



WINFAIR INVESTMENT COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 0287)

INTERIM REPORT **2006/2007**

For the six months ended 30 September 2006

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 2006. 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 2006

	Notes	(Unaudited) Six months ended 30 September	
		2006 HK\$'000	2005 HK\$'000
Turnover	3	9,558	6,850
Other revenue	3	403	100
		9,961	6,950
Administrative and general expenses [including depreciation and amortisation of leasehold land of HK\$27,000 (2005: HK\$28,000) and HK\$18,000 (2005: HK\$18,000) respectively]		(2,657)	(2,283)
Cost of sales of financial assets at fair value through profit or loss		(2,256)	—
(Decrease)/increase in fair value of financial assets at fair value through profit or loss		(36)	399
Gain on disposal of available-for-sale financial assets		2,076	3,155
Gain on disposal of stock of land interests		8,087	—
Provision for impairment loss on properties held for or under development		(37)	—
Provision for impairment loss on stock of property units		(4,500)	—
Increase in fair value of investment properties		175	—
Finance cost		(650)	(476)
Profit before taxation		10,163	7,745
Taxation	4	(526)	(413)
Profit after taxation attributable to the equity holders of the company		9,637	7,332
Earnings per share	5	24 cents	18 cents

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2006

	(Unaudited)	
	Six months ended	
	30 September	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash generated from operating activities	4,163	1,457
Net cash generated from investing activities	8,610	5,612
Net cash used in financing activities	(6,050)	(5,476)
Net increase in cash and cash equivalents	6,723	1,593
Cash and cash equivalents at beginning of period	15,119	7,920
Cash and cash equivalents at end of period	21,842	9,513

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2006

	Share capital HK\$'000	Capital reserve HK\$'000	Retained profits HK\$'000	Proposed dividend HK\$'000	Total HK\$'000
As at 1 April 2005	40,000	251	171,837	3,600	215,688
Dividend paid	—	—	—	(3,600)	(3,600)
Net profit for the period	—	—	7,332	—	7,332
Increase in fair value of available -for-sale financial assets recognized in equity	—	—	8,542	—	8,542
Transfer to income statement upon disposal of available-for-sale financial assets	—	—	(2,841)	—	(2,841)
Dividend declared	—	—	(800)	800	—
As at 30 September 2005	40,000	251	184,070	800	225,121
Dividend paid	—	—	—	(800)	(800)
Net profit for the period	—	—	25,636	—	25,636
Increase in fair value of available-for-sale financial assets recognized in equity	—	—	6,870	—	6,870
Transfer to income statement upon disposal of available -for-sale financial assets	—	—	(275)	—	(275)
Dividend declared	—	—	(4,000)	4,000	—
As at 31 March 2006	40,000	251	212,301	4,000	256,552
Dividend paid	—	—	—	(4,000)	(4,000)
Net profit for the period	—	—	9,637	—	9,637
Increase in fair value of available -for-sale financial assets recognized in equity	—	—	4,599	—	4,599
Transfer to income statement upon disposal of available -for-sale financial assets	—	—	(1,675)	—	(1,675)
Dividend declared	—	—	(800)	800	—
As at 30 September 2006	40,000	251	224,062	800	265,113

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 September 2006

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment properties and share investments, and in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

The accounting policies adopted for the preparation of these condensed financial statements are consistent with those set out in the group's annual financial statements for the year ended 31 March 2006.

2. SEGMENT INFORMATION

The group's segment revenue and results for the six months ended 30 September 2006 as analysed by activities are as follows:

	Securities investment		Property leasing		Property development		Consolidated total	
	Six months ended		Six months ended		Six months ended		Six months ended	
	30 September		30 September		30 September		30 September	
	2006	2005	2006	2005	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue	4,315	1,930	5,243	4,920	—	—	9,558	6,850
Segment results	1,293	2,147	3,775	3,206	(58)	(28)	5,010	5,325
Gain on disposal of available-for-sale financial assets	2,076	3,155	—	—	—	—	2,076	3,155
Provision for impairment loss on properties held for or under development	—	—	—	—	(37)	—	(37)	—
Provision for impairment loss on stock of property units	—	—	—	—	(4,500)	—	(4,500)	—
Increase in fair value investment properties	—	—	175	—	—	—	175	—
Gain on disposal of stock of land interests	—	—	—	—	8,087	—	8,087	—
Results before interest, tax and corporate expenses	3,369	5,302	3,950	3,206	3,492	(28)	10,811	8,480
Interest income							393	100
Interest expenses							(650)	(476)
Unallocated corporate expenses							(391)	(359)
Profit before taxation							10,163	7,745
Taxation							(526)	(413)
Profit after taxation							9,637	7,332

