

I am pleased to present the annual results of Teem Foundation Group Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2003. This is the first report since the Company became publicly listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 24 July 2002.

The Group is principally engaged in 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 in Hong Kong. The Group has undertaken design-and-build projects as a subcontractor for the Housing Authority since 1998.

For the year ended 31 March 2003, especially the second half of the financial year, was challenging because the already sluggish economy was further depressed by the outbreak of the Severe Acute Respiratory Syndrome ("SARS") in the Asia Pacific region. The Group's turnover was decreased by 49% to approximately HK\$55.6 million and resulting in a loss attributable to shareholders of approximately HK\$3.0 million in current year.

The unsatisfactory performance of the Group was mainly due to the Government policies which slowed down the public housing construction and reduced the budgeted expenditure on infrastructure projects, together with the adverse property market. The availability and the value of the renovation and fitting-out contracts were declined. As a result, the Group's turnover was significantly reduced. Moreover, the keen competition in the construction industry also pressurised the Group's pricing and gross profit margin.

Nevertheless, the Board is still optimistic that performance will be improved in a long run. On the date of this report, the total value of contracts on hand is approximately HK\$20 million. The Group has also successfully gained an access to the PRC construction market during the year.

As a first step for the PRC market development, the Group has adopted a prudent approach to invest indirectly in a joint venture who mainly engages in electrical and mechanical projects in Shanghai, which have been progressing satisfactorily. With a successful entry into the World Trade Organisation and the coming hosting of the Olympic Games in 2008, profitable business potential is highly increased in the PRC. The Group will keep seeking further opportunities to extend its business in the PRC and further explore the construction market by developing research and development capabilities.

In the year ahead, the Group will continue to strengthen its ability to meet the growing demand for quality products and allocate sufficient resources to develop the high potential PRC market.

Chairman Statement

On behalf of the Board, I would like to take this opportunity to express our appreciation and gratitude to all staff for their support, hard work and dedication over the year. I would also like to express our sincere thanks to our shareholders and business partners for their continued encouragement and support to the Group.

Chu Chi Ming

Chairman

Hong Kong, 29 July 2003