



INTERIM REPORT 2012 / 2013



WINFAIR INVESTMENT COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 0287)

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 2012. 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 2012

| | Notes | (Unaudited) | |
|---|-------|----------------------------------|--------------------|
| | | Six months ended 30 September | |
| | | 2012 | (Restated) 2011 |
| | | HK\$'000 | HK\$'000 |
| Revenue | 3 | 9,976 | 9,340 |
| Other revenue | 4 | 56 | 65 |
| Gain on disposal of investment properties | | 27,207 | – |
| Gain on disposal of available-for-sale financial assets | | 2,962 | – |
| Fair value gain/(loss) on trading securities | | 4,170 | (21,097) |
| Fair value gain on investment properties | | 50,884 | 14,000 |
| Fair value gain/(loss) on properties held for or under development | | 1,700 | (33) |
| Administrative and general expenses including depreciation of HK\$43,000 (2011: HK\$40,000) | | (2,798) | (2,746) |
| Finance cost | | (102) | – |
| Profit/(loss) before taxation | | 94,055 | (471) |
| Taxation | 5 | (854) | (731) |
| Profit/(loss) after taxation attributable to the equity shareholders of the Company | | 93,201 | (1,202) |
| Earnings/(loss) per share (Basic and diluted) | 6 | 233 HK cents | (3 HK cents) |

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2012

| | (Unaudited) | |
|--|-------------------------|------------|
| | Six months ended | |
| | 30 September | |
| | 2012 | (Restated) |
| | HK\$'000 | 2011 |
| | | HK\$'000 |
| Profit/(loss) for the period | 93,201 | (1,202) |
| Other comprehensive income for the period | | |
| Increase/(decrease) in fair value of available-for-sale financial assets | 5,732 | (20,339) |
| Reclassification adjustment relating to disposal of available-for-sale financial assets | (3,216) | – |
| | 2,516 | (20,339) |
| Total comprehensive income, net of tax, for the period attributable to equity shareholders of the Company | 95,717 | (21,541) |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2012

| | Notes | (Unaudited) | | (Restated) | |
|---|-------|-------------------------|----------------|---------------------|----------------|
| | | As at 30 September 2012 | | As at 31 March 2012 | |
| | | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| ASSETS | | | | | |
| Non-current assets | | | | | |
| Property, plant and equipment | | | 2,157 | | 2,200 |
| Investment properties | | | 375,900 | | 335,850 |
| Properties held for or under development | | | 11,600 | | 9,900 |
| Available-for-sale financial assets – equity shares listed in Hong Kong | | | 88,853 | | 89,492 |
| | | | 478,510 | | 437,442 |
| Current assets | | | | | |
| Trading securities – equity shares listed in Hong Kong | | | 52,058 | 47,661 | |
| Trade and other receivables | 7 | | 1,119 | 1,368 | |
| Tax recoverable | | | 249 | 284 | |
| Cash and bank balances | | | 77,947 | 12,681 | 61,994 |
| Current liabilities | | | | | |
| Trade and other payables | 8 | | 5,464 | 4,525 | |
| Tax payable | | | 953 | 117 | |
| Bank borrowings – secured | 9 | | 16,962 | – | |
| Provision for long service payments | | | 910 | 900 | (5,542) |
| | | | 107,084 | | 56,452 |
| Total assets less current liabilities | | | 585,594 | | 493,894 |
| Non-current liabilities | | | | | |
| Provision for long service payments | | | 221 | 221 | |
| Deferred taxation | | | 620 | 637 | (858) |
| NET ASSETS | | | 584,753 | | 493,036 |
| CAPITAL AND RESERVES | | | | | |
| Share capital | 10 | | 40,000 | | 40,000 |
| Reserves | | | 544,753 | | 453,036 |
| | | | 584,753 | | 493,036 |

