



# TEEM FOUNDATION GROUP LTD.

## 浩基集團有限公司\*

(Incorporated in Bermuda with limited liability)

### RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2003

The Board of Directors (the “Board”) of Teem Foundation Group Ltd. (the “Company”) has the pleasure of presenting the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 March 2003, together with comparative figures for the corresponding year 2002 as follows:

#### CONSOLIDATED PROFIT AND LOSS ACCOUNT

	<i>Notes</i>	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Turnover	4	55,630	108,899
Cost of sales		(43,006)	(74,445)
Gross profit		12,624	34,454
Other revenue	4	43	49
Administrative expenses		(13,095)	(5,576)
Other operating expenses		(1,947)	(2,052)
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	5	(2,375)	26,875
Finance costs		(113)	(8)
PROFIT/(LOSS) BEFORE TAX		(2,488)	26,867
Tax	6	(480)	(4,300)
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		(2,968)	22,567
DIVIDENDS	7	13,440	20,000
EARNINGS/(LOSS) PER SHARE	8		
Basic		(0.48 cents)	4.48 cents
Diluted		N/A	N/A

*Notes:*

#### 1. Group reorganisation and basis of preparation

##### Group Reorganisation

Pursuant to an 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 24 July 2002, the Company became the holding company of the Group on 5 July 2002. This was accomplished by acquiring the entire issued share capital of Profitown Venture Corporation, the then holding company of LFP Engineering Limited (formerly Lahine Fire Protection Engineering Limited) thereby becoming the holding company of the companies now comprising the Group. Further details of the Group Reorganisation are also set out in the prospectus of the Company dated 12 July 2002.

##### Basis of presentation and consolidation

The Group Reorganisation involved companies under common control. The consolidated financial statements have been prepared using the merger basis of accounting in accordance with Statement of Standard Accounting Practice 27 “Accounting for group reconstructions”. On this basis, the Company has been treated as the holding company of its subsidiaries acquired through the Group Reorganisation for the two years ended 31 March 2002 and 2003 rather than from the date of their acquisitions. Accordingly, the consolidated results and cash flows of the Group for the two years ended 31 March 2002 and 2003 include the results and cash flows of the Company and its subsidiaries with effect from 1 April 2001 or since their respective dates of incorporation/ registration, where this is a shorter period. In the opinion of the directors, the consolidated financial statements prepared on the above basis present more fairly the results and state of affairs of the Group as a whole, as the principal activities of the Group were mainly carried out by LFP Engineering Limited prior to and after the Group Reorganisation.

All significant transactions and balances within the Group are eliminated on consolidation.

#### 2. Impact of new and revised Hong Kong Statements of Standard Accounting Practice (“SSAPs”)

The following new and revised SSAPs are effective for the first time for the current year’s financial statements.

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

The adoption of these SSAPs do not have any material impact on accounting policies and financial results of the Group except that certain comparatives previously reported have been reclassified to conform with the new disclosure requirements. Detailed changes to the Group’s accounting policies and the effects of adopting these standards are set in the annual report.

#### 3. Segment information

The Group has only one business segment, which is the provision and installation of fire-rated timber door sets, as well as the provision of interior decoration and renovation services and other carpentry works, and therefore, no analysis of business segments is presented.

No geographical analysis is presented as all the Group’s operations are carried out in Hong Kong.

#### 4. Turnover and revenue

Turnover represents appropriate proportion of contract revenue from construction contracts.

An analysis of turnover and other revenue is as follows:

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Turnover	55,630	108,899
Other revenue		
Interest income	31	49
Others	12	—
	43	49

#### 5. Profit/(loss) from operating activities

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

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Depreciation	2,555	110
Auditors’ remuneration — <i>Note</i>	880	—
Staff costs (excluding directors’ remuneration):		
Salaries and wages	3,119	4,129
Pension contributions	142	175
	3,261	4,304
Minimum lease payments under operating leases for land and buildings	504	243
Provision against doubtful debts	1,947	2,052
Interest income	(31)	(49)

*Note:* The auditors’ remuneration for the year ended 31 March 2002 was included as part of the listing expenses and charged against the share premium account of the Company for the year ended 31 March 2003.