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

3. TURNOVER AND OTHER REVENUE

	Six months ended 30 September	
	2006	2005
	HK\$'000	HK\$'000
Turnover		
Gross rental income from investment properties	5,243	4,920
Dividend income from listed investments	1,910	1,930
Sales of financial assets at fair value through profit or loss (trading securities)	2,405	—
	<hr/>	<hr/>
	9,558	6,850
Other revenue		
Interest income	393	100
Sundry income	10	—
	<hr/>	<hr/>
Total turnover and other revenue	9,961	6,950

4. TAXATION

	Six months ended 30 September	
	2006	2005
	HK\$'000	HK\$'000
Taxation in the condensed consolidated income statement represents:—		
Current tax		
Provision for Hong Kong profits tax	(419)	(371)
Deferred tax	(107)	(42)
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	(526)	(413)

Provision for Hong Kong profits tax is made at 17.5% (2005: 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\$9,637,000 (2005: HK\$7,332,000) and on 40,000,000 shares (2005: 40,000,000 shares) in issue during the period.

6. TRADE AND OTHER RECEIVABLES

	As at 30 September 2006 HK\$'000	As at 31 March 2006 HK\$'000
Rental receivables — within 3 months	452	508
Deposits and prepayments	460	546
Other receivables	354	433
	1,266	1,487

7. TRADE AND OTHER PAYABLES

	As at 30 September 2006 HK\$'000	As at 31 March 2006 HK\$'000
Rental deposits received	1,927	1,883
Receipt in advance	23	26
Construction cost payable	46	410
Retention money payable	840	1,617
Unclaimed dividends	976	928
Accrued expenses	610	544
	4,422	5,408

8. SHARE CAPITAL

	As at 30 September 2006		As at 31 March 2006	
	No. of shares	Amount HK\$'000	No. of shares	Amount HK\$'000
Authorised				
Ordinary shares of HK\$1 each	60,000,000	60,000	60,000,000	60,000
Issued and fully paid				
Ordinary shares of HK\$1 each	40,000,000	40,000	40,000,000	40,000

INTERIM DIVIDEND

The board has resolved to pay an interim dividend of 2 cents per share (2005: 2 cents) totalling HK\$800,000 (2005: HK\$800,000). The dividend will be paid on or about 17 January 2007 to the shareholders whose names appear on the Register of Members of the company at the close of business on 5 January 2007.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the company will be closed from Tuesday, 2 January 2007 to Friday, 5 January 2007, 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 Friday, 29 December 2006.

DIRECTORS' INTERESTS IN SECURITIES

As at 30 September 2006, 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	
Executive directors:					
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

DIRECTORS' INTERESTS IN SECURITIES (Con'd)

	Number of shares held				Total
	Personal interests	Family interests	Corporate interests	Other interests	
Non-executive directors:					
Ng Tai Keung	259,000	—	—	—	259,000
So Kwok Leung	5,961,077	—	—	—	5,961,077
Independent non-executive directors:					
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.

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 2006, 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.

SHARE PURCHASE, SALE OR REDEMPTION

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

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS OF THE COMPANY

The company has adopted the Model Code set out in Appendix 10 of the Listing Rules as its code of conduct regarding directors' securities transactions. After having made specific enquiry of all directors, the directors of the company are satisfied that the required standard set out in the Model Code has been fully complied with.

AUDIT COMMITTEE

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.

EMPLOYEE AND EMOLUMENT POLICY

As at 30 September 2006, the group had 3 (2005: 3) employees (excluding 3 executive directors). The remuneration policy and package of the group's employees are periodically reviewed according to the individual performance. The total staff cost, including mandatory provident fund contribution of HK\$16,000 (2005: HK\$16,000), was HK\$363,000 (2005: HK\$346,000) for the six months ended 30 September 2006.

PLEDGE OF ASSETS

As at 30 September 2006, the investment properties of the group with an aggregate carrying value of HK\$53,060,000 (31 March 2006: HK\$53,060,000) were pledged to a bank to secure general banking facilities granted to the group.

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 2006 in compliance with the code provisions set out in the "Code of Corporate Governance Practices" contained in Appendix 14 of the Listing Rules, except that:

1. The group has not designated any chief executive officer. In normal practice, prior approvals by all executive directors are required for all strategic decisions and are confirmed in formal board meeting or under written resolution subsequently. The group believes that the existing organisation and decision making procedures are adequate for the group to cope with the ever-changing economic environment.
2. The non-executive and independent non-executive directors of the company 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.
3. Directors appointed to fill casual vacancy are not subject to election by shareholders at the first general meeting after their appointment. They will hold office until the next annual general meeting in which they are eligible for re-election.
4. The company has arranged to make available the terms of reference of Audit Committee and Remuneration Committee on request. However, the terms are not posted on website as the company does not have its own official website.