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2012

| | (Unaudited) | |
|---|-------------------------|----------|
| | Six months ended | |
| | 30 September | |
| | 2012 | 2011 |
| | HK\$'000 | HK\$'000 |
| Net cash generated from operating activities | 8,246 | 4,914 |
| Net cash generated from/(used in) investing activities | 44,159 | (353) |
| Net cash generated from/(used in) financing activities | 12,861 | (4,000) |
| Net increase in cash and cash equivalents | 65,266 | 561 |
| Cash and cash equivalents at beginning of period | 12,681 | 9,379 |
| Cash and cash equivalents at end of period | 77,947 | 9,940 |
| Analysis of the balance of cash and cash equivalents | | |
| Cash and bank balance on the condensed consolidated statement of financial position | 77,947 | 12,940 |
| Time deposits with original maturities over 3 months | – | (3,000) |
| Cash and cash equivalents in the condensed consolidated statement of cash flows | 77,947 | 9,940 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2012

| | | (Unaudited) | | | | |
|--|---------------------------|--|--------------------------------|------------------------------|-------------------|----------------|
| | | Attributable to equity shareholders of the Company | | | | |
| Notes | Share capital HK\$'000 | Capital reserve HK\$'000 | Fair value Reserve HK\$'000 | Retained profits HK\$'000 | Total HK\$'000 | |
| As at 1 April 2011, as previously reported | | 40,000 | 251 | 40,948 | 367,370 | 448,569 |
| Change in accounting policy: – Adoption of amendments to HKAS 12 | 1 | – | – | – | 23,166 | 23,166 |
| As at 1 April 2011, as restated | | 40,000 | 251 | 40,948 | 390,536 | 471,735 |
| Dividend paid | 11 | – | – | – | (4,000) | (4,000) |
| Total comprehensive income for the period | | – | – | (20,339) | (1,202) | (21,541) |
| As at 30 September 2011, as restated | | 40,000 | 251 | 20,609 | 385,334 | 446,194 |
| Dividend paid | 11 | – | – | – | (800) | (800) |
| Total comprehensive income for the period | | – | – | 7,580 | 40,021 | 47,601 |
| Unclaimed dividend forfeited | | – | – | – | 41 | 41 |
| As at 31 March 2012, as restated | | 40,000 | 251 | 28,189 | 424,596 | 493,036 |
| Dividend paid | 11 | – | – | – | (4,000) | (4,000) |
| Total comprehensive income for the period | | – | – | 2,516 | 93,201 | 95,717 |
| As at 30 September 2012 | | 40,000 | 251 | 30,705 | 513,797 | 584,753 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2012

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements have been prepared under historical cost convention, as modified for the revaluation of investment properties, property held for/or under development 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”).

Except as described below, the accounting policies adopted for the preparation of these condensed consolidated interim financial statements are consistent with those set out in the group’s annual financial statements for the year ended 31 March 2012. In the current interim period, the group has applied, for the first time, the following amendment to Hong Kong Financial Reporting Standards (“HKFRS”) issued by the HKICPA.

Amendments to HKAS 12 “Deferred Tax: Recovery of Underlying Assets”

In prior years, deferred tax was provided on the basis that the carrying amounts of investment properties would be recovered through use. Following the adoption of amendments to HKAS 12, deferred tax on investment property carried at fair value under HKAS 40 “Investment Property”, shall be measured reflecting the tax consequences of recovering the carrying amount of the investment property entirely through sale unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the properties over time, rather than through sale. As a result of the adoption of this amendment, the group does not recognise any deferred taxes on changes in fair value of certain investment properties as the group is not subject to any income taxes on disposal of those investment properties. This amendment has been applied retrospectively. The comparative figures have been restated to reflect the change in accounting policy.

