



WINFAIR INVESTMENT COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

2003/2004 INTERIM REPORT

For the six months ended 30 September 2003

INTERIM RESULTS

The board of directors of Winfair Investment Company Limited (the “company”) announces the unaudited consolidated results of the company and its subsidiaries (the “group”) for the six months ended 30 September 2003. The accounting information contained herein has been reviewed by the company’s audit committee.

Condensed Consolidated Income Statement

For the six months ended 30 September 2003

		(Unaudited)	
		Six months ended	
		30 September	
		2003	2002
			(Restated)
	Notes	HK\$'000	HK\$'000
Turnover	3	5,433	5,669
Other revenue	3	<u>220</u>	<u>306</u>
		5,653	5,975
Administrative and general expenses (including depreciation of HK\$61,000 (2002: HK\$62,000))		(1,744)	(1,590)
Provision for diminution in value of investment securities		—	(6,427)
Net unrealised holding gain/(loss) on trading and other securities		<u>2,826</u>	<u>(1,339)</u>
Profit/(loss) from operations		6,735	(3,381)
Finance cost		<u>—</u>	<u>—</u>
Profit/(loss) before taxation		6,735	(3,381)
Taxation	4	<u>(557)</u>	<u>(175)</u>
Profit/(loss) attributable to shareholders		<u>6,178</u>	<u>(3,556)</u>
Earnings/(loss) per share	5	<u>15.44 cents</u>	<u>(8.89) cents</u>

Condensed Consolidated Balance Sheet

As at 30 September 2003

	Notes	As at 30 September 2003 (Unaudited)		As at 31 March 2003 (Audited and restated)	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
ASSETS					
Non-current assets					
Property, plant and equipment			67,549		67,603
Properties held for or under development			25,420		24,776
Investment securities			45,355		38,972
Other securities			1,591		318
Deferred tax			185		153
			<u>140,100</u>		<u>131,822</u>
Current assets					
Trading securities		7,465		4,978	
Stock of land interests		2,537		2,537	
Debtors, deposits and prepayments	6	896		1,022	
Cash and bank balances		31,964	42,862	39,028	47,565
			<u>31,964</u>	<u>39,028</u>	
Current liabilities					
Creditors and accruals	7	1,289		1,369	
Deposits received		1,383		1,449	
Income received in advance		5		28	
Tax payable		506		265	
Provision for long service payments		1,930	(5,113)	1,930	(5,041)
			<u>1,930</u>	<u>1,930</u>	
Net current assets			<u>37,749</u>		<u>42,524</u>
Total assets less current liabilities			177,849		174,346
Non-current liabilities					
Deferred tax			(580)		(455)
NET ASSETS			<u>177,269</u>		<u>173,891</u>
CAPITAL AND RESERVES					
Share capital	8		40,000		40,000
Reserves			136,469		131,091
Proposed dividend			800		2,800
			<u>177,269</u>		<u>173,891</u>

Condensed Consolidated Cash Flow Statement

For the six months ended 30 September 2003

	(Unaudited)	
	Six months ended	
	30 September	
	2003	2002
	HK\$'000	HK\$'000
Net cash from operating activities	684	809
Net cash used in investing activities	(7,748)	(2,414)
Net cash from financing activities	—	—
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(7,064)	(1,605)
Cash and cash equivalents at beginning of period	39,028	36,072
	<hr/>	<hr/>
Cash and cash equivalents at end of period	31,964	34,467
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Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2003

	Share capital HK\$'000	Capital reserve HK\$'000	Investment property revaluation reserve HK'000	Retained profits HK'000	Proposed dividend HK'000	Total HK'000
As at 1 April 2002						
Previously stated	40,000	251	35,519	122,713	2,800	201,283
Prior year adjustment (Note 1)	—	—	—	(669)	—	(669)
As restated	40,000	251	35,519	122,044	2,800	200,614
Revaluation deficit	—	—	(10,940)	—	—	(10,940)
Dividend paid	—	—	—	(800)	(2,800)	(3,600)
Dividend declared	—	—	—	(2,800)	2,800	—
Loss for the year	—	—	—	(12,183)	—	(12,183)
As at 31 March 2003 and 1 April 2003	40,000	251	24,579	106,261	2,800	173,891
Dividend paid	—	—	—	—	(2,800)	(2,800)
Dividend declared	—	—	—	(800)	800	—
Profit for the period	—	—	—	6,178	—	6,178
As at 30 September 2003	40,000	251	24,579	111,639	800	177,269

Notes to the Condensed Financial Statements

For the six months ended 30 September 2003

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention, as modified for revaluation of investment properties, and trading and other securities, and in accordance with Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants ("HKSA") and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). The accounting policies adopted are consistent with those followed in the preparation of the group's annual financial statements for the year ended 31 March 2003, except that in the current period the group has adopted for the first time the revised SSAP 12 "Income Taxes".

