



**WINFAIR INVESTMENT COMPANY LIMITED**

(Incorporated in Hong Kong with limited liability)

**2004/2005**

**INTERIM REPORT**

For the six months ended 30 September 2004

## INTERIM RESULTS

The board of directors of Winfair Investment Company Limited (the “company”) is pleased to report the unaudited consolidated results of the company and its subsidiaries (the “group”) for the six months ended 30 September 2004. 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 2004

		(Unaudited)	
		Six months ended	
		30 September	
		2004	2003
	Notes	HK\$'000	HK\$'000
<b>Turnover</b>	3	<b>14,343</b>	5,433
Carrying amount of trading securities sold		<u>(7,892)</u>	<u>—</u>
		<b>6,451</b>	5,433
Other revenue	3	<u>33</u>	<u>220</u>
		<b>6,484</b>	5,653
Administrative and general expenses (including depreciation of HK\$59,800 (2003: HK\$61,000))		<b>(2,164)</b>	(1,744)
Gain on disposal of investment securities		<b>1,047</b>	—
Net unrealised holding gain on trading and other securities		<u>345</u>	<u>2,826</u>
<b>Profit from operations</b>		<b>5,712</b>	6,735
Finance cost		<u>—</u>	<u>—</u>
<b>Profit before taxation</b>		<b>5,712</b>	6,735
Taxation	4	<u>(406)</u>	<u>(557)</u>
<b>Profit attributable to shareholders</b>		<b><u>5,306</u></b>	<b><u>6,178</u></b>
<b>Earnings per share</b>	5	<b><u>13 cents</u></b>	<b><u>15 cents</u></b>

## Condensed Consolidated Balance Sheet

As at 30 September 2004

	Notes	(Unaudited)		(Audited)	
		As at 30 September 2004		As at 31 March 2004	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment			72,309		72,369
Properties held for or under development			40,298		34,719
Investment securities			51,506		52,072
Other securities			1,207		1,317
			<u>165,320</u>		<u>160,477</u>
<b>Current assets</b>					
Trading securities		10,345		8,171	
Stock of land interests		2,537		2,537	
Debtors, deposits and prepayments	6	1,102		2,125	
Tax recoverable		—		91	
Cash and bank balances		22,117	36,101	25,950	38,874
			<u>22,117</u>	<u>36,101</u>	<u>25,950</u>
<b>Current liabilities</b>					
Creditors and accruals	7	1,877		1,599	
Deposits received		1,334		1,373	
Income received in advance		15		11	
Tax payable		27		—	
Provision for long service payments		2,079	(5,332)	2,018	(5,001)
			<u>2,079</u>	<u>(5,332)</u>	<u>2,018</u>
<b>Net current assets</b>			<u>30,769</u>		<u>33,873</u>
<b>Total assets less current liabilities</b>			<u>196,089</u>		<u>194,350</u>
<b>Non-current liabilities</b>					
Deferred tax			(378)		(345)
			<u>(378)</u>		<u>(345)</u>
<b>NET ASSETS</b>			<u>195,711</u>		<u>194,005</u>
<b>CAPITAL AND RESERVES</b>					
Share capital	8		40,000		40,000
Reserves			154,911		150,405
Proposed dividend			800		3,600
			<u>195,711</u>		<u>194,005</u>

## Condensed Consolidated Cash Flow Statement

For the six months ended 30 September 2004

	<b>(Unaudited)</b>	
	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Net cash from operating activities	<b>108</b>	684
Net cash used in investing activities	<b>(3,941)</b>	(7,748)
Net cash from financing activities	<b>—</b>	—
	<hr/>	<hr/>
<b>Net decrease in cash and cash equivalents</b>	<b>(3,833)</b>	(7,064)
Cash and cash equivalents at beginning of period	<b>25,950</b>	39,028
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<b>Cash and cash equivalents at end of period</b>	<b>22,117</b>	31,964
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## Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2004

	Share capital	Capital reserve	Investment revaluation reserve	Retained profits	Proposed dividend	Total
	HK\$'000	HK\$'000	HK'000	HK'000	HK'000	HK'000
<b>As at 1 April 2003</b>	40,000	251	24,579	106,563	2,800	174,193
Dividend paid	—	—	—	—	(2,800)	(2,800)
Net profit for the period	—	—	—	6,178	—	6,178
Dividend declared	—	—	—	(800)	800	—
<b>As at 30 September 2003</b>	40,000	251	24,579	111,941	800	177,571
Dividend paid	—	—	—	—	(800)	(800)
Net profit for the period	—	—	—	12,354	—	12,354
Revaluation surplus	—	—	4,880	—	—	4,880
Dividend declared	—	—	—	(3,600)	3,600	—
<b>As at 31 March 2004</b>	40,000	251	29,459	120,695	3,600	194,005
Dividend paid	—	—	—	—	(3,600)	(3,600)
Net profit for the period	—	—	—	5,306	—	5,306
Dividend declared	—	—	—	(800)	800	—
<b>As at 30 September 2004</b>	<u>40,000</u>	<u>251</u>	<u>29,459</u>	<u>125,201</u>	<u>800</u>	<u>195,711</u>