1. **BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES** (Cont'd)

Effect on the change in accounting policy is summarised below:

(a) Effect on condensed consolidated income statement

| | (Unaudited) | |
|--|-------------------------|------------|
| | Six months ended | |
| | 30 September | |
| | 2012 | 2011 |
| | HK\$'000 | HK\$'000 |
| Decrease in income tax expenses | 8,371 | 1,315 |
| Increase in profit for the period | 8,371 | 1,315 |
| Increase in earnings per share (basic and diluted) | 21 HK cents | 3 HK cents |

(b) Effect on the net assets

| | (Unaudited) | |
|--------------------------------------|---------------------|----------|
| | As at | As at |
| | 30 September | 31 March |
| | 2012 | 2012 |
| | HK\$'000 | HK\$'000 |
| Decrease in deferred tax liabilities | 37,275 | 28,904 |

1. **BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES** (Cont'd)

(c) Effect on the condensed consolidated statement of financial position as at 31 March 2012

| | (Audited) | | (Restated & unaudited) |
|---------------------------------|--|--|-----------------------------------|
| | As at 31 March 2012 (previously reported) | Adjustment on adoption of amendments to HKAS 12 | As at 31 March 2012 |
| | HK\$'000 | HK\$'000 | HK\$'000 |
| Non-current assets | 437,442 | | 437,442 |
| Current assets | 61,994 | | 61,994 |
| Current liabilities | (5,542) | | (5,542) |
| Non-current liabilities | | | |
| – Deferred taxation | (29,541) | 28,904 | (637) |
| – Other non-current liabilities | (221) | | (221) |
| Net assets | 464,132 | 28,904 | 493,036 |
| Share capital | 40,000 | | 40,000 |
| Capital reserve | 251 | | 251 |
| Fair value reserve | 28,189 | | 28,189 |
| Retained profits | 395,692 | 28,904 | 424,596 |
| Total equity | 464,132 | 28,904 | 493,036 |

Except as described above, the application of other amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

The group has not early applied the new or revised standards, amendments or interpretations that have been issued but are not yet effective. The directors of the company are in the process of making an assessment of the impact of such new and revised standards, amendments or interpretations and are not yet in a position to state whether they would have a significant impact on the group's results and financial position upon adoption.

2. SEGMENT INFORMATION

For the purpose of assessing segment performance and making decision about operating matters, the group's chief operating decision maker based on the internal reports about operating segments of the group to allocate resources and assess their performance and manage the group's reportable segments.

The group regards the Executive Directors as the chief operating decision maker.

The principal activities of each segment are as follows:

| | |
|-----------------------|--|
| Securities investment | – securities investment for short-term and long term |
| Property leasing | – letting properties |
| Property development | – developing properties |

The following is an analysis of the group's revenue and results by operating segment for the period:–

| INCOME STATEMENT | 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 | |
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Segment revenue | 2,686 | 2,804 | 7,290 | 6,536 | - | - | 9,976 | 9,340 |
| Segment results | 2,086 | 2,179 | 5,714 | 4,958 | 44 | 18 | 7,844 | 7,155 |
| Gain on disposal of investment properties | - | - | 27,207 | - | - | - | 27,207 | - |
| Gain on disposal of available-for-sale financial assets | 2,962 | - | - | - | - | - | 2,962 | - |
| Fair value gain/(loss) on trading securities | 4,170 | (21,097) | - | - | - | - | 4,170 | (21,097) |
| Fair value gain on investment properties | - | - | 50,884 | 14,000 | - | - | 50,884 | 14,000 |
| Fair value gain/(loss) on property held for or under development | - | - | - | - | 1,700 | (33) | 1,700 | (33) |
| Results before interest, tax and corporate expenses | 9,218 | (18,918) | 83,805 | 18,958 | 1,744 | (15) | 94,767 | 25 |
| Interest income | | | | | | | 1 | 17 |
| Finance cost | | | | | | | (102) | - |
| Unallocated corporate expenses | | | | | | | (611) | (513) |
| Profit/(loss) before taxation | | | | | | | 94,055 | (471) |
| Taxation | | | | | | | (854) | (731) |
| Profit/(loss) after taxation | | | | | | | 93,201 | (1,202) |

2. SEGMENT INFORMATION (Cont'd)

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

The group does not allocate finance costs and other corporate expenses to individual reportable segments.

