considered not necessary for the Group's treasury activities.

#### **Employment and Remuneration Policy**

The Group has adopted a prudent policy in recruitment of suitable candidates in filling the vacancy. As such, the headcount is limited to 6 at 31 March 2007 (2006: 7). Accordingly, the staff costs (including directors' remuneration) for the year ended 31 March 2007 amounted to HK\$2,738,000 (2006: HK\$3,728,000).

Following the completion of the acquisition of Richsense, the Group will recruit additional professionals who have extensive experience in corporate and/or gaming to strengthen its management team. Staff costs are expected to increase in the year ending 31 March 2008.

The Group believes that the key to success lies in its staff and recruits individuals based on their competencies, merit and development potential. The Group's remuneration policies are formulated on the performance of individual qualifications and performance and on the basis of the salaries trends and will be reviewed regularly. Apart from provident fund scheme and medical insurance, discretionary bonuses and employee share options are also awarded according to the assessment of individual performance for the purposes of providing competitive package and long term retention of management talents.

#### **Future Prospects**

2006/07 marked a new page for the Group. The unfavourable market conditions in timber and services business have forced the management to seek diversification opportunities and to turn our focus to a more promising and growth potential business: the gaming and entertainment business in Macau.

Given the turnaround of the Group's overall results in the year ended 31 March 2007, the directors believe that the Group's strategy is in a right direction. The Acquisition represents our first step in expanding into the booming gaming and entertainment sector in Macau. With the acquisition of Richsense completed on 11 June 2007, the Group has been in a more favourable position for negotiating any possible acquisitions of gaming related business in Macau. The Group will continue to seek opportunities for expansion and/or acquisition to extend its market share in the gaming and entertainment sector in Macau.

Finally, following the completion of the acquisition of Richsense, the Group will have a substantial monthly cash inflow as the profit agreements stipulated that the profit streams are settled on monthly basis. Therefore, the Company will have more funds available. The directors consider to declare and pay dividends quarterly out of the available fund after taking into account the operating costs and liabilities of the Group.

#### **PROPOSED CHANGE OF NAME**

On 8 June 2007, the Board announced that the Company proposed to its name from "Teem Foundation Group Ltd." to "Dore Holdings Limited". The change of name is subject to (i) the passing of a special resolution by the Company's shareholders at a special general meeting of the Company to be convened to approve the change of name; and (ii) the approval by the Registrar of Companies in Bermuda.

A circular containing information as regards to the proposed change of name together with a notice convening the special general meeting will be dispatched to shareholders as soon as practicable.

#### **CORPORATE GOVERNANCE**

The Board is committed to maintain a high standard of corporate governance with a view to enhance the management of the Company as well as to preserve the interests of the shareholders as a whole in terms of transparency, independence, accountability, responsibilities and fairness. In the opinion of the Board, the Company had complied with all code provisions set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 of the Rules Governing the listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the year ended 31 March 2007, except for the deviation from Code A.2.1 and Code A.4.1 of CG Code as described below:

##### **i. Code A.2.1 of CG Code**

Code A.2.1 of CG Code provides, inter alia, that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

The Company does not officially have a position of Chief Executive Officer. However, Mr. Lum Chor Wah, Richard has been assuming the roles of both the Chairman and Chief Executive Officer of the Company. In this regard, the Company has deviated from Code A.2.1 of CG Code. The Board intends to maintain this structure in the future as it believes that it would provide the Group with strong and consistent leadership and allow the Group's business operations, planning and decision making as well as execution of long-term business strategies to be carried out more effectively and efficiently. Nonetheless, the Board would review and monitor the situation on a regular basis and would ensure that the present structure would not impair the balance of power in the Company.

##### **ii. Code A.4.1 of CG Code**

Code A.4.1 of CG Code provides that non-executive directors should be appointed for a specific term, subject to re-election.

Mr. Leung Chi Hung, Mr. Tsui Robert Che Kwong and Mr. Cheung Yim Kong, Johnny, being the independent non-executive directors of the Company, were not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Bye-laws.

#### **DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct regarding directors' securities transactions on terms no less exacting than the required standard under the Model Code. Having made specific enquiry of all directors, the directors of the Company confirmed that they had complied with the required standard set out in the Model Code throughout the year ended 31 March 2007.

#### **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 March 2007.

#### **AUDIT COMMITTEE**

The Company has an audit committee, which was established in compliance with rule 3.21 of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises the three independent non-executive directors of the Company.

The audit committee has reviewed the audited financial statements and the annual report of the Company for the year ended 31 March 2007.

#### **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from 26 July 2007 to 1 August 2007, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending the forthcoming annual general meeting of the Company and payment of final dividend, all transfer accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Union Registrars Limited at Room 1803, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong not later than 4:30 p.m. on 25 July 2007.

#### **DIRECTORS**

As at the date of this announcement, the Board comprises of three executive directors, namely Mr. Lum Chor Wah, Richard, Mr. Tang Hin Keung and Mr. Pun Yuen Sang and three independent non-executive directors, namely Mr. Leung Chi Hung, Mr. Tsui Robert Che Kwong and Mr. Cheung Yim Kong, Johnny.

#### **PUBLICATION OF FINANCIAL INFORMATION**

This results announcement is published on the websites of The Stock Exchange of Hong Kong Limited ([www.hkex.com.hk](http://www.hkex.com.hk)) and the Company ([www.teemfoundationgroup.com](http://www.teemfoundationgroup.com)). The Company's annual report for 2007 will be dispatched to the shareholders of the Company and available on the above websites in due course.

By Order of the Board  
**Teem Foundation Group Ltd.**  
**Lum Chor Wah, Richard**  
*Chairman*