BUSINESS REVIEW AND PROSPECTS

Business review

The group's turnover for the period amounted to HK\$9,558,000, increased by HK\$2,708,000 or 40%, as compared to the same period in the previous year. The increase in turnover was mainly due to the increased turnover from sale of trading securities during the period.

BUSINESS REVIEW AND PROSPECTS *(Con'd)*

Business review *(Con'd)*

The profit attributable to shareholders increased by HK\$2,305,000 or 31% to HK\$9,637,000, as compared to the same period in last year. The significant increase was attributable to a non-recurring gain on disposal of land interest amounting to HK\$8,087,000. However, the gain was partially compensated by a provision for impairment loss of HK\$4,500,000 on the stock of completed property units.

Property development

The development of the residential/commercial property at 201-203 Castle Peak Road, Kowloon was completed during the period and the property units are now pending for sale. By reference to the valuation appraisal from an independent surveyor, the group has made a provision for impairment loss of HK\$4,500,000 on the property units. At present, the group does not have other significant projects under development.

Property leasing

The revenue and results of the group's property leasing business increased by HK\$323,000 or 7% and HK\$744,000 or 23% to HK\$5,243,000 and HK\$3,950,000 respectively, as compared to the same period in last year. The increases were mainly due to the increase in property rental on renewal of tenancies and the increase in fair value of the group's investment properties. In general, the performance of the property leasing business was satisfactory.

Securities investment

There were sales of trading securities during the period resulting in an increase of turnover of the securities investment business by HK\$2,385,000 or 124% to HK\$4,315,000 as compared to the same period in last year. The dealings in trading securities brought a profit of HK\$149,000 to the securities investment business.

BUSINESS REVIEW AND PROSPECTS *(Con'd)*

Securities investment *(Con'd)*

The overall result of the securities investment business, however, decreased by HK\$1,933,000 or 36% to HK\$3,369,000, as compared to the same period last year. It was due to decrease in profit contribution from the sale of long-term share investments by HK\$1,079,000 or 34%. At 30 September 2006, the group's long-term share investment portfolio recorded an unrealised gain of HK\$4,599,000 (2005: HK\$8,542,000), which was taken to equity in accordance with the accounting standards. Whereas the short-term share investment portfolio recorded an unrealised loss of HK\$36,000 (2005: unrealised gain of HK\$399,000), which was taken up to the income statement.

Liquidity and financial resources

The group's gearing ratio calculated as bank borrowings to total assets at 30 September 2006 stood at 8%, which is considered a healthy level. The group has sufficient liquid funds and marketable securities to meet its future working capital requirement and loan repayment obligations.

Prospects

Hong Kong's economy continues to have satisfactory performance. Recently, certain leading banks in Hong Kong announced a cut down of prime interest rates. Increase in interest rates in the near term seems very unlikely. Local employment continues to improve and the unemployment rate reaches a low point in the past few years. We hope that the group's property development business can be benefited under the favourable economic environment. On the other hand, the continued economic growth and increase in tourists from the mainland China under the Individual Traveller Scheme would have positive stimulus to local property rentals. We foresee that there will be moderate increase in commercial property rentals and the outlook of our property leasing business is promising. As the launching of Qualified Domestic Institutional Investors Scheme by the Central Government, we believe that this will have long-term favourable effect on the Hong Kong securities market. The group's securities investment business can be benefited.

BUSINESS REVIEW AND PROSPECTS *(Con'd)*

Prospects *(Con'd)*

We shall continuously monitor the performance of the group's properties and share investments to ensure the best asset allocation. While maximising the value of the group, we will consistently adopt prudent investment policy to balance the group's exposure to risk and returns in every investment decision.

By order of the board

Ng See Wah

Chairman

Hong Kong, 15 December 2006

INDEPENDENT REVIEW REPORT

TO THE BOARD OF DIRECTORS OF WINFAIR INVESTMENT COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

Introduction

We have been instructed by Winfair Investment Company Limited to review the group interim financial statements set out on pages 1 to 7.

Directors' responsibilities

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of interim financial statements to be in compliance with the Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and the relevant provisions thereof. The group interim financial statements are the responsibility of, and have been approved by, the directors.

It is our responsibility to form an independent conclusion, based on our review, on the group interim financial statements and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Review work performed

We conducted our review in accordance with Statement of Auditing Standards 700 "Engagements to Review Interim Financial Reports" issued by the Hong Kong Institute of Certified Public Accountants. A review consists principally of making enquiries of the management and applying analytical procedures to the interim financial statements and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the group interim financial statements.

Review conclusion

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the group interim financial statements for the six months ended 30 September 2006.

Wong Brothers & Co.

Certified Public Accountants

Hong Kong, 15 December 2006