An analysis of the group's segment assets is as follows:–

| STATEMENT OF FINANCIAL POSITION | Securities investments | | Property leasing | | Property development | | Consolidated total | |
|------------------------------------|------------------------|----------|------------------|----------|----------------------|----------|--------------------|------------|
| | As at 30 | As at | As at 30 | As at | As at 30 | As at | As at 30 | (Restated) |
| | September | 31 March | September | 31 March | September | 31 March | September | 31 March |
| | 2012 | 2012 | 2012 | 2012 | 2012 | 2012 | 2012 | 2012 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Assets: | | | | | | | | |
| Segment assets | 142,354 | 138,152 | 446,576 | 339,253 | 11,651 | 9,939 | 600,581 | 487,344 |
| Tax recoverable | 247 | 247 | - | 35 | 2 | 2 | 249 | 284 |
| Unallocated corporate assets | - | - | - | - | - | - | 9,053 | 11,808 |
| | 142,601 | 138,399 | 446,576 | 339,288 | 11,653 | 9,941 | 609,883 | 499,436 |

Segment assets principally comprise all tangible assets and current assets directly attributable to each segment with the exception of certain corporate assets (including fixed deposits and bank accounts).

3. REVENUE

| | Six months ended | |
|--|------------------|----------|
| | 2012 | 2011 |
| | HK\$'000 | HK\$'000 |
| Gross rental income from investment properties | 7,290 | 6,536 |
| Dividend income from listed investments | | |
| – trading securities | 1,163 | 1,134 |
| – available-for-sale financial assets | 1,523 | 1,605 |
| | 2,686 | 2,739 |
| Net result of trading in securities | - | 65 |
| | 9,976 | 9,340 |

4. OTHER REVENUE

| | Six months ended 30 September | |
|----------------------|--|----------|
| | 2012 | 2011 |
| | HK\$'000 | HK\$'000 |
| Bank interest income | 1 | 17 |
| Sundry income | 55 | 48 |
| | 56 | 65 |

5. TAXATION

| | Six months ended 30 September | |
|--|--|--------------------|
| | 2012 | 2011 (Restated) |
| | HK\$'000 | HK\$'000 |
| Provision for Hong Kong profits tax for current period | (871) | (709) |
| Deferred tax | 17 | (22) |
| Total income tax | (854) | (731) |

Provision for Hong Kong profits tax is made at 16.5% (2011: 16.5%) on the estimated assessable profit for the period.

6. EARNINGS/(LOSS) PER SHARE (BASIC AND DILUTED)

The calculation of basic earnings/(loss) per share is based on the consolidated profit after taxation of HK\$93,201,000 (2011: restated loss of HK\$1,202,000) and on 40,000,000 shares (2011: 40,000,000 shares) in issue during the period.

Diluted earnings per share equals to the basic earnings per share as the company had no dilutive potential financial instrument in issue during the period (2011: Nil).

7. TRADE AND OTHER RECEIVABLES

| | (Unaudited) As at 30 September 2012 HK\$'000 | (Audited) As at 31 March 2012 HK\$'000 |
|--------------------------|---|--|
| Rental receivables | 358 | 212 |
| Other receivables | 473 | 784 |
| Deposits and prepayments | 288 | 372 |
| | 1,119 | 1,368 |

Normally, monthly rentals are payable in advance by tenants in accordance with the leases. The rental receivables and other receivables of the group were current and were aged less than 90 days.

8. TRADE AND OTHER PAYABLES

| | (Unaudited) As at 30 September 2012 HK\$'000 | (Audited) As at 31 March 2012 HK\$'000 |
|--------------------------|---|--|
| Rental deposits received | 2,261 | 2,347 |
| Receipts in advance | 368 | 666 |
| Unclaimed dividends | 632 | 523 |
| Accrued expenses | 2,203 | 989 |
| | 5,464 | 4,525 |

9. BANK BORROWINGS – SECURED

On 28 June 2012, Konchoy Limited, a wholly-owned subsidiary of the company, obtained a bank mortgage loan of HK\$17,250,000 with a corporate guarantee by the company for the purpose of the acquisition of investment property at a consideration of HK\$34,500,000. The loan is secured, repayable within 7 years and bears interest at 2% above Hong Kong Interbank Offered Rate per annum. Since the facility contains a repayment on demand clause, the outstanding balance of HK\$16,962,000 was classified as current liability. The directors consider the carrying amount of the bank borrowings approximates to their fair value.

