



WINFAIR INVESTMENT COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 0287)

INTERIM REPORT 2008/2009

For the six months ended 30 September 2008

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 2008. 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 2008

	Notes	(Unaudited) Six months ended 30 September	
		2008 HK\$'000	2007 HK\$'000
Turnover	3	95,504	10,210
Cost of sales			
Carrying amount of trading securities sold		(10,999)	(2,112)
Cost of developed property units sold		(63,791)	—
		(74,790)	(2,112)
Gross profit		20,714	8,098
Other revenue		350	340
Administrative and general expenses [including depreciation and amortization of leasehold land of HK\$26,000 (2007: HK\$27,000) and HK\$19,000 (2007: HK\$18,000) respectively]		(3,550)	(2,425)
Gain on disposal of available-for-sale financial assets		—	10,278
Gain on disposal of stock of land interests		—	924
(Decrease)/increase in fair value of trading securities		(4,725)	909
Increase in fair value of investment properties		6,240	4,260
Finance cost		(42)	(574)
Profit before taxation		18,987	21,810
Taxation	4	(2,115)	(1,090)
Profit after taxation attributable to the equity holders of the company		16,872	20,720
Earnings per share	5	42 cents	52 cents

CONDENSED CONSOLIDATED BALANCE SHEET*As at 30 September 2008*

	Notes	(Unaudited) As at 30 September 2008		(Audited) As at 31 March 2008	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
ASSETS					
Non-current assets					
Property, plant and equipment			947		973
Investment properties		152,510		146,270	
Leasehold land		1,518		1,537	
Properties held for or under development			9,420		9,400
Available-for-sale financial assets – equity shares listed in Hong Kong			84,600		98,888
			248,995		257,068
Current assets					
Trading securities – equity shares listed in Hong Kong		15,904		12,235	
Stock of property units		–		63,791	
Trade and other receivables	6	1,527		1,230	
Cash and bank balances		77,106	94,537	43,194	120,450
Current liabilities					
Trade and other payables	7	5,175		12,542	
Tax payable		2,368		314	
Bank borrowings – secured		–		19,600	
Provision for long service payments		1,732	(9,275)	1,717	(34,173)
Net current assets			85,262		86,277
Total assets less current liabilities			334,257		343,345
Non-current liabilities					
Provision for long service payments		399		315	
Deferred taxation		10,723	(11,122)	10,873	(11,188)
NET ASSETS			323,135		332,157
CAPITAL AND RESERVES					
Share capital	8	40,000		40,000	
Reserves		282,335		284,157	
Proposed dividend		800		8,000	
			323,135		332,157

CONDENSED CONSOLIDATED CASH FLOW STATEMENT*For the six months ended 30 September 2008*

	(Unaudited)	
	Six months ended	
	30 September	
	2008	2007
	HK\$'000	HK\$'000
Net cash generated from operating activities	64,844	7,965
Net cash (used in)/generated from investing activities	(3,290)	12,168
Net cash used in financing activities	(27,642)	(5,973)
Net increase in cash and cash equivalents	33,912	14,160
Cash and cash equivalents at beginning of period	43,194	12,528
Cash and cash equivalents at end of period	77,106	26,688

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the six months ended 30 September 2008*

	Share capital HK\$'000	Capital reserve HK\$'000	Retained profits HK\$'000	Proposed dividend HK\$'000	Total HK\$'000
As at 1 April 2007	40,000	251	249,067	4,000	293,318
Dividend paid	–	–	–	(4,000)	(4,000)
Net profit for the period	–	–	20,720	–	20,720
Increase in fair value of available-for-sale financial assets recognized in equity	–	–	26,804	–	26,804
Transfer to income statement upon disposal of available-for-sale financial assets	–	–	(4,224)	–	(4,224)
Dividend declared	–	–	(800)	800	–
As at 30 September 2007	40,000	251	291,567	800	332,618
Dividend paid	–	–	–	(800)	(800)
Net profit for the period	–	–	24,952	–	24,952
Decrease in fair value of available-for-sale financial assets recognized in equity	–	–	(20,593)	–	(20,593)
Transfer to income statement upon disposal of available-for-sale financial assets	–	–	(4,020)	–	(4,020)
Dividend declared	–	–	(8,000)	8,000	–
As at 31 March 2008	40,000	251	283,906	8,000	332,157
Dividend paid	–	–	–	(8,000)	(8,000)
Net profit for the period	–	–	16,872	–	16,872
Decrease in fair value of available-for-sale financial assets recognized in equity	–	–	(17,894)	–	(17,894)
Dividend declared	–	–	(800)	800	–
As at 30 September 2008	40,000	251	282,084	800	323,135

