

WINFAIR INVESTMENT COMPANY LIMITED

Chairman's Statement

On behalf of the board, I report the group's financial results and activities for the year ended 31 March 2003.

RESULTS AND DIVIDENDS

The group recorded a turnover for the year of HK\$13.8 million, representing an increase of about 37% over that of last year. The increase in turnover was mainly due to sales of certain trading securities and increase in dividend income. Despite the increase in turnover, the group's loss increased significantly to approximately HK\$12.6 million as a result of the increase in provisions for loss on the group's share investments and properties held for or under development amounting to HK\$11 million approximately.

In January 2003, an interim dividend of 2 cents per share was paid. The board now recommends a final dividend of 7 cents per share, absorbing a total of HK\$2,800,000. Subject to the approval by the shareholders, such dividend will be payable on 3 September 2003.

REVIEW OF OPERATIONS

Property development

The development of the residential/commercial property at 201&203 Castle Peak Road, Kowloon has completed the piling stage. Construction of pile cap and water tank will soon be commenced after the tendering process. In relation to the proposed residential development project at Ping Shan, Yuen Long, the group is negotiating with the government on the land premium. Currently, the group is still waiting for the reply from the government.

Property investment

The performance of the leasing business of the group's investment property portfolio comprising mainly commercial buildings was satisfactory while the economic condition in Hong Kong became worse during the year. Although the occupancy rate remained at the similar level as previous year, we believe that the pressure for downward rental adjustment remains strong and the average rental would drop. Property value continues to be under adjustment and revaluation of the investment property portfolio carried out on 31 March 2003 by an independent property valuer on an open market value basis resulted in a further net revaluation deficit of approximately HK\$10.9 million at the year end.

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Chairman's Statement (Cont'd)

REVIEW OF OPERATIONS (Cont'd)

Share investments and dividend income

The group maintains its share investment portfolios into long term investment securities for generating stable dividend income and short term portfolio for dealing purposes. During the year, the group added to its long term investment portfolio shares of about HK\$1 million. For short term trading, the group made a profit of HK\$1 million approximately. However, the poor stock market condition necessitated the group to make further provision for diminution in value of investment securities and to recognise unrealised holding loss on trading and other securities in the aggregate of HK\$11 million approximately at the year end.

Dividend income for the year is HK\$3.3 million, which has increased by about 53% as compared to the previous year.

Liquidity and financial resources

As in the past, the group does not have external borrowings and always maintains a sound liquidity position. At 31 March 2003, the group had surplus funds at banks of approximately HK\$39 million, which are sufficient to finance the group's daily operation and project development expenditures.

PROSPECTS

The prolonged period of deflation in Hong Kong has hindered the recovery of the property market and it seems that the economic downturn may still persist for some time. After passing the current difficult period, we are confident that Hong Kong's economy could pick up soon. However, before we see any sign of recovery of the economic condition, we will continue our conservative business strategy, which we believe will enable the group to reduce its business risk while maintaining its earning ability in the future.

Appreciation

Lastly, I should thank all my fellow directors and staff of the group for their co-operation and dedicated contributions.

Ng See Wah
Chairman

Hong Kong, 10 July 2003