10. SHARE CAPITAL

| | (Unaudited) As at 30 September 2012 | | (Audited) As at 31 March 2012 | |
|-------------------------------|--|--------------------|----------------------------------|--------------------|
| | 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 |

11. DIVIDENDS

| | Six months ended 30 September | |
|---|----------------------------------|------------------|
| | 2012 HK\$'000 | 2011 HK\$'000 |
| Dividends attributable to the period – | | |
| Final dividend at HK\$0.10 (2011: HK\$0.10) per ordinary share paid during the period | 4,000 | 4,000 |
| Interim dividend at HK\$0.02 (2011: HK\$0.02) per ordinary share declared after the reporting period end (note) | 800 | 800 |
| Special dividend at HK\$0.03 (2011: Nil) per ordinary share declared after the reporting period end (note) | 1,200 | – |
| | 6,000 | 4,800 |

Note: The interim dividend and the special dividend declared after the reporting period end have not been recognised as a liability at the end of the reporting period.

DIVIDENDS

The board has resolved to pay an interim dividend of 2 HK cents per share (2011: 2 HK cents) and a special dividend of 3 HK cents per share (2011: Nil), absorbing a total amount of HK\$2,000,000 (2011: HK\$800,000). Such dividends will be paid on or about 9 January 2013 to the shareholders whose names appear on the Register of Members of the company at the close of business on 21 December 2012.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the company will be closed from Monday, 17 December 2012 to Friday, 21 December 2012, 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, 14 December 2012.

DIRECTORS' INTERESTS IN SECURITIES

As at 30 September 2012, 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 |
| Ng Tai Yin Victor | 1,886,000 | - | - | - | 1,886,000 |
| Non-executive directors: | | | | | |
| So Kwok Leung | 5,961,077 | - | - | - | 5,961,077 |
| So Kwok Wai Benjamin | 1,081,500 | 36,000 | - | - | 1,117,500 |
| Independent non-executive directors: | | | | | |
| Loke Yu alias Loke Hoi Lam | - | - | - | - | - |
| Ng Chi Yeung, Simon | - | - | - | - | - |
| Chan Suit Fei, Esther | - | - | - | - | - |
| Alternate directors: | | | | | |
| Ng Kwok Fun (alternate to Ng See Wah) | 105,000 | - | - | - | 105,000 |

DIRECTORS' INTERESTS IN SECURITIES (Cont'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 2012, the following person (other than certain directors of the company) had interest or short positions in the shares or underlying shares of the company which have rights to exercise or control the exercise of 5% or more of the voting power at any general meetings of the company, as recorded in the register required to be kept by the company pursuant to section 336 of the SFO:

| Name | Number of shares held | | Total | % of total Issued shares |
|-------------------------|-----------------------|------------------|-----------|--------------------------|
| | Personal interests | Family interests | | |
| Soo Cho Ling (deceased) | 3,908,423 | 250,000 | 4,158,423 | 10.40% |

Save as disclosed above, according to the register kept by the company under section 336 of the SFO and so far was known to the company, there was no other person who, as at 30 September 2012, had an interest or short position in the shares or underlying shares of the company.

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 2012, the group had 3 (2011: 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\$19,000 (2012: HK\$17,000), was HK\$418,000 (2011: HK\$380,000) for the six months ended 30 September 2012.

PLEDGE OF ASSETS

As at 30 September 2012, the investment properties of the group with an aggregate carrying value of HK\$36,000,000 (31 March 2012: Nil) 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 2012 in compliance with the code provisions set out in the "Corporate Governance Code" 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;
- 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;
- 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;
- The group has not arranged appropriate insurance cover in respect of legal action against its directors. As the board considers that the board adopts prudent management policy, the need for insurance policy will be reviewed from time to time; and
- No formal letters of appointment for directors setting out the key terms and conditions of their appointments. The group is in the process of drafting the formal appointment letter for directors (including independent non-executive directors, non-executive directors and executive directors).