#### 6. Tax

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

In 2002, as a result of the failure to notify chargeability for the years of assessment 1998/99 and 1999/2000 and the late submission of the profits tax return within the prescribed time limit for the year of assessment 2000/01, the Inland Revenue Department (the “IRD”) imposed tax penalties amounting to approximately HK\$2.6 million on LFP Engineering Limited, an indirect wholly-owned subsidiary of the Company. Mr. Chu Chi Ming (“Mr. Chu”) and Pan-Star Nominees Limited (“Pan-Star”) had agreed to indemnify the Group against the penalties and paid the penalties to the IRD.

Mr. Chu is an executive director and a major shareholder of the Company. Pan-Star is a major shareholder of the Company.

The Group did not have any significant unprovided deferred tax liabilities in respect of the year.

#### 7. Dividends

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Interim — 2 HK cents (2002: Nil) per ordinary share	13,440	—
Special dividend	—	20,000
	13,440	20,000

The directors do not recommend the payment of any final dividend in respect of the year.

The special dividend declared and paid for the year ended 31 March 2002 was paid by an indirect wholly-owned subsidiary of the Company to its then shareholders prior to the Group Reorganisation.

#### 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 year of approximately HK\$2,968,000 (2002: net profit of HK\$22,567,000), and the pro forma weighted average of 619,528,767 (2002: 504,000,000) ordinary shares in issue during the year, assuming that the Group Reorganisation had been completed since 1 April 2001 or since the respective dates of incorporation of the Company and its subsidiaries, where this is a shorter period.

Diluted earnings or loss per share amounts for the years ended 31 March 2002 and 2003 have not been disclosed as there were no dilutive potential ordinary shares outstanding during these years.

#### MANAGEMENT DISCUSSION AND ANALYSIS

##### Business Overview

For the year ended 31 March 2003, the Group recorded a turnover of approximately HK\$55.6 million, representing a decrease of approximately 49% as compared with last year. The Group sustained a loss attributable to shareholders of approximately HK\$3.0 million, for the year while there was profit attributable to shareholders of approximately HK\$22.6 million in 2002. The performance of the Group for the year was mainly affected by the substantial decrease in turnover and a considerable increase in administrative expenses following the listing on the Stock Exchange on 24 July 2002. Loss per share was approximately HK0.48 cents for the year (2002: earnings per share of approximately HK4.48 cents).

During the year, the Group successfully completed several substantial contracts including installation of timber door sets at Wan Hoi Street and interior decoration at West Kowloon Reclamation. However, due to the Government’s policy on slowing down the public housing construction and reducing the budgeted expenditure on infrastructure projects, together with the adverse private property market, the number of projects available for tender was seriously reduced. As a result, the Group’s turnover was dropped significantly this year. In order to maintain a fair successful tendering rate among the severe competition, the Group’s prices on some projects were under pressure, which led to a decrease in the gross profit margins.

In order to capture the growing opportunities in the construction market of the People’s Republic of China (“PRC”), the Group is participating in the PRC market through an investment in a joint venture which is currently participating in construction projects located in Shanghai.

##### Liquidity and Financial Resources

On 24 July 2002, the Company’s shares were listed on the Stock Exchange. The Group raised approximately HK\$39.4 million, net of related issuance expenses, from the issue of 168 million new ordinary shares in the Company. The listing enlarged the base of shareholders and provided additional funds for the Group’s future expansion.

As at 31 March 2003, the Group had cash and bank balances of approximately HK\$28.8 million (2002: HK\$26.7 million) and the total assets of approximately HK\$98.4 million (2002: HK\$81.2 million). The shareholder equity was of approximately HK\$86.6 million (2002: HK\$58.6 million) and the outstanding hire purchase contract payables were of approximately HK\$7.1 million (2002: HK\$0.04 million), and accordingly the gearing ratio, calculated on the basis of total debts divided by total equity, was increased from 0.068% to 8.2%.

