



WINFAIR INVESTMENT COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 0287)

INTERIM REPORT

2013 / 2014



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 2013. The accounting information contained herein has been reviewed by the company’s audit committee.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2013

	Notes	(Unaudited) Six months ended 30 September	
		2013 HK\$'000	2012 HK\$'000
Revenue	4	10,840	9,976
Other revenue	5	295	56
Gain on disposal of investment properties		–	27,207
Gain on disposal of available-for-sale financial assets		86	2,962
Fair value gain on trading securities		554	4,170
Fair value gain on investment properties		17,882	50,884
Fair value gain on properties held for or under development		700	1,700
Administrative and general expenses including depreciation of HK\$41,000 (2012: HK\$43,000)		(2,788)	(2,798)
Finance cost		(340)	(102)
Profit before taxation		27,229	94,055
Taxation	6	(999)	(854)
Profit after taxation attributable to the equity shareholders of the Company		26,230	93,201
Earnings per share (Basic and diluted)	7	65.6 HK cents	233 HK cents

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2013

	(Unaudited) Six months ended 30 September	
	2013 HK\$'000	2012 HK\$'000
Profit for the period	26,230	93,201
Other comprehensive income for the period		
<i>Items that may be reclassified to profit or loss</i>		
(Decrease)/increase in fair value of available-for-sale financial assets	(1,715)	5,732
Reclassification adjustment relating to disposal of available-for-sale financial assets	(56)	(3,216)
	(1,771)	2,516
Total comprehensive income, net of tax, for the period attributable to equity shareholders of the Company	24,459	95,717

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2013

	Notes	(Unaudited) As at 30 September 2013		(Audited) As at 31 March 2013	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
ASSETS					
Non-current assets					
Property, plant and equipment			2,057		2,098
Investment properties			485,900		435,200
Properties held for or under development			12,300		11,600
Available-for-sale financial assets – equity shares listed in Hong Kong			93,580		95,544
			593,837		544,442
Current assets					
Trading securities – equity shares listed in Hong Kong			54,660	51,100	
Trade and other receivables	8		1,251	4,856	
Cash and bank balances			80,468	95,509	151,465
Current liabilities					
Trade and other payables	9		5,084	4,177	
Tax payable			1,296	321	
Bank borrowings – secured	10		31,138	16,388	
Provision for long service payments			924	914	(21,800)
			97,937		129,665
Net current assets					129,665
Total assets less current liabilities			691,774		674,107
Non-current liabilities					
Provision for long service payments			160	176	
Deferred taxation			668	644	(820)
NET ASSETS			690,946		673,287
CAPITAL AND RESERVES					
Share capital	11		40,000		40,000
Reserves			650,946		633,287
			690,946		673,287

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2013

	Notes	(Unaudited)				
		Attributable to equity shareholders of the Company				
		Share capital	Capital reserve	Fair value reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
As at 1 April 2012		40,000	251	28,189	424,596	493,036
Dividend paid						
– 2011/12 final dividend (HK\$0.10 per share)	12	–	–	–	(4,000)	(4,000)
Profit for the period		–	–	–	93,201	93,201
Other comprehensive income for the period						
<u>Items that may be reclassified to profit or loss</u>						
– Increase in fair value of available-for-sale financial assets		–	–	5,732	–	5,732
– Reclassification adjustment relating to disposal of available-for-sale financial assets		–	–	(3,216)	–	(3,216)
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
Dividend paid						
– 2012/13 interim dividend (HK\$0.02 per share)	12	–	–	–	(800)	(800)
– 2012/13 special dividend (HK\$0.03 per share)	12	–	–	–	(1,200)	(1,200)
Profit for the period		–	–	–	84,532	84,532
Other comprehensive income for the period						
<u>Items that may be reclassified to profit or loss</u>						
– Increase in fair value of available-for-sale financial assets		–	–	5,959	–	5,959
Total comprehensive income for the period		–	–	5,959	84,532	90,491
Unclaimed dividend forfeited		–	–	–	43	43
As at 31 March 2013		40,000	251	36,664	596,372	673,287

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Cont'd)