BUSINESS REVIEW AND PROSPECTS

Business review

The group's turnover for the period amounted to HK\$9,976,000, representing an increase by HK\$636,000 or 6.8%, as compared to the same in last year.

The group recorded a profit of HK\$93,201,000 for the period, as compared to a loss of HK\$1,202,000 (restated) for the same period in last year. The improvement was mainly attributable to a gain on disposal of available-for-sale financial assets, a gain on disposal of investment property and increase in fair value gain on investment properties. As the recent Hong Kong securities market sentiment remains positive, the fair value of trading securities increased by HK\$4,170,000, as compared to the fair value at 31 March 2012. In the absence of a substantial unrealised loss on trading securities which was recorded in previous corresponding period, the group's results have changed from loss to profit for the period.

Securities investment

Dividend income decreased by HK\$53,000 or 1.9%, to HK\$2,686,000, as compared to the same period in last year. The decrease was mainly due to decrease in dividend yield of the securities held by the group.

During the period, the group sold certain available-for-sale financial assets which generated HK\$2,962,000 profit. The group did not dispose any trading securities during the period. For the same period in last year, the group reported a gain on disposal of trading securities of HK\$65,000. As the securities market sentiment remains positive, the group recorded an unrealised gain on trading securities of HK\$4,170,000 (2011: unrealised loss of HK\$21,097,000) and an unrealised gain on long-term investment securities of HK\$5,732,000 (2011: unrealised loss of HK\$20,339,000), which were recognised in profit or loss and other comprehensive income respectively.

Property leasing

The rental income and the result (excluding a revaluation gain of HK\$50,884,000 and a gain on disposal of HK\$27,207,000) of the group's property leasing business increased by HK\$754,000 or 11.5% and HK\$756,000 or 15.2% to HK\$7,290,000 and HK\$5,714,000 respectively, as compared to the same period in last year.

On 28 June 2012, the group completed the acquisition of the property located at ground floor including mezzanine floor on No. 76 Waterloo Road ("Waterloo Road Property") at a total cost of approximately HK\$36,166,000. Also, the group completed the sale of the properties located at ground floor of Nos. 19, 21 and 23 Nam Kok Road, Kowloon at consideration of HK\$75,000,000 on 28 September 2012. Such disposal contributed a capital gain of HK\$27,207,000 (calculated by selling price less incidental cost on disposal and carrying value as at 31 March 2012). Following the change of properties investment portfolio and after taking a revaluation gain of HK\$50,884,000 into account, the carrying value of investment properties at 30 September 2012 valued at HK\$375,900,000, representing a net increase by HK\$40,050,000, as compared to 31 March 2012.

BUSINESS REVIEW AND PROSPECTS *(Cont'd)*

Property development

During the period, the group recorded a fair value gain of HK\$1,700,000 (2011: fair value loss of HK\$33,000) on property held for or under development. Although there is no other project under significant progress during the period, the group continues to explore other properties in Hong Kong for re-development purpose.

Liquidity and financial resources

Following the acquisition of Waterloo Road Property which was financed from the bank mortgage loan, the group's gearing ratio calculated as bank borrowings to total assets at 30 September 2012 raised from zero to 2.9%, which is considered a healthy level. Considering that the group has sufficient cash of HK\$77,947,000, the group is confident to meet future working capital requirement and loan repayment obligations. The group continues to adopt a prudent policy in its financial management.

Prospects

The property market in Hong Kong remains stable which is favourable to our leasing business. The group expects the rental for the renewal tenancies can be increased steadily. Following the recent change in properties investment portfolio, the group will keep on looking for potential property for investment so as to maximise the shareholders' wealth. As the European sovereign debt crisis has not been totally solved and the uncertainty arising from the QE3 launched by the USA, the group expects the securities market will be volatile in future. The group will continue to balance the exposure to risk and returns for each investment decision.

By order of the board

Ng See Wah

Chairman

Hong Kong, 28 November 2012