As at 31 March 2003, the Group’s net current assets were approximately HK\$74.8 million. The Board is therefore 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 31 March 2003, neither the Group nor the Company had any significant commitments.

##### Employees and Remuneration Policies

The Group had a total of 21 employees as at 31 March 2003. During the year, total staff costs amounted to approximately HK\$3.3 million. 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.

The Company maintains a share option scheme, pursuant to which share options are granted to selected director or employee of the Group, with a view to attract and retain quality personnel and to provide them with incentive to contribute to the business and operation of the Group. However, no share option has yet been granted under the share option scheme up to the date of this announcement.

##### Use of Proceeds

The net proceeds from the Company’s issue of new shares at the time of its listing on the Stock Exchange on 24 July 2002 amounted to approximately HK\$39.4 million. As at the date of announcement, the Group had utilised a total of approximately HK\$4.4 million in market development in the PRC and HK\$2 million as the general working capital. The remaining proceeds are placed on short-term deposits with licensed banks in Hong Kong.

##### Future Prospect

The outbreak of the Severe Acute Respiratory Syndrome (“SARS”) in the Asia Pacific region has created a significant and adverse impact on the economy of Hong Kong and the market conditions are expected to remain difficult in the next few years. The number of construction projects in Hong Kong is substantially decreased following the suspension of Home Ownership Scheme and the reduction in Government’s budgeted expenditure on infrastructure projects, as a result, private and institutional property owners are likely to hesitate to incur expenses for either refurbishment plans, renovation or fitting-out works. However, with policies from both Hong Kong Government and private sector to enhance the recovery of local economy, the Board is optimistic in the long-term prospect of the construction industry.

Despite the unfavourable environment in the construction industry, the Group is paying effort to maintain the market share and improve the profit margin. The management is taking cautious approach in selecting projects to tender and offering competitive prices. On the other hand, the Group will continue to implement effective cost control, quality enhancement and efficient operation.

During the year, the Group has participated in the PRC market through a long-term investment for the electrical and mechanical projects in Shanghai. The PRC market of high quality interior decoration and renovation business is expected to bloom subsequent to the entry into the World Trade Organisation and the hosting of the Olympic Games in 2008. In order to further explore the PRC construction market, a sales and marketing team specialised in the PRC construction market will be developed and a representative office will be set up in the PRC.

Looking forward, the Group will continue to strengthen its core business by adopting above measures and to explore different investment opportunities. The Group is well prepared to take up the challenges lying ahead.

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

Other than in connection with the Company’s initial public offering and the listing of the Company’s shares on the Stock Exchange on 24 July 2002, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company’s listed securities during the year.

##### 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, since the date of listing of the Company’s shares in accordance with the provisions of the Company’s bye-laws, except that the non-executive directors of the Company are not appointed for specific terms as required by paragraph 7 of the Code, 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 for the purposes of reviewing and providing supervision over the Group’s financial reporting process and internal controls. The audit committee comprises the two independent non-executive directors of the Company.

##### PUBLICATION OF DETAILED RESULTS ANNOUNCEMENT ON THE STOCK EXCHANGE’S WEBSITE

A detailed results announcement containing all information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited will be subsequently published on the website of the Stock Exchange in due course.