For the six months ended 30 September 2013

		(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 31 March 2013		40,000	251	36,664	596,372	673,287
Dividend paid						
- 2012/13 final dividend (HK\$0.10 per share)	12	-	-	-	(4,000)	(4,000)
- 2012/13 special dividend (HK\$0.07 per share)	12	-	-	-	(2,800)	(2,800)
Profit for the period		-	-	-	26,230	26,230
Other comprehensive income for the period						
<u>Items that may be reclassified to profit or loss</u>						
- Decrease in fair value of available-for-sale financial assets		-	-	(1,715)	-	(1,715)
- Reclassification adjustment relating to disposal of available-for-sale financial assets		-	-	(56)	-	(56)
Total comprehensive income for the period		-	-	(1,771)	26,230	24,459
As at 30 September 2013		40,000	251	34,893	615,802	690,946

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2013

	(Unaudited) Six months ended 30 September	
	2013	2012
	HK\$'000	HK\$'000
Net cash generated from operating activities	6,450	8,246
Net cash (used in)/generated from investing activities	(29,101)	44,159
Net cash generated from financing activities	7,610	12,861
Net (decrease)/increase in cash and cash equivalents	(15,041)	65,266
Cash and cash equivalents at beginning of period	95,509	12,681
Cash and cash equivalents at end of period	80,468	77,947

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2013

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”).

The preparation of condensed consolidated interim financial statements in conformity with HKAS 34 requires management to make judgements, estimates, and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses on a year-to-date basis. Actual results may differ from these estimates.

The condensed consolidated interim financial statements and selected explanatory notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the group since the issuance of the 2012/2013 annual accounts. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a complete set of accounts prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

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 2013. In the current interim period, the group has applied the following amendments and new standards issued by the HKICPA, which are pertinent to the presentation of the group’s condensed consolidated interim financial statements:

Amendments to HKAS 1	Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income
HKFRS 13	Fair Value Measurement

Amendments to HKAS 1 “Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income”

The amendments to HKAS 1 require entities to present the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met separately from those that would never be reclassified to profit or loss. The group’s presentation of other comprehensive income in these condensed consolidated interim financial statements has been modified accordingly.

Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 has had no impact on the results or financial position of the group. The amendments also change the titles “the income statement” to “Statement of profit or loss” and “Statement of comprehensive income” to “Statement of profit or loss and other comprehensive income”. The group has renamed these two condensed consolidated statements thereon.

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

HKFRS 13 "Fair Value Measurement"

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. Some of the disclosures are specifically required for financial instruments in this condensed consolidated interim financial statements. Accordingly, the group has provided those disclosures in note 13.

Except for the above mentioned changes, the application of new or revised standards, amendments to HKFRSs in the current interim period has had no material effect on the amounts reported 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

2. SEGMENT INFORMATION (Cont'd)

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

STATEMENT OF PROFIT OR LOSS	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	
	2013	2012	2013	2012	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue	2,944	2,686	7,896	7,290	-	-	10,840	9,976
Segment results	2,292	2,086	6,392	5,714	45	44	8,729	7,844
Gain on disposal of investment properties	-	-	-	27,207	-	-	-	27,207
Gain on disposal of available-for-sale financial assets	86	2,962	-	-	-	-	86	2,962
Fair value gain on trading securities	554	4,170	-	-	-	-	554	4,170
Fair value gain on investment properties	-	-	17,882	50,884	-	-	17,882	50,884
Fair value gain on property held for or under development	-	-	-	-	700	1,700	700	1,700
Results before interest, tax and corporate expenses	2,932	9,218	24,274	83,805	745	1,744	27,951	94,767
Interest income							238	1
Finance cost							(340)	(102)
Unallocated corporate expenses							(620)	(611)
Profit before taxation							27,229	94,055
Taxation							(999)	(854)
Profit after taxation							26,230	93,201

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

2. SEGMENT INFORMATION (Cont'd)

An analysis of the group's segment assets and liabilities are as follows:

STATEMENT OF FINANCIAL POSITION	Securities investments		Property leasing		Property development		Consolidated total	
	As at 30 September 2013	As at 31 March 2013	As at 30 September 2013	As at 31 March 2013	As at 30 September 2013	As at 31 March 2013	As at 30 September 2013	As at 31 March 2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Assets								
Segment assets	152,284	148,251	489,588	455,300	12,360	11,649	654,232	615,200
Unallocated corporate assets							75,984	80,707
Consolidated total assets							730,216	695,907
Liabilities								
Segment liabilities	740	695	35,042	20,053	179	168	35,961	20,916
Tax payable and deferred taxation	-	-	1,956	964	8	2	1,964	966
	740	695	36,998	21,017	187	170	37,925	21,882
Unallocated corporate liabilities							1,345	738
Consolidated total liabilities							39,270	22,620

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). Segment liabilities include all liabilities and borrowings directly attributable to and managed by each segment with the exception of certain corporate liabilities.

