

Chairman's Statement

On behalf of the Board of Directors, I am pleased to present the annual report and financial results of Teem Foundation Group Ltd. (the "Company") and its subsidiaries (the "Group") for the year ended 31 March 2006.

The year 2005/06 can be characterised by a mixture year of dismay and opportunity.

The original plan of expanding either horizontally or vertically has not been realised due to one reason or other which are described in more detail in the section under Management Discussion and Analysis section. In brief, the continuous upsurge in interest rate and general upward of the oil and gasoline prices had largely undermined the Group's effort in the provision of the fire-rated timber door sets and the trading of logs from Africa to the Mainland China, the difficulty in recovery of long overdue receivables and the squeezing of profit margin have pushed the Group to become more prudent in the taking in business of the same. Contributions from these sectors have hence been dropped.

On the other hand, the Group's pre-condition for growth remains in force, i.e.

- a) prudent financial structure;
- b) continued operational excellence;
- c) disciplined investment approach in selected markets while maintaining flexibility for new investment opportunities;
- d) adopting a stronger matrix management system to improve organisational effectiveness; and
- e) developing internal competencies and controlling internal costs.

As such, the Board has pushed harder for the recovery of the long overdue receivables and resulted in a quite cash rich position.

To utilise the fund in the best interest of the shareholders, the Board is seeking promising and safe investment opportunities which include acquiring a piece of land in Tuen Mun and the profit stream of a junket operation in Macau.

The Board has also exercised a more stringent cost control in reducing the unnecessary headcount and expenses – see reductions in the administrative and other operating expenses. Yet, people and know how should be the emphasis for a company to succeed. Although measures would be adopted to control costs in the course of growth, more resources would be allocated in recruiting people of high and appropriate calibres to meet the challenge from the ever-changing business community.

Chairman's Statement (Continued)

The year 2005/06 marked an exciting year for the Group in terms of its ground-breaking development – the possible acquisition of the junket operation in Macau – the only legally gaming venue in China.

The expiration of the four-decade gaming monopoly in Macau has ignited the evolution of the city's gaming industry and generated another opportunity for the Group.

Macau's gaming and entertainment industry is booming with various opportunities and value-adding entertainment facilities to casinos are bringing in an increasing number of visitors around the world. In 2005, Macau has achieved another double digit growth and recorded a gaming revenue of HK\$43 billion, roughly the same as that of Las Vegas, with far fewer operators. Backed by the strong economic growth in the Mainland China, the gaming market of Macau can expect exponential growth in the years to come.

To capture this opportunity, the Group has negotiated with a junket operator and finally concluded a conditional sales & purchase agreement on 30 March 2006. As the Chairman and CEO of the Group, I am delighted about the Group's possible acquisition, subject to shareholders' approval, of the profit stream of a junket operation at Sands Macao. This arrangement has been carefully structured so that the Group is protected with a good prospect and no immediate dilution to shareholders (see Very Substantial Acquisition in the Management Discussion and Analysis section). The Board is confident in the new business direction and believes that it would definitely bring in both profit and positive cashflow to the Group.

Looking ahead, the financial year 2006/07 would be a promising year for the Group and it would adopt the following strategies. On the one hand, the Group would continue looking for and bid projects for the provision of fire-rated timber door sets when the return and credit to be extended is justified. Additionally, the Group would evaluate the various pros and cons of entry to the Macau gaming sector in setting its next pace. This, however, would be adopted at a prudent manner and ensure the legality, if taken place so as to avoid the possibility of over-gearing which may lead to the complete failure as in the case of other companies.

Nonetheless, the management team fully recognises that the compliance with statutory and regulatory requirements is of prime importance in having a status of listed company, in entering into the Macau gaming and entertainment industry and in maintaining the reputation of Hong Kong as a reputed international finance centre and in combating the money laundering activities. As such, the Group has ensured an international level of corporate governance that will meet the requirements of laws and regulations in both Hong Kong and Macau. Our corporate governance is and would constantly be reviewed and monitored.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to extend my sincere gratitude to all shareholders and business partners for their continuous support and confidence in the Group. I would also like to thank the management team and all staff member to their dedicated service and hard work in the past years. The contribution from the Independent Non-Executive Directors who come from different perspective – lawyer and practicing accountant are also much appreciated. They have taken their time in reminding us in recovering the receivables, in minimizing the unnecessary expenses and lately, in understanding the arrangement of acquiring the junket operation, physically inspected the Sands Macao's Paiza Club gaming rooms at Sands Macao and asking questions as to the operations before formulating their recommendations to the shareholders for voting at the forthcoming special general meeting. On behalf of the Board, I would like to thank for their time spent and would be most happy to receive additional constructive suggestions in the future so that the Group can be steered at the right direction and act for the best interest of the shareholders. Finally, Mr. Yeung Tony Ming Kwong ("Mr. Yeung"), for his personal reason, had resigned as a director of the Group with effect on 30 November 2005. Mr. Yeung has confirmed that he did not have any dispute with the Group and there was no matter relating to his resignation which needed to be disclosed to the shareholders. We would like to take the opportunity to thank Mr. Yeung for his devotion to the Group during his term.

For and on behalf of the Board

Lum Chor Wah, Richard

20 July 2006