

Chairman's Statement

"Opportunities breed from Crisis" 有危才有機

It is my pleasure in representing the Board of Directors (the "Board") which comprises both selected members of the old board and some new bloods in presenting the pre-acquisition result of the Group.

By and large, the outbreak of the Severe Acute Respiratory Syndrome (the "SARS") during the financial year 2003/04 both in the People Republic of China (the "PRC") and Hong Kong, the sluggish global economic conditions and the tightening of monetary flow in PRC to ensure a soft economic landing have big impact on the performance of the Group – cut throat price competition in bidding of projects in Hong Kong, the delay/inability of getting back some of the receivables, the delay in contribution of our timber trading operation acquired during the financial year.

The PRC, nonetheless, would continue to be the major market and driving force for the Group's growth following the soft landing of the economy and the strong demand in timber door sets, interior decorations and furniture. Efforts would concentrate on expanding our position in the PRC market.

Thanks to the effort of the Board members, the Company has reacted by effecting additional horizontal integration during the year – trading of timber which is a key component in various aspects of a housing project. Apart from bringing positive contribution to the Group, it has also increased the Group's competitiveness – by creating a niche for itself within the timber industry, the Group would be in a stronger position to control the pricing, the delivery and in streamlining the operation. This business model would be adopted and is believed to be the driving force for the coming years. Looking ahead, we will continue to implement sound business plans and grow strategy through acquisitions and joint ventures in the years to come. Resources would be devoted to effect further horizontal or vertical integration, depending on the prevailing circumstances and to the best interests of the shareholders.

A general offer for shares was obtained from Smart Town Holdings Limited by end March 2004 which was completed by early June 2004. New management has since been appointed to the Board and it is expected that the Group can growth further through the synergy effect, the business experience and the connection of respective members.

Looking through the past years when the Group was small, growing and subsequently got a listing status in The Stock Exchange of Hong Kong Limited, I have it to say that the solid foundation laid via the reputation gained, the financial standing generated, the devotement of the old management and the continuous support of our valued shareholders pave the way for our future growth.

The new Board, which comprises of both the old and new members, commits to make use of the existing positive attributes in cross-fertilizing with new connections, to further expand the business of the Group for a better return.

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Looking ahead, I am confident that the coming years will open another new chapter of growth and success of the Group. "Teem Foundation", as its name implied, will of course continue to leverage its integrated resources to secure stable, long-term returns for its shareholders, while working toward the objective of being a leader in the PRC and Hong Kong logging industry.

Last but not the least, on behalf of the Board, I would like to take this opportunity to express my sincere thanks to all staff, the management team and board members for their hard work and dedication. Their continuous commitment to the Group, along with the support of shareholders, bankers, customers and suppliers, have been crucial to our long term success.

Lum Chor Wah, Richard

Chairman

Hong Kong
22 July 2004