3. KEY EVENTS AND EVENTS AFTER THE REPORTING PERIOD

On 10 April 2013, Wing Sum Investment Company Limited, a wholly-owned subsidiary of the company, completed the acquisition of a property located at Shop G, Ground Floor, Nanking Building, No. 1F Nanking Street, Kowloon ("Nanking Road Property") at total cost of approximate of HK\$32,817,000. The acquisition was financed by the internal fund of the company and bank mortgage loan of HK\$15,650,000.

On 9 October 2013, Allied (HK) Industrial Limited, a wholly-owned subsidiary of the company signed the Provisional Agreement in relation to the acquisition of the entire shares of Howe Kaye Investments Limited ("Howe Kaye") at a consideration of HK\$45,380,000 (including the shareholders' loan of approximate of HK\$4,500,000). Its principal activity is properties investment. The acquisition is expected to complete on 10 January 2014.

4. REVENUE

	Six months ended 30 September	
	2013 HK\$'000	2012 HK\$'000
Gross rental income from investment properties	7,896	7,290
Dividend income from listed investments		
– trading securities	1,370	1,163
– available-for-sale financial assets	1,505	1,523
	2,875	2,686
Net result of trading in securities	69	–
	10,840	9,976

5. OTHER REVENUE

	Six months ended 30 September	
	2013 HK\$'000	2012 HK\$'000
Bank interest income	238	1
Sundry income	57	55
	295	56

6. TAXATION

	Six months ended 30 September	
	2013 HK\$'000	2012 HK\$'000
Provision for Hong Kong profits tax for current period	(976)	(871)
Deferred tax	(23)	17
Total income tax	(999)	(854)

Provision for Hong Kong profits tax is made at 16.5% (2012: 16.5%) on the estimated assessable profit for the period.

7. EARNINGS PER SHARE (BASIC AND DILUTED)

The calculation of basic earnings per share is based on the consolidated profit after taxation of HK\$26,230,000 (2012: HK\$93,201,000) and on 40,000,000 shares (2012: 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 (2012: Nil).

8. TRADE AND OTHER RECEIVABLES

	(Unaudited) As at 30 September 2013 HK\$'000	(Audited) As at 31 March 2013 HK\$'000
Rental receivables	328	362
Other receivables	657	964
Deposits and prepayments	266	3,530
	1,251	4,856

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. The group does not hold any collateral over these balances.

9. TRADE AND OTHER PAYABLES

	(Unaudited) As at 30 September 2013 HK\$'000	(Audited) As at 31 March 2013 HK\$'000
Rental deposits received	2,681	2,354
Receipts in advance	192	160
Unclaimed dividends	633	505
Accrued expenses	1,578	1,158
	5,084	4,177

10. BANK BORROWINGS – SECURED

The bank loans are repayable as follows:

	(Unaudited) As at 30 September 2013	(Audited) As at 31 March 2013
	HK\$'000	HK\$'000
Current liabilities		
Within one year	1,930	1,150
After one year but not exceeding two years	1,930	1,150
After two years but not exceeding five years	5,788	3,449
After five years	21,490	10,639
	31,138	16,388

In April 2013, the group obtained a new bank loan of HK\$15,650,000 for the acquisition of property.

As at 30 September 2013, the bank loans are secured by investment properties with fair value of HK\$84,000,000 (31 March 2013: HK\$50,000,000), and bear interest at 2% above Hong Kong Interbank Offered Rate, or 1% per annum below Hong Kong Dollars Best Lending Rate of a commercial bank in Hong Kong. During the six month ended 30 September 2013, interest on bank borrowings was HK\$340,000 (2012: HK\$102,000).

The group needs to fulfill certain covenants on loan-to-security value ratio. If the group were to breach the covenants, the drawn down facilities would become payable on demand and the rent of the pledged properties collected by the bank. The group regularly monitors its compliance with these covenants. As at 30 September 2013, none of the covenants was breached.

The company has executed a corporate guarantee amounting to HK\$32,900,000 (31 March 2013: HK\$17,250,000) in favour of the bank for securing the aforesaid loans. The bank loans are renewable annually and will be reviewed in April 2014.