The principal effect of the implementation of the revised SSAP12 relates to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method under which a liability was recognised in respect of all material timing differences arising between the accounting and tax treatment of income and expenditure, except where those timing differences were not expected to reverse in the foreseeable future. The revised SSAP 12 requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. Deferred tax asset in respect of tax losses is recognised only to the extent that future profits will probably be available against which the asset can be utilised. The new accounting policy has been applied retrospectively and comparative amounts for prior period have been restated accordingly. The retained profits as at 1 April 2002 have been decreased by HK\$669,000, which is the cumulative effect of the change in policy on the results for periods prior to 1 April 2002. The change results in a decrease in profit in the current period by HK\$93,000 (six months ended 30 September 2002: decrease in loss by HK\$235,000).

2. SEGMENT INFORMATION

The group's segment revenue and segment results for the six months ended 30 September 2003 as analysed by activities are as follows:—

	Segment revenue (Unaudited)		Segment results (Unaudited)	
	Six months ended		Six months ended	
	30. 9. 2003	30. 9. 2002	30. 9. 2003	30. 9. 2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Property development	—	—	(19)	(20)
Property leasing	3,678	3,961	2,519	2,944
Securities dealings and investments	1,755	1,708	4,231	(6,501)
	<u>5,433</u>	<u>5,669</u>	<u>6,731</u>	<u>(3,577)</u>
Interest income			220	306
Unallocated corporate expenses			(216)	(110)
Taxation			(557)	(175)
Profit/(loss) after taxation			<u>6,178</u>	<u>(3,556)</u>

All the group's activities are carried out in Hong Kong.

3. TURNOVER AND OTHER REVENUE

	(Unaudited)	
	Six months ended	
	30. 9. 2003	30. 9. 2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Gross rental income from investment properties	3,678	3,961
Dividend income from listed investments	1,755	1,708
	<u>5,433</u>	<u>5,669</u>
Turnover	5,433	5,669
Interest income	220	306
	<u>5,653</u>	<u>5,975</u>
Total turnover and other revenue	<u>5,653</u>	<u>5,975</u>

4. TAXATION

	(Unaudited)	
	Six months ended	
	30. 9. 2003	30. 9. 2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Taxation in the condensed consolidated income statement represents:—		(Restated)
Current tax		
Provision for the period	(467)	(410)
Over-provision in previous year	3	—
Deferred tax	(93)	235
	<u>(557)</u>	<u>(175)</u>

Provision for Hong Kong profits tax is made at 17.5% (2002: 16%) on the estimated assessable profit for the period.

5. EARNINGS/(LOSS) PER SHARE

The calculation of earnings per share is based on the consolidated profit after taxation of HK\$6,178,000 (2002: loss HK\$3,556,000) and on 40,000,000 shares (2002: 40,000,000 shares) in issue during the period.

6. DEBTORS, DEPOSITS AND PREPAYMENTS

Included therein are rental receivables of the group of HK\$381,000 (2002: HK\$371,000) which were current and within normal credit period.

7. CREDITORS AND ACCRUALS

There were no significant creditors as at 30 September 2003.

8. SHARE CAPITAL

There were no movements in the share capital of the company during the period.

INTERIM DIVIDEND

The board has resolved to pay an interim dividend of 2 cents per share (2002: 2 cents) totalling HK\$800,000 (2002: HK\$800,000). The dividend will be paid on or about 8 January 2004 to the shareholders whose names appear on the Register of Members of the company at the close of business on 2 January 2004.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the company will be closed from 30 December 2003 to 2 January 2004, both days inclusive. To qualify for the dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the company's Share Registrar, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on 29 December 2003.

DIRECTORS' INTERESTS IN SHARES

As at 30 September 2003, the interests of the directors in the issued share capital of the company as recorded in the register maintained pursuant to section 352 of the Securities and Futures Ordinance (the "SFO") were as follows:

	Number of Shares Held			
	Personal Interests	Family Interests	Corporate Interests	Other Interests
Executive directors:				
Mr. Ng See Wah	7,941,423	910,000	3,370,500*	—
Mr. Ng Tai Wai	3,899,077	—	3,370,500*	—
Mr. Soo Cho Ling	5,008,423	250,000	—	—
Non-executive directors:				
Mr. Ng Tai Keung	259,000	—	—	—
Mr. So Kwok Leung	5,961,077	—	—	—
Independent non-executive directors:				
Mr. Heng Kwo Seng	—	—	—	—
Mr. Ng Chi Yeung, Simon	—	—	—	—

* 3,370,500 shares attributable to Mr. Ng See Wah and Mr. Ng Tai Wai were shares held by Rheingold Holdings Limited, a company beneficially owned by Mr. Ng See Wah and Mr. Ng Tai Wai.

