Chairman's Statement and Management Discussion and Analysis

On behalf of the Board of Directors (the "Board") of Tem Fat Hing Fung (Holdings) Limited (the "Company"), I present herein the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 30th April 2003.

Turnover of the Group for the year ended 30th April 2003 was about HK$20.8 million (2002: HK$21.1 million), a minimal decrease from the previous financial year. The change was due to the decrease in the property management income and increase in securities trading during the year under review. The Group recorded a consolidated profit attributable to shareholders of about HK$681.1 million (2002: loss of HK$179.7 million). The profit was mainly attributed to the gain on deconsolidation and disposal of subsidiaries which amounted to HK$132.8 million, and gain on debt restructuring which amounted to HK$664.4 million. General and administrative expenses were increased by 60% to HK$57.4 million (2002: HK$35.9 million). The increase was mainly attributed to the provision for impairment losses on jointly controlled entities.

Earnings per share for the year was HK$1.43 (2002: loss per share of HK$9.13) and the Board does not recommend any final dividends for this financial year (2002: nil).

OVERVIEW

Debt and capital restructuring

The debt and capital restructuring (the "Restructuring") of the Group had been successfully completed on 16th December 2002. The total waiver of indebtedness under the Restructuring was about HK$676.1 million. The Board is glad to see, after the Restructuring, the Company's financial position has been substantially improved and restored to a healthier state with positive consolidated net assets value around HK$6.3 million.

Asset and operation restructuring

Since the completion of the Restructuring and the change of controlling shareholder of the Company in December 2002, substantial effort and time have been placed into reviewing the business operations and assets structure of the Group, and finalising the Restructuring on both the Company and its subsidiaries. Residual resources of the Group were also carefully reviewed and realised in pursuant to the obligations under the schemes of arrangement. Several non-core or inactive business units were either deconsolidated or disposed of to streamline the operation and the Group's assets structure during the year under review. The gain on deconsolidation and disposal of subsidiaries was approximately HK$132.8 million.

Commercial complex in Malaysia

The corporate guarantees and undertakings granted to various institutional lenders for the Malaysian project have always been a serious threat to the Group's financial structure because these guarantees oblige the Company to continually support a financially troubled development stage project operating in a weak economy. The Restructuring has successfully relinquished such contingent liabilities which amounted to approximately HK$160 million and protected the Company from any further cash drains, yet the Group's equity interests are retained which could benefit the Group if the project turned around.

The complex comprises an office tower and a hotel tower erecting on the retail podium and car park. Since June 2002, the office tower, retail podium and car park ("Complex A") had been under receivership, whereas the construction of the hotel tower is finished pending for interior fitting-out. Complex A's operation is running at a loss with a turnover of approximately HK$7.4 million (2002: HK$7.8 million), representing a decrease of approximately 5% from last financial year. The loss of the Complex A decreased from HK$31.9 million last year to HK$ 19.7 million this financial year, a decrease of 38%. The decrease in turnover and loss was mainly due to continued weak property market and increasing surrounding rental price competition.

OVERVIEW *(Continued)*

Commercial complex in Malaysia *(Continued)*

The Board is looking for solutions and plans to sort out the most cost effective way to rescue the project and achieve a win-win situation for all the parties including creditors, banks and shareholders, however under the weak economic and property market in Malaysia with the unfavorable economic environment for hotel business, the Board does not expect agreement with all parties could be easily reached and such plans or solutions may not come out in the near future. As such the Board has decided to write down heavily the Group's interest in this project in the current year.

Despite many unfavorable uncertainties surrounding the property project, the Board expects it is worthwhile for a further detail study on the project after considering its underlying value and the anticipation of recovery of Asian property market.

Investments

The Company's security trading activities are reactivated but due to the unfavorable investment climate during the first half of 2003, trading is purposely limited. Loss on changes in fair values of short term listed investments of approximately HK$22.8 million had been provided for at the year end date (2002: HK$62.7 million).