The directors consider the carrying amount of the bank borrowings approximate to its fair value.

11. SHARE CAPITAL

	(Unaudited) As at 30 September 2013		(Audited) As at 31 March 2013	
	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

12. DIVIDENDS

	Six months ended 30 September	
	2013 HK\$'000	2012 HK\$'000
Dividends attributable to the period –		
Final dividend at HK\$0.10 (2012: HK\$0.10) per ordinary share paid during the period	4,000	4,000
Interim dividend at HK\$0.02 (2012: HK\$0.02) per ordinary share declared after the reporting period end (note)	800	800
Special dividend at HK\$0.07 (2012: HK\$Nil) per ordinary share paid during the period	2,800	–
No special dividend (2012: HK\$0.03 per ordinary share) declared after the reporting period end	–	1,200
	7,600	6,000

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

13. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Financial assets measured at fair value

Fair value Hierarchy

The table below analyses recurring fair value measurements for financial assets and financial liabilities. These fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to valuation techniques used. The different levels are defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included with Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Recurring fair value measurement					
Financial assets:	Level 1	Level 2	Level 3	Total	Carrying value
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 30 September 2013					
Available-for-sale financial assets					
– listed shares in HK	93,580	–	–	93,580	93,580
Trading securities					
– listed shares in HK	54,660	–	–	54,660	54,660
	148,240	–	–	148,240	148,240
As at 31 March 2013					
Available-for-sale financial assets					
– listed shares in HK	95,544	–	–	95,544	95,544
Trading securities					
– listed shares in HK	51,100	–	–	51,100	51,100
	146,644	–	–	146,644	146,644

During the period, there was no transfer of financial instruments between different levels of fair value hierarchy. The group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

INTERIM DIVIDEND

The board has resolved to pay an interim dividend of 2 HK cents (2012: an interim dividend of 2 HK cents and a special dividend of 3 HK cents) per share, absorbing a total amount of HK\$800,000 (2012: HK\$2,000,000). The dividend will be paid on or about 9 January 2014 to the shareholders whose names appear on the Register of Members of the company at the close of business on 20 December 2013.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the company will be closed from Monday, 16 December 2013 to Friday, 20 December 2013, 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, 13 December 2013.



DIRECTORS' INTERESTS IN SECURITIES

As at 30 September 2013, 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	9,134,423	-	3,370,500*	-	12,504,923
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	4,989,923	36,000	-	-	5,025,923
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

* 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 2013, 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 2013, the group had 3 (2012: 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\$20,000 (2012: HK\$19,000), was HK\$423,000 (2012: HK\$418,000) for the six months ended 30 September 2013.

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 2013 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;

CORPORATE GOVERNANCE (Cont'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;
- 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\$10,840,000, representing an increase by HK\$864,000 (8.7%), as compared to the same period in last year.

During the period, the group recorded a profit of HK\$26,230,000, representing a decrease by HK\$66,971,000 (71.9%) as compared to the same period in last year. Excluding gain on disposal of investment property of HK\$27,207,000 in last period and decrease in revaluation gain on investment properties of HK\$33,002,000 for this period, the net decrease in profit amounted to HK\$6,762,000.

Securities investment

Dividend income increased by HK\$189,000 (7.0%) to HK\$2,875,000 as compared to the same period in last year.

During the period, the group recorded a realised gain on disposal of trading securities of HK\$69,000 (2012: HK\$Nil) and a realised gain on disposal of available-for-sale financial assets of HK\$86,000 (2012: HK\$2,962,000). In line with the stable performance of Hong Kong securities market, there was no material change in the market value of the group's share investment portfolio at 30 September 2013, as compared to that of 31 March 2013. Accordingly, an unrealised gain on trading securities of HK\$554,000 (2012: unrealised gain of HK\$4,170,000) was recorded in profit or loss, while an unrealised loss on available-for-sale financial assets of HK\$1,715,000 (2012: unrealised gain of HK\$5,732,000) was recorded in other comprehensive income. As the Hong Kong securities market grew gradually after a strong rebound in period, the results of listed securities investment reduced by HK\$6,286,000 (or 68.2%) to HK\$2,932,000, as compared to the same period in last year. As at 30 September 2013, the group's listed share investment portfolios had an aggregate fair value of HK\$148,240,000 (31 March 2013: HK\$146,644,000).