Note:

For the year ended 31 March 2004, the group adopted the Statement of Standard Accounting Practice 2.112 "Income Taxes (revised)" issued by the Hong Kong Institute of Certified Public Accountants. As the effect of adoption of the SSAP 12 is not material, prior year adjustment was not made to the opening balance of the retained profits in the group's financial statements for the year ended 31 March 2004. Accordingly, the balances at 1 April 2003 in this statement are presented in accordance with the audited financial statements for the year ended 31 March 2004.

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 September 2004

### 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 No. 25 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants 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 accounting policies adopted are consistent with those followed in the preparation of the group's annual financial statements for the year ended 31 March 2004.

### 2. SEGMENT INFORMATION

The group's segment revenue and segment results for the six months ended 30 September 2004 as analysed by activities are as follows:—

	Segment revenue		Segment results	
	Six months ended		Six months ended	
	30.9.2004	30.9.2003	30.9.2004	30.9.2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Property development	—	—	(26)	(19)
Property leasing	3,514	3,678	2,381	2,519
Securities dealings and investments	10,829	1,755	3,506	4,231
	<u>14,343</u>	<u>5,433</u>	<u>5,861</u>	<u>6,731</u>
Interest income			25	220
Unallocated corporate expenses			(174)	(216)
Taxation			(406)	(557)
Profit after taxation			<u>5,306</u>	<u>6,178</u>

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

### 3. TURNOVER AND OTHER REVENUE

	Six months ended	
	30.9.2004 HK\$'000	30.9.2003 HK\$'000
<b>Turnover</b>		
Gross rental income from investment properties	3,514	3,678
Dividend income from listed investments	1,982	1,755
Sales of trading securities	8,847	—
	<u>14,343</u>	<u>5,433</u>
<b>Other revenue</b>		
Interest income	25	220
Sundry income	8	—
	<u>8</u>	<u>—</u>
<b>Total turnover and other revenue</b>	<u><b>14,376</b></u>	<u><b>5,653</b></u>

### 4. TAXATION

	Six months ended	
	30.9.2004 HK\$'000	30.9.2003 HK\$'000
Taxation in the condensed consolidated income statement represents:—		
Current tax		
Provision for the period	(373)	(467)
Over-provision in previous year	—	3
Deferred tax	(33)	(93)
	<u>(406)</u>	<u>(557)</u>

Provision for Hong Kong profits tax is made at 17.5% (2003: 17.5%) on the estimated assessable profit for the period.

### 5. EARNINGS PER SHARE

The calculation of earnings per share is based on the consolidated profit after taxation of HK\$5,306,000 (2003: HK\$6,178,000) and on 40,000,000 shares (2003: 40,000,000 shares) in issue during the period.

## 6. DEBTORS, DEPOSITS AND PREPAYMENTS

Included therein are rental receivables, an ageing analysis of which is as follows:

	As at 30.9.2004 <i>HK\$'000</i>	As at 31.3.2004 <i>HK\$'000</i>
Within 3 months	418	410
More than 3 months and overdue	225	—
	<u>643</u>	<u>410</u>

In general, tenants are required to pay rentals on monthly basis in advance. In few circumstances rentals were in arrears and for those overdue the group would take legal action.

## 7. CREDITORS AND ACCRUALS

There were no significant creditors as at 30 September 2004.

## 8. SHARE CAPITAL

	As at 30.9.2004		As at 31.3.2004	
	No. of shares	Amount <i>HK\$'000</i>	No. of shares	Amount <i>HK\$'000</i>
<b>Authorised</b>				
Ordinary shares of HK\$1 each	<u>60,000,000</u>	<u>60,000</u>	<u>60,000,000</u>	<u>60,000</u>
<b>Issued and fully paid</b>				
Ordinary shares of HK\$1 each	<u>40,000,000</u>	<u>40,000</u>	<u>40,000,000</u>	<u>40,000</u>



## **INTERIM DIVIDEND**

The board has resolved to pay an interim dividend of 2 cents per share (2003: 2 cents) totalling HK\$800,000 (2003: HK\$800,000). The dividend will be paid on or about 19 January 2005 to the shareholders whose names appear on the Register of Members of the company at the close of business on 14 January 2005.

