

Chairman's Statement

RESULTS

Tem Fat Hing Fung (Holdings) Limited (the "Company") and its subsidiaries (the "Group") recorded a turnover of HK\$21,089,000 and a consolidated operating loss before finance costs of HK\$97,097,000 for the year ended 30th April 2002, which are further detailed in Management Discussion and Analysis on pages 5 to 6.

DIVIDENDS

The board of directors (the "Board") does not recommend the payment of a final dividend for the year ended 30th April 2002 at the forthcoming annual general meeting of the Company. No interim dividend was declared during the year.

BUSINESS REVIEW

As announced on 8th June 2001, the Company received the summons and the petition on 29th May 2001 made by a promissory note holder (the "Petitioner") for winding up of the Company for the repayment of outstanding principal amount of HK\$357,175,000 due by the Group. Subsequently, the Company entered into a standstill agreement (the "Standstill Agreement") with certain creditors including the Petitioner representing approximately 76% in value of the entire indebtedness of the Company, pursuant to which the creditors agreed to take no action to recover their claims so long as the Company complies with its obligations under the Standstill Agreement. On 9th May 2002, the Company entered into a restructuring agreement (the "Restructuring Proposal") with, inter alia, the Petitioner and an investor (the "Investor") for the proposed restructuring of the Company which was supplemented by a supplemental agreement entered into on 24th September 2002. The Restructuring Proposal involved capital restructuring, debt restructuring of the Company, subscription of new shares and capitalisation of loans by the Investor and subscription of convertible notes by the Investor. Pursuant to the Restructuring Proposal, the Investor will inject up to HK\$57.6 million of cash into the Company in exchange for approximately 95% of the enlarged issued share capital of the Company and all the creditors of the Company will settle their claims against the Company in accordance with the terms of the Restructuring Proposal and the schemes of arrangement, and the Investor will, by the subscription of the convertible notes, provide necessary working capital to the Group after restructuring. Completion of the Restructuring Proposal is subject to fulfillment of certain conditions precedent as set out in the Restructuring Proposal.

In view of the current financial difficulties and the Restructuring Proposal, the Board opined that the Company does not have sufficient resources to conduct valuation of investment property for the purpose of audit of the results of the Group for the year under review.

The Board regrets that the Group incurred substantial losses due to the sustained unfavourable economic conditions. It is the hope of the Board and is for the benefit of the shareholders to complete the Restructuring Proposal as soon as possible.

Chan Fat Chu, Raymond
Chairman

Hong Kong, 4th October 2002