BUSINESS REVIEW AND PROSPECTS (Cont'd)

Property leasing

The rental income and the result (excluding a revaluation gain of HK\$17,882,000) of the group's property leasing business increased by HK\$606,000 (or 8.3%) and HK\$678,000 (or 11.9%) to HK\$7,896,000 and HK\$6,392,000 respectively, as compared to the same period in last year. The new acquired property located at Shop G, Ground Floor, Nanking Building, No. 1F Nanking Road, Kowloon ("Nanking Road Property") in April 2013 contributed additional rental income to the group.

During the period, the group did not dispose of any investment properties. For the same period in last year, the group generated capital gain on disposal of HK\$27,207,000.

As the Hong Kong government has persisted with its measures to stabilise the overheated market conditions of the Hong Kong property market, the number of property transactions has been apparently reduced in the absence of speculative investors and the property prices have stabilised. The group has recorded a revaluation gain of HK\$17,882,000 (2012: HK\$50,884,000) during the period. At 30 September 2013, the carrying value of investment properties was HK\$485,900,000, representing a net increase by HK\$50,700,000, as compared to 31 March 2013.

Property development

During the period, the group recorded a fair value gain of HK\$700,000 (2012: HK\$1,700,000) 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

During the period, the group obtained new bank mortgage loan of HK\$15,650,000 to finance the new property acquisition. As at 30 September 2013, the group's total bank borrowings were HK\$31,138,000 (31 March 2013: HK\$16,388,000) and the group's gearing ratio, which was taken as bank borrowings to total shareholders' equity, raised from 2.4% to 4.5%. These banking facilities are renewable annually and will be reviewed in April 2014. In line with the lending bank's prevailing terms to customer, the group needs to fulfill certain covenants on loan-to-security value ratio. Non-compliance of which will result in immediate demand of repayment of outstanding loans and the bank's recovery action on assigned rent. The group diligently monitors its compliance with these covenants. As at 30 September 2013, none of the covenants was breached.

As at 30 September 2013, the group held cash of HK\$80,468,000 (31 March 2013: HK\$95,509,000). The management is confident that the group will maintain adequate cash and appropriate credit facilities to meet its future operating and capital expenditure and loan repayment obligations. Based on the asset portfolios held by the group, the management is confident for the negotiation and arrangement of additional credit facilities to strengthen the cash flow for future potential investment.

BUSINESS REVIEW AND PROSPECTS *(Cont'd)*

Assets pledged

As at 30 September 2013, the investment properties of the group with an aggregate carrying value of HK\$84,000,000 (31 March 2013: HK\$50,000,000) were pledged to a bank to secure general banking facilities granted to the group.

Prospects

In October 2013, the group entered into the Provisional Sales and Purchase Agreement in relation to the acquisition of the entire shares of the Howe Kaye Investments Limited ("Howe Kaye") at a consideration of HK\$45,380,000 (including the shareholders' loan of approximate of HK\$4,500,000). Howe Kaye mainly holds the property located at ground floor including mezzanine floor of 76A Waterloo Road, Kowloon. Such transaction is expected to complete on 10 January 2014. The management expects the performance of the leasing business will be benefited from the said acquisition.

As the government's persistent influence on the over heat local property market is still in force, the management expects steady appreciation on value of investment properties, instead of substantial upsurge in previous periods. Considering interest rate is still low in the market, the group will continue to look for desirable property investment opportunities. For the listed securities market, the management is extremely cautious to the volatility of the security market and will continue to assess the consequences of possible economic uncertainty. The group will promptly make appropriate strategic adjustment on the group's assets portfolio in order to maximise the returns of the shareholders.

By order of the board

Ng See Wah

Chairman

Hong Kong, 29 November 2013

INDEPENDENT REVIEW REPORT

To The Board of Directors of
WINFAIR INVESTMENT COMPANY LIMITED
(Incorporated in Hong Kong with limited liability)

Introduction

We have reviewed the interim financial report set out on pages 1 to 15, which comprises the condensed consolidated statement of financial position of Winfair Investment Company Limited (the “Company”) and its subsidiaries (thereinafter collectively referred to as the “Group”) as of 30 September 2013, and the related condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of cash flows and statement of changes in equity for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report 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 of the company are responsible for the preparation and presentation of this interim financial report in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial report 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 report 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 report is not prepared, in all material respects, in accordance with HKAS 34.

Wong Brothers & Co.
Certified Public Accountants

Hong Kong, 29 November 2013