

Chairman's Statement

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 30 April 2004.

RESULTS AND DIVIDENDS

The audited consolidated loss attributable to shareholders for the year was approximately HK\$34,690,000 while the Group's turnover increased 111% to HK\$43,930,000 in 2004.

The Board does not recommend the payment of a final dividend at the forthcoming Annual General Meeting.

BUSINESS REVIEW

Year 2004 was a critical year for the Group in terms of future development. Since the debt and capital restructuring in 2002, the Group continued its operation in securities trading. Unfortunately, the outbreak of Severe Acute Respiratory Syndrome ("SARS") and the political debate on Article 23 have led to a negative investment atmosphere in the equity market for the first half of the year. The economy seems to turn around with the introduction of Individual Visit Scheme for mainland travelers in October. The optimistic market sentiment was further promoted by the increasing number of Initial Public Offerings of large size PRC enterprises on the Hong Kong Stock Exchange by the end of 2003. However, the drastic increase in oil price together with the implementation of austerity measure on macroeconomic control by the PRC government since the Chinese New Year has posed another setback on the Hong Kong equity market. Both the general share prices and transaction volume have been moving down by certain extent. As a result, the Group has suffered a gross loss of HK\$1.5 million and an unrealised loss of HK\$7.6 million on the short term investment of listed securities for the year ended 30 April 2004.

The Group has incurred an operating loss for each of the past six fiscal years if we exclude the gain on debt and capital restructuring of last year. Over the past two years, our principal business turnover was mainly generated from the trading of listed securities. In respect of this business, it is quite vulnerable to any unfavorable economic, political or social event. After assessing our previous business strategy and results, the Board has decided appropriate adjustments on our strategy are necessary. The Board has looked into diversification in other investments other than listed securities which will bring stability in revenue and return to the Group.

OUTLOOK

During the year under review, the Group has been looking into several different business projects in the PRC. Subsequent to the year end, the Group has entered into three different Joint Venture Agreements to set up businesses in the following areas: Recycling Materials, System support for the Instant Result Type On-line Lottery and the National Products and Services Coding System.

Chairman's Statement

OUTLOOK *(Continued)*

Our new mission is to participate in some of the innovative emerging businesses in the PRC. We believe that the above projects will bring in stable return which is in the best interests to our shareholders.

APPRECIATION

On behalf of the Board, I would like to extend my gratitude to all shareholders for their valuable support. Finally, I would also like to extend my appreciation to every staff member for their commitment and contribution to the Group throughout the year.

Zhou Weirong

Chairman

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Hong Kong, 23 August 2004