

Chairman's Statement

On behalf of the board, I am delighted to report the group's financial results and activities for the year ended 31 March 2005.

RESULTS AND DIVIDENDS

For the year under review, the turnover of the group increased by about HK\$16.8 million, or 157%, to HK\$27.6 million approximately. The increase was mainly due to the sales of trading securities amounting to HK\$17.8 million during the year. In the last year, the group did not have any sales of trading securities. The group's profit for the year also increased from HK\$18.5 million to HK\$20.4 million, representing an increase of about 10%. The increase in profit was mainly due to the write-back of provision for impairment losses on long-term investment securities and properties held for or under development and the contribution from the sales of trading securities during the year.

In January 2005, an interim dividend of 2 cents per share was paid. The board now recommends a final dividend of 9 cents per share, absorbing a total of HK\$3,600,000. Subject to the approval by the shareholders, such dividend will be payable on 8 September 2005.

REVIEW OF OPERATIONS

Property development

The development of the residential/commercial property at Castle Peak Road has now progressed to the final stage. Barring any unforeseen circumstances, the construction work will be fully completed by the end of 2005. During the year, additional development expenditure totaling HK\$12.3 million has been incurred. By reference to the estimated open market value appraised by an independent surveyor, the group wrote back the provision for impairment loss on the project by HK\$4.1 million for the year. The management estimates that further development expenditure of about HK\$5 million would be incurred for the project after the balance sheet date. This will be financed by internal resources of the group. At present, the group does not have other significant projects under development.

Property investment

In March 2005, the group completed the acquisition of several commercial properties for rental purpose for a total consideration of HK\$51 million. As mentioned in the Circular to Shareholders dated 24 January 2005, the estimated annual rental income from the properties would be around HK\$2 million. The group financed the acquisition of the properties by internal resources and bank borrowings. After the acquisition and revaluation adjustment, the open market value of the group's investment properties at the balance sheet date increased to HK\$119 million. During the year, one of the major tenants of the group was adjudged bankrupt. This led to a drop in the group's rental income for the year by HK\$0.3 million, or 4.6%, to HK\$6.9 million as compared with the previous year.



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Share investments and dividend income

During the year, the group sold certain trading securities and resulted in a profit of about HK\$2.3 million. In order to strengthen the group's liquidity position, the group also sold certain long-term investment securities and realized a profit of HK\$2.5 million. As a result of the sale, the group's dividend income for the year decreased by about 17% to HK\$2.9 million. As at the balance sheet date, the group's share investments, including both holding for short-term and long-term purposes, had an aggregate market value of HK\$72.5 million.

Liquidity and financial resources

To benefit from the low cost of funding, the group financed the acquisition of the investment properties, as mentioned above, partially by bank borrowings. Although the group's gearing ratio of bank borrowings to total assets raised to 11% as a result, it remains at a healthy gearing level. The management is confident that the group will be able to maintain sound liquidity position to meet its future operating and project development expenditure, and loan repayment obligations.

Prospects

The "Free Tour" policy implemented by the Central Government has brought remarkable stimulus to the tourism and retail industries in Hong Kong. Coupled with the positive policies adopted by the Hong Kong SAR Government towards the property market, the price of property units in premier locations soared significantly while other locations also showed considerable rebound. Since the property industry plays a vital role in Hong Kong's economy, we believe that the Hong Kong SAR Government will cautiously determine its policy in ensuring a healthy and prosperous property market which is essential for continual economic growth of Hong Kong. Although the interest rate downward adjustment cycle has come to an end, we believe that the interest rate would stay at a low level for a certain time. In the medium term, we feel optimistic about the economic outlook of Hong Kong. The group will closely monitor the performance of its assets portfolio and make appropriate strategic adjustments to maximize the returns to shareholders.

Appreciation

Ms. Chan Suit Fei, Esther has been appointed as an independent non-executive director of the company since 28 September 2004. I would like to take this opportunity to welcome Ms. Chan to the Board. Also, I appreciate the support and co-operation of my fellow directors and staff of the group and thank them for their dedicated services and contribution.

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Chairman

Hong Kong, 7 July 2005



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