LIQUIDITY AND FINANCIAL RESOURCES

Financial position

After the Restructuring, the financial position had been restored to a healthier state; all the liabilities of the Company and the corporate guarantees provided by the Company to its subsidiaries and jointly controlled entities were discharged in accordance with the schemes of arrangement. Other than the HK$20 million convertible notes ("CB") whose maturity is in December 2005, the Group incurred neither bank borrowing nor loan as at the balance sheet date. Total current liabilities of the Group were about HK$22.4 million as at the balance sheet date (2002: HK$849.4 million); mainly comprised of temporary deposits, accounts payable and accruals. As at 30th April 2003, the Group maintained a cash and bank balance of approximately HK$1.6 million with a current ratio of about 1.3 (2002: 0.04). The Group's current liquidity position is adequate to maintain its current operating and financial structure but should the investment climate turn around, the management will look into the capital market for additional funding or strategic investors to further expand its investment activities.

Other than the pledge of the hotel complex in Malaysia to the bank consortium by the jointly controlled entities for obtaining the syndicated bank loan, the Group has also pledged HK$22.7 million value of listed securities in its securities portfolio to a financial institution for securities margin financing as at 30th April 2003.

LIQUIDITY AND FINANCIAL RESOURCES *(Continued)*

Contingent Liability

As at the balance sheet date, the Group has no contingent liability.

Capital Investments and Commitments

During the year under review, the Group did not incur or commit any material investments or capital expenditures.

Capital Structure

On completion of the Restructuring, 1,152 million of the Company's ordinary shares ("Shares") of HK$0.05 each and HK$20 million CB were issued by the Company. The CB carries 2% interest per annum with maturity on 16th December 2005, which can be converted into 400 million Shares at the initial conversion price of HK$0.05 subject to adjustment if fully exercised.

During the year, 600,000 convertible preference shares of the Company ("CPS") were converted, resulting in 75 million Shares being issued. As at the balance sheet date, 1,949,990 CPS, convertible into approximately 243.7 million Shares at the adjusted conversion price of HK$0.04, remain outstanding.

Foreign exchange and interest rate exposure

The hotel complex in Malaysia represents the largest investment of the Group at present, thus the exchange rate of Ringgit Malaysia may affect the Group's overall value. Nonetheless, the effect of the exchange rate on the Group's cash flow is minimal, no foreign exchange and interest rate risk management or related hedges were made at present. Proper policy will be in place when the Board considers appropriate.

EMPLOYMENT, TRAINING AND REMUNERATION POLICY

The Group has 5 employees as at 30th April 2003. The remuneration policy of the Group is reviewed and approved by the Board. Discretionary bonus is linked to the profit performance of the Group as well as individual performance. The share option scheme adopted by the Company on 27th October 1998 will be terminated and a new share option scheme will be adopted in the forthcoming annual general meeting to be held on 13th October 2003.

PROSPECTS

After finalising the Restructuring, downsizing, outsourcing and stringent cost control will continue in place to increase our competitiveness and to reserve our resources for the upcoming opportunities.

Looking ahead, despite the present adverse business environment and global economic uncertainties, the Board expects that following the recent signing of the Closer Economic Partnership Arrangement between Hong Kong and the PRC and the relaxation of the PRC's policy in granting visa to the PRC citizens travelling to Hong Kong and the entry of the PRC into the WTO, there will be enormous opportunities in the PRC, and Hong Kong's economic sentiment will definitely be directly benefited and gradually recovered.

Property and securities investments will remain as our focus; emphasis will be placed on high growth property market in major cities in the PRC and in this regard, the Board is prepared to invite strategic investors to join us in exploring such opportunities and committed to take the Company's business forward.

Finally, I would like to thank our management and staff for their committed efforts throughout the restructuring and this challenging year.

Cheung Yu Shum, Jenkin
Chairman

Hong Kong, 13th September 2003