Save as disclosed above and other than certain nominee shares in subsidiaries held in trust for the company by the directors, none of the company's directors and their associates had any interests, both long and short positions, in any securities of the company or any of its associated corporations, within the meaning of the SFO, as recorded in the register kept by the company under section 352 of the SFO in respect of information required to be notified to the company and the Stock Exchange pursuant to the SFO or to the Model Code for Securities Transactions by Directors of Listed Companies.

No rights have been granted to the directors, chief executive or to the spouse or children (under 18 years of age) of any such director or chief executive to subscribe for shares of the company.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2003, no person, other than certain directors of the company disclosed above, was interested in five per cent or more in the shares of the company as recorded in the register of shareholders' interests in shares and short positions required to be kept under section 336 of the SFO.

BUSINESS REVIEW AND PROSPECTS

Business review

The group's turnover for the period amounted to HK\$5,433,000, dropped by HK\$236,000 or 4% as compared to the previous period. The decrease in turnover was mainly due to the decrease in rental income from the group's investment properties. Despite that, the group's performance was significantly improved. The group reported a profit attributable to the shareholders of HK\$6,178,000 for the period, as contrasted to the loss of HK\$3,791,000 in the previous period. The turn-around in the result was attributed to the recovery of the stock market. During the period, the group was not required to recognize additional impairment loss for its securities investment, which amounted to HK\$7,766,000 in the previous period. On the contrary, the group recognized an unrealized holding gain of HK\$2,826,000, as a result of general increase in stock prices during the period.

Property development

Regarding the development of the residential/commercial property at 201-203 Castle Peak Road, Kowloon, the site is currently undergoing construction of pile cap. The group plans to speed up the construction progress of the project. For the proposed residential project at Ping Shan, Yuen Long, the group is still waiting for the reply from the government regarding the amount of land premium for change of use. As all projects are still at early stage of development, the group's property development business did not have significant contributions to the group's turnover and result for the period.

Property investment

There was no change in the group's investment property portfolio during the period and rental income therefrom amounted to HK\$3,678,000, representing a decrease of about 7%. This reflected the significant pressure from the tenants for rental reduction when most of the leases were renewed early this year. The group believes that such pressure has been relieved much as the economic condition in Hong Kong is improving. The property investment business accounted for 68% turnover of the group and contributed a profit of HK\$2,519,000 for the period.

Share investment and dividend income

During the period, the group had no trading in listed securities and acquired some HK\$7,300,000 good quality listed securities for long term investment purpose. The group wishes that by enlarging the long term investment portfolio, it continues to contribute stable dividend income to the group. Dividend income for the period amounted to HK\$1,755,000, increased by about 3% as compared to the previous period. Due to the increase in stock prices, the group's securities dealings and investments business contributed a profit of HK\$4,231,000 for the period, as contrasted to the loss of HK\$6,501,000 in the previous period.

Liquidity and financial resources

As in the past, the group does not have external borrowings and always maintains a sound liquidity position. As at 30 September 2003, the group had liquid funds at banks amounting to HK\$31 million, which are sufficient for the group's daily operation and project development expenditures.

Prospects

It is encouraging to see that the Hong Kong government has been working closely with the central government and agreed a number of measures in promoting the economic co-operation between Hong Kong and the mainland China. Although the group may not obtain much direct benefit from such a closer economic co-operation, it definitely provides significant impetus to many businesses in Hong Kong and consequently helps Hong Kong economy pick up again. We believe that a good economy is essential in bringing good return to the group's investments in the property and securities markets.

PURCHASE, SALE AND REDEMPTION OF SHARES

Neither the company nor any of its subsidiaries purchased, sold or redeemed any of the company's issued shares during the period under review.

CORPORATE GOVERNANCE

None of the directors of the company is aware of any information that would reasonably indicate that the company is not, or was not during the six months ended 30 September 2003 in compliance with the Code of Best Practice as set out in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, except that the independent non-executive directors are not appointed for a specific term as they are subject to retirement by rotation and re-election at the annual general meeting of the company.

By order of the board

Ng See Wah

Chairman

Hong Kong, 15 December 2003