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 September 2008

1. Basis of preparation and principal accounting policies

The condensed financial statements have been prepared under historical cost convention, as modified for the valuation 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 2008. In the current interim period, the group has applied, for the first time, the following new interpretations issued by the HKICPA, which are effective for the group’s financial year beginning 1 April 2008:

Interpretations

- HK(IFRIC)-Int 12 Service Concession Arrangements
- HK(IFRIC)-Int 14 HKAS 19 – The Limit on a Defined Benefit Asset Minimum Funding Requirement and their Interaction

The adoption of these new interpretations has had no material effect on the results or financial position of the group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognized.

The group has not early applied the new and revised standards or interpretations that have been issued but are not yet effective.

2. Segment information

The group's segment revenue and results for the six months ended 30 September 2008 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	
	2008	2007	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue	14,603	4,721	5,901	5,489	75,000	–	95,504	10,210
Segment results	(1,763)	2,989	4,426	4,246	10,323	(176)	12,986	7,059
Gain on disposal of available-for-sale financial assets	–	10,278	–	–	–	–	–	10,278
Increase in fair value of investment properties	–	–	6,240	4,260	–	–	6,240	4,260
Gain on disposal of stock of land interests	–	–	–	–	–	924	–	924
Results before interest, tax and corporate expenses	(1,763)	13,267	10,666	8,506	10,323	748	19,226	22,521
Interest income							336	335
Interest expenses							(42)	(574)
Unallocated corporate expenses							(533)	(472)
Profit before taxation							18,987	21,810
Taxation							(2,115)	(1,090)
Profit after taxation							16,872	20,720

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

3. Turnover

	Six months ended 30 September	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Gross rental income from investment properties	5,901	5,489
Dividend income from listed investments	2,751	2,455
Sales of trading securities	11,852	2,266
Sales of property units	75,000	—
	95,504	10,210

4. Taxation

	Six months ended 30 September	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Taxation in the condensed consolidated income statement represents:		
Current tax		
Provision for Hong Kong profits tax	(2,264)	(492)
Deferred tax	149	(598)
	(2,115)	(1,090)

Provision for Hong Kong profits tax is made at 16.5% (2007: 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\$16,872,000 (2007: HK\$20,720,000) and on 40,000,000 shares (2007: 40,000,000 shares) in issue during the period.

6. Trade and other receivables

	As at 30 September 2008 HK\$'000	As at 31 March 2008 HK\$'000
Rental receivables – within 3 months [net of specific provision for bad and doubtful debts of HK\$90,000 (31 March 2008: Nil)]	541	371
Deposits and prepayments	521	531
Other receivables	465	328
	1,527	1,230

7. Trade and other payables

	As at 30 September 2008 HK\$'000	As at 31 March 2008 HK\$'000
Rental deposits received	2,150	2,161
Deposit received *	—	7,500
Receipts in advance	24	33
Construction cost payable	46	46
Retention money payable	840	840
Unclaimed dividends	1,205	1,027
Accrued expenses	910	935
	5,175	12,542

* Deposit received represented 10% of consideration for sales of property units which was recorded in current period of the income statement.

8. Share capital

	As at 30 September 2008		As at 31 March 2008	
	No. of shares	Amount HK\$'000	No. of shares	Amount HK\$'000
Authorized				
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 HK\$0.02 per share (2007: HK\$0.02) totaling HK\$800,000 (2007: HK\$800,000). The dividend will be paid on or about 16 January 2009 to the shareholders whose names appear on the Register of Members of the company at the close of business on 9 January 2009.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the company will be closed from Monday, 5 January 2009 to Friday, 9 January 2009, 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, 2 January 2009.

DIRECTORS' INTERESTS IN SECURITIES

As at 30 September 2008, 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:

	Personal interests	Number of shares held			Total
		Family interests	Corporate interests	Other interests	
Executive directors:					
Ng See Wah	7,941,423	910,000	3,370,500*	–	12,221,923
Soo Cho Ling	5,008,423	250,000	–	–	5,258,423
Ng Tai Wai	3,899,077	–	3,370,500*	–	7,269,577
Non-executive directors:					
So Kwok Leung	5,961,077	–	–	–	5,961,077
Ng Tai Yin, Victor	1,886,000	–	–	–	1,886,000
Independent non-executive directors:					
Loke Yu alias Loke Hoi Lam	–	–	–	–	–
Ng Chi Yeung, Simon	–	–	–	–	–
Chan Suit Fei, Esther	–	–	–	–	–

DIRECTORS' INTERESTS IN SECURITIES (Con'd)

- * 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 2008, 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 three 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 2008, the group had 3 (2007: 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\$17,000 (2007: HK\$17,000), was HK\$384,000 (2007: HK\$377,000) for the six months ended 30 September 2008.