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members of the company will be closed from 10 January 2005 to 14 January 2005, 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, 17 Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on 7 January 2005.

## **DIRECTORS' INTERESTS IN SECURITIES**

As at 30 September 2004, the interests and short positions of the directors of the company in the shares, underlying shares and debentures of the company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the directors had taken or deemed to have under the provisions of the SFO) or which were recorded in the

register required to be kept by the company under section 352 of the SFO or as otherwise notified to the company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

	Number of shares held				Total
	Personal interests	Family interests	Corporate interests	Other interests	
<b>Executive directors:</b>					
Ng See Wah	7,941,423	910,000	3,370,500*	—	12,221,923
Ng Tai Wai	3,899,077	—	3,370,500*	—	7,269,577
Soo Cho Ling	5,008,423	250,000	—	—	5,258,423
<b>Non-executive directors:</b>					
Ng Tai Keung	259,000	—	—	—	259,000
So Kwok Leung	5,961,077	—	—	—	5,961,077
<b>Independent non-executive directors:</b>					
Heng Kwo Seng	—	—	—	—	—
Ng Chi Yeung, Simon	—	—	—	—	—
Chan Suit Fei, Esther #	—	—	—	—	—

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

# Appointed on 28 September 2004

Save as disclosed above and other than certain nominee shares in subsidiaries held by the directors in trust for the company, none of the directors or their associates had any interests or short positions in any shares, underlying shares or debentures of the company or any of its associated corporations.

None of the directors, their spouses or their children under the age of 18 had any right to subscribe for the shares of the company.

## **SUBSTANTIAL SHAREHOLDERS**

As at 30 September 2004, no person, other than certain directors of the company, had notifiable interest or short position in the shares or underlying shares of the company as recorded in the register maintained pursuant to section 336 of the SFO.

## **BUSINESS REVIEW AND PROSPECTS**

### **Business review**

The group's turnover for the period amounted to HK\$14,343,000, which was increased by HK\$8,910,000 or 164%, as compared to the previous period. The increase was mainly due to the turnover generated from the sale of trading securities amounting to HK\$8,847,000 for the period. The profit attributable to shareholders was HK\$5,306,000, which was decreased by HK\$872,000 or 14%, as compared to the previous period.

### **Property development**

The development of the residential/commercial property at 201-203 Castle Peak Road, Kowloon, is in progress, currently undergoing the construction of superstructure. Barring any unforeseen circumstances, the construction work will be completed in 2005. Presently, the group does not have other significant projects under development.

### **Property investment**

There was no change in the group's investment property portfolio during the period and the rental income therefrom amounted to HK\$3,514,000, representing a decrease of about 4%, for the period. During the period, the group was able to renew with a major tenant its lease of one of the investment properties at a reasonable rental. For some vacant properties, the group steadily received offers for leasing. In general, the performance of the group's property leasing business was quite stable.

## **Share investment and dividend income**

The group transacted several sales and purchases of listed securities during the period which gave rise to the turnover and contribution to the group's result for the period of HK\$8,847,000 and HK\$955,000 respectively. While maintaining similar size of long-term investment portfolio, the group switched certain investments in the portfolio resulting in a profit of HK\$1,047,000 for the period. The dividend income from the short-term and the long-term investment portfolios also showed an increase of HK\$227,000 or 13% from that of last year. Overall, the performance of the group's securities investment business was satisfactory for the period.

## **Liquidity and financial resources**

The group continues to be free of external borrowings and always maintain a sound liquidity position. As at 30 September 2004, the group had liquid funds at banks amounting to HK\$22 million, which are sufficient for its daily operation and project development expenditure.

## **Prospects**

The outlook of the Hong Kong property market is encouraging but contains uncertainties. Looking back the period we saw that the prices of land and property units at premier locations surged considerably, but not in other areas of Hong Kong. We hope that such good sentiment in the premier properties will spread to other property sectors. We will closely watch at the property market condition to adjust the development plans of the property projects on hand. Similarly, the stock market has also been very active reflecting the improvement of the general economic condition of Hong Kong. We hope that such trend will persist in the foreseeable future to bring good returns on the securities investment business. The group shall consistently adopt a prudent policy in balancing its exposure to risk and returns for every investment decision.

## **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

The audit committee, consisting of two independent non-executive directors and one non-executive director, has reviewed with the management the accounting principles and practices adopted by the group and discussed, internal control and financial reporting matters, including the review of the group's unaudited interim financial statements.

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 2004 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 2004