By Order of the Board  
**Mak Kui Yuen**  
Director

Hong Kong, 29 July 2003

\* For identification purpose only

## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of the shareholders of the Company will be held at 8th Floor, 8 Queen's Road Central, Hong Kong, on Thursday, 28 August 2003, at 3:00 p.m. for the following purposes:—

1. To receive and consider the audited Financial Statements and the Reports of the Directors and the Auditors for the year ended 31 March 2003.
2. To re-elect Directors and to authorize the Board of Directors to fix the Directors' remuneration.
3. To re-appoint Auditors and to authorize the Board of Directors to fix their remuneration.
4. As special business to consider and, if thought fit, to pass with or without amendments, the following resolutions as Ordinary Resolutions:—

**A. "THAT:—**

- (a) subject to paragraph (c) of this Resolution, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with the shares in the capital of the Company, and to make or grant offers, agreements and options which would or might require the exercise of such power be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) of this Resolution shall be in addition to any other authorization given to the Directors of the Company and shall authorize the Directors of the Company during the Relevant Period to make or grant offers, agreements and options which would or might require the exercise of such power after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors of the Company pursuant to the approval in paragraph (a) of this Resolution, otherwise than pursuant to:—
  - i. a Rights Issue (as hereinafter defined);
  - ii. the exercise of options under the Share Option Scheme adopted by the Company on 6 July 2002; or
  - iii. any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the Bye-Laws of the Company;

shall not exceed 20 per cent of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing this Resolution, and the said approval shall be limited accordingly; and

- (d) for the purposes of this Resolution:—

"Relevant Period" means the period from the passing of this Resolution until whichever is the earliest of:—

- i. the conclusion of the next annual general meeting of the Company;
- ii. the expiration of the period within which the next annual general meeting of the Company is required by the Bye-Laws of the Company or any applicable laws to be held; and
- iii. the revocation or variation of the authority given under this Resolution by ordinary resolution of the shareholders of the Company in general meeting.

"Rights Issue" means an offer of shares open for a period fixed by the Directors of the Company to holders of shares whose names appear on the register on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the Director may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognized regulatory body or any stock exchange in, any territory outside Hong Kong)."

**B. "THAT:—**

- (a) subject to paragraph (b) of this Resolution, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase its own shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") or any other stock exchange on which the securities of the Company may be listed and recognized by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange as amended from time to time, be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of shares of the Company which may be repurchased by the Company pursuant to the approval in paragraph (a) of this Resolution during the Relevant Period shall be no more than 10 per cent of the aggregate nominal amount of the share capital of the Company in issue on the date of passing this Resolution and the said approval shall be limited accordingly; and
- (c) for the purposes of this Resolution:—
 

"Relevant Period" means the period from the passing of this Resolution until whichever is the earliest of:—

  - i. the conclusion of the next annual general meeting of the Company;
  - ii. the expiration of the period within which the next annual general meeting of the Company is required by the Bye-Laws of the Company or any applicable laws to be held; and
  - iii. the revocation or variation of the authority given under this Resolution by ordinary resolution of the shareholders of the Company in general meeting."

- C. "THAT conditional upon Resolutions 4A and 4B being passed, the aggregate nominal amount of the share capital of the Company which are repurchased by the Company under the authority granted to the Directors of the Company as mentioned in Resolution 4B shall be added to the aggregate nominal amount of share capital that may be allotted or agreed conditionally or unconditionally to be allotted by the Directors of the Company pursuant to Resolution 4A, provided that the amount of share capital repurchased by the Company shall not exceed 10 per cent of the total nominal amount of the share capital of the Company in issue on the date of this Resolution."

5. To transact any other business.

By Order of the Board  
**Mak Kui Yuen**  
*Director*

Hong Kong, 29 July 2003

*Notes:*

1. A shareholder entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and vote on his behalf. A proxy need not be a shareholder of this Company.
2. To be effective, a form of proxy together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney or authority, must be deposited with the Company's Registrar in Hong Kong, Tengis Limited, G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
3. With regard to items 4A and 4B above, approval is being sought from shareholders for a general mandate to allot and repurchase shares of the Company up to the relevant percentage limits. These authorities are sought in order that the Directors might take advantage of any relevant circumstances. The Explanatory Statement required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited to be sent to shareholders in connection with the proposed repurchase mandate will be dispatched to shareholders together with the annual report.