PLEDGE OF ASSETS

As at 30 September 2008, no assets of the group were pledged (31 March 2008: the investment properties of the group with an aggregate carrying value of HK\$62,600,000 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 2008 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:

- 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;

CORPORATE GOVERNANCE *(Con'd)*

- 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; and
- 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.

BUSINESS REVIEW AND PROSPECTS

Business review

The group's turnover for the period amounted to HK\$95,504,000 representing an increase by HK\$85,294,000 or 835%, as compared to the same in last year. The increase in turnover was mainly contributed by the sales of property units and an increase in sales of trading securities during the period. Also, rental income and dividend income from listed investments slightly increased by 7.5% and 12% respectively, as compared to the same period in last year.

The profit attributable to shareholders amounted to HK\$16,872,000, representing a decrease by HK\$3,848,000 or 19%, as compared to the same period in last year. The decrease in profit was primarily due to an absence of disposal of available-for-sale financial assets, which brought a significant gain of HK\$10,278,000 in the same period in last year. During the period, the group recorded profit after tax of approximate of HK\$8.6 million on the disposal of developed properties. Such non-recurring gain was setoff by an unrealized loss on trading securities due to the exceptional turbulence in world's financial markets in the third quarter of 2008.

Property development

The result of the group's property development was HK\$10,323,000, representing an increase by HK\$9,575,000 or 1,280%, as compared to the same period in last year. As mentioned above, an increase was primarily due to the sales of developed property located at Castle Peak Road. Currently, the group re-negotiates with the Government for the land premium regarding the development project in Ping Shan.

Property leasing

The rental income and the result (excluding the revaluation gain of investment properties) of the group's property leasing business increased by HK\$412,000 or 7.5% and HK\$180,000 or 4.2% to HK\$5,901,000 and HK\$4,426,000 respectively, as compared to the same period in last year. As at 30 September 2008, the carrying value of investment properties increased by HK\$6,240,000 or 4.3% to HK\$152,510,000, as compared to 31 March 2008.

Securities investment

The revenue of the securities investment business increased by HK\$9,882,000 or 209%, to HK\$14,603,000, as compared to the same period in last year. The increase was mainly attributable to an increase in dealings in trading securities and an increase in dividend income.

During the period, the group transacted several share dealings and recorded a gross margin of HK\$853,000 or 7.2% (2007: HK\$154,000 or 6.8%). An adverse effect on the global credit crunch has spread over all kinds of business. As at 30 September 2008, the group's share investment portfolio, both for trading or long term holding purpose, recorded an unrealized loss of HK\$4,725,000 and HK\$17,894,000, which were recognized in income statement and reserve respectively.

Liquidity and financial resources

Following the full repayment of bank loan of HK\$19,600,000 and the disposal of developed property located at Castle Peak Road, the group has a strong cash reserve without bank borrowing as at 30 September 2008 (31 March 2008: Gearing ratio calculated as bank borrowings to total assets was 6%). The group continues to adopt prudent policy in financial management.

Prospects

The global economy has slumped rapidly since 2008. Recently, many governments have injected plenty of liquidity into the financial system to stabilize the unprecedented global financial crisis. They have continued to implement several fiscal and monetary policies to revive the economic growth and to minimize the effect on that global credit crunch. We wish that the policies will stabilize the financial system and moderate the pace of global economic deterioration. Faced with the current turbulent financial crisis, the group continues to adopt prudent and conservative policy in every investment opportunity. With a strong liquidity position, the group will keep monitoring the market changes and make appropriate strategic adjustment on our assets portfolio.

By order of the board
Ng See Wah
Chairman

Hong Kong, 12 December 2008

INDEPENDENT REVIEW REPORT ON INTERIM FINANCIAL INFORMATION

To The Board of Directors of

WINFAIR INVESTMENT COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

Introduction

We have reviewed the interim financial information of the company and its subsidiary companies set out on pages 1 to 8, which comprise the condensed consolidated balance sheet of Winfair Investment Company Limited as of 30 September 2008 and the related condensed consolidated statements of income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and fair presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review 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.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Wong Brothers & Co.
Certified Public Accountants

Hong Kong, 12 December 2008