

WINFAIR INVESTMENT COMPANY LIMITED

Statement by the Chairman

On behalf of the board, I would like to present to the shareholders the group's financial results and activities for the year ended 31 March 2001.

RESULTS AND DIVIDENDS

The group's turnover for the year is HK\$10.4 million, which is about 10% more than that of last year. Interest income on bank deposits is not included in turnover and comparative figures have been reclassified on a consistent basis. We believe that such change would better reflect the results of the group's business in share and property investments. The increase in turnover was mainly due to increase in dividend income from the group's investment portfolios.

Despite an increase in turnover, the group recorded a loss of approximately HK\$6.7 million, as opposed to last year's profit of HK\$10 million. The loss is mainly attributed to (1) about HK\$15 million provisions were made for the diminution in value of the group's investment securities and properties held for or under development, as compared to HK\$3 million made last year; and (2) the write back of over-provision for profits tax of HK\$3.7 million in last year whereas there is no such item in the current year.

In January 2001, an interim dividend of 2 cents per share was paid. The board now recommends a final dividend of 8 cents per share, absorbing a total HK\$3,200,000. Subject to the approval by the shareholders, such dividend will be payable on 6 September 2001.

REVIEW OF OPERATIONS

Property Development

The group currently focuses on the development of the residential/commercial property at 201-203 Castle Peak Road, Kowloon. The site is now undergoing piling work. Since the adjacent site is an old building, some restrictive conditions have been imposed and have affected the construction progress. During the year, the group has applied to the government for exchange of certain pieces of land in Ping Shan, Yuen Long. Subject to the government's approval on the exchange and reasonable land premium, the group plans to develop the land for residential purpose.

Property Investment

The group's investment property portfolio comprises mainly commercial buildings. During the year, the group purchased a commercial property for long-term rental income at a consideration of approximately HK\$7.8 million. The performance of the property leasing business was satisfactory and both occupancy rate and rental income remained at similar level as in the previous year. We consider that the property leasing market is still volatile and the pressure for downward rental adjustment remains. Revaluation of the investment property portfolio was carried out at 31 March 2001 by an independent property valuer at an open market value, resulting in a net revaluation deficit of HK\$8.4 million for the year.

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Statement by the Chairman (Cont'd)

REVIEW OF OPERATIONS (Cont'd)

Share Investments and Dividend Income

The group classifies the share investment portfolios into long term investment securities for generating stable dividend income and short term portfolio for dealing purposes. The group was not active in share dealings during the year and has bought some HK\$2 million shares. In the long term portfolio, the group realised a profit of HK\$3.3 million and the portfolio was maintained at approximately HK\$50 million after deduction of additional provision made for diminution in value of the share investments amounting to HK\$5.5 million at the year end.

Dividend income for the year is HK\$2 million, which is about 3 times that of last year. The increase was due to the situation that the share investments in the long term portfolio were mainly acquired during the second half of the previous financial year.

Liquidity and Financial Resources

As in the past, the group does not have significant external borrowings and maintains sound liquidity position. At 31 March 2001, the group had bank balances of approximately HK\$35 million. The liquid funds are sufficient to finance the group's daily operation and project development expenditures.

PROSPECTS

It is hopeful that Hong Kong's economy is gradually picking up from the trough that has lasted for considerable period of time. Despite that, the market sentiment is still far from satisfactory. There is still much pressure on rental income, especially after the contraction of most internet related businesses. We hope that the lowering of interest rate could revive the presently sluggish property market. In the midst of these unfavourable conditions, we anticipate that the years ahead will still be difficult for the group. In response to this, the group has adopted a conservative investment policy and will keep on looking for suitable property and other investment opportunities with satisfactory returns.

APPRECIATION

Lastly, I would like to extend my thanks to all my fellow directors and staff of the group for their dedicated contributions.

NG SEE WAH

Chairman

Hong Kong, 28 June 2001