

**TEEM FOUNDATION GROUP LTD :
REGARDLESS OF STATEMENTS TO THE CONTRARY,
THIS COMPANY IS FACING PROBLEMS**

There is a pretty fair chance that Teem Foundation Group Ltd will not be able to match its Operating Profits, during the Current Financial Year, ending March 31, 2003, and, there is, also, a pretty fair chance of the Company, having to make more Provisions for Bad and Doubtful Debts.

This may be gleaned on reading the Public Offer and Placing Prospectus of this Company, which was published on July 12, 2002.

Teem Foundation is engaged in the business of providing and installing fire-rated timber door sets, as well as engaging in interior decoration and renovation services and other cabinet-making works in the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC). (Page 38 of the Prospectus)

It was founded in early 1997, although the Chairman and major shareholder of the Company, Mr Chu Chi Ming, has been in the construction industry in the HKSAR for the past 21 years, having worked for a major contractor for more than 13 years, prior to the establishment of Teem Foundation.

This Company went to the Main Board of The Stock Exchange of Hongkong Ltd and was awarded Stock Code Number 628 on its application and acceptance to the rolls of the major market of the HKSAR (it could have opted for The Growth Enterprise Market, instead of the Main Board).

The Company Placed 151.20 million, New, 10-cent Shares at a Premium of 20 cents per Share, and it Offered another tranche of 16.80 million, New, 10-cent Shares on the same basis as the Placed Shares.

The money, raised in this exercise, is to be used, Page 59 of the Prospectus states, for the following purposes:

1. \$HK30 million for market development in the PRC;
2. \$HK8.60 million for research and development; and,
3. \$HK2 million as Working Capital.

Simple enough!

However, there is a bit of a problem with the Company's suggestion that it would like to enter the PRC marketplace where, at every corner of just about every hamlet, there is a family, waiting to pounce on just about any kind of work of this nature.

After all, one need not be a university graduate in order to fashion a wooden door, a chair, a table, or tighten some screws in order to attach a cabinet to a wall.

Also, Teem Foundation can hardly consider itself to be well heeled, as TARGET subscribers will come to realise as this financial analysis progresses.

For the past 3 Financial Years, this Company's business has been steadily declining.

There is every reason to believe that the situation will not right itself, quickly, since the HKSAR is continuing to suffer deflation, which will get a lot worse before it gets better.

The following table tells the story of the Company's declining profits. It is taken from Page 104 of the Prospectus:

	Financial Year ended March 31		
	2000	2001	2002
	All Figures are Denominated in \$HK'000 (unless where otherwise stated)		
Turnover	85,134	135,091	108,899
Cost of Sales	(55,622)	(101,504)	(74,445)
Gross Profit	29,512	33,587	34,454
Gross Profit Margin*	34.66 percent	24.86 percent	31.64 percent
Other Revenue	16	124	49
Administrative Expenses	(4,327)	(4,737)	(5,576)
Other Operating Expenses	(779)	Nil	(2,052)
Profit from Operating Activities	24,422	28,974	26,875
Financing Costs	Nil	(9)	(8)
Profit before Taxation	24,422	28,965	26,867
Taxation	(3,900)	(4,600)	(4,300)
Net Profit Attributable to Shareholders	20,522	24,365	22,567
Net Profit Margin*	24.11 percent	18.04 percent	20.72 percent

* TARGET's calculations

Looking carefully at the above table, it is difficult to believe that this Company will be able to maintain its present high Profit Margins in the face of the financial difficulties, presently being experienced in the HKSAR and, especially, in the building trade.

(Please see last Wednesday's TARGET Intelligence Report, Volume IV, Number 142: '[CHINA RICH HOLDINGS LTD: MANAGEMENT SAW THE WRITING ON THE WALL](#)')

What is omitted from the above table is the fact that the Executive Directors took almost nothing in Emoluments, during ... [CLICK TO ORDER FULL ARTICLE](#)

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