

INTERIM REPORT

2014 / 2015



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 2014. 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 2014

	Notes	(Unaudited) Six months ended 30 September	
		2014 HK\$'000	2013 HK\$'000
Revenue	3	14,449	10,840
Other revenue	4	299	295
Gain on disposal of available-for-sale financial assets		1,326	86
Fair value gain on trading securities		4,084	554
Fair value gain on investment properties		20,900	17,882
Fair value (loss)/gain on properties held for or under development		(17)	700
Administrative and general expenses including depreciation of HK\$41,000 (2013: HK\$41,000)		(3,324)	(2,788)
Finance cost		(330)	(340)
Profit before taxation		37,387	27,229
Taxation	5	(1,126)	(999)
Profit after taxation attributable to the equity shareholders of the Company		36,261	26,230
Earnings per share (Basic and diluted)	6	90.7 HK cents	65.6 HK cents

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2014

	(Unaudited) Six months ended 30 September	
	2014 HK\$'000	2013 HK\$'000
Profit for the period	36,261	26,230
Other comprehensive income for the period		
<i>Items that may be reclassified to profit or loss</i>		
Increase/(decrease) in fair value of available-for-sale financial assets	4,249	(1,715)
Release of fair value reserve upon disposal of available-for-sale financial assets	(1,218)	(56)
	3,031	(1,771)
Total comprehensive income, net of tax, for the period attributable to equity shareholders of the Company	39,292	24,459

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2014

	Notes	(Unaudited) As at 30 September 2014		(Audited) As at 31 March 2014	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
ASSETS					
Non-current assets					
Property, plant and equipment			1,977		2,016
Investment properties			552,500		531,600
Properties held for or under development			12,300		12,300
Available-for-sale financial assets – equity shares listed in Hong Kong			91,338		87,335
			658,115		633,251
Current assets					
Trading securities – equity shares listed in Hong Kong			51,639	54,848	
Trade and other receivables	7		1,319	1,952	
Cash and bank balances			49,354	35,381	92,181
			102,312		
Current liabilities					
Trade and other payables	8		5,004	5,034	
Bank borrowings – secured	9		29,208	30,173	
Tax payable			1,359	705	
Provision for long service payments			939	928	(36,840)
			(36,510)		
Net current assets			65,802		55,341
Total assets less current liabilities			723,917		688,592
Non-current liabilities					
Provision for long service payments			132	133	
Deferred taxation			751	717	(850)
			(883)		
NET ASSETS			723,034		687,742
CAPITAL AND RESERVES					
Share capital	10		40,000		40,000
Reserves			683,034		647,742
			723,034		687,742

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2014

	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 2013		40,000	251	36,664	596,372	673,287
Dividend paid						
– 2012/13 final dividend (HK\$0.10 per share)	11	–	–	–	(4,000)	(4,000)
– 2012/13 special dividend (HK\$0.07 per share)	11	–	–	–	(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)
– Release of fair value reserve upon 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
Dividend paid						
– 2013/14 interim dividend (HK\$0.02 per share)	11	–	–	–	(800)	(800)
Profit for the period		–	–	–	2,916	2,916
Other comprehensive income for the period						
<u>Items that will not be classified to profit or loss</u>						
– Impairment losses on available-for-sale financial assets		–	–	1,300	–	1,300
<u>Items that may be reclassified to profit or loss</u>						
– Decrease in fair value of available-for-sale financial assets		–	–	(6,598)	–	(6,598)
– Release of fair value reserve upon disposal of available-for-sale financial assets		–	–	(65)	–	(65)
Total comprehensive income for the period		–	–	(5,363)	2,916	(2,447)
Unclaimed dividend forfeited		–	–	–	43	43
As at 31 March 2014		40,000	251	29,530	617,961	687,742

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Cont'd)

For the six months ended 30 September 2014

		(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 2014		40,000	251	29,530	617,961	687,742
Dividend paid						
– 2013/14 final dividend (HK\$0.10 per share)	11	–	–	–	(4,000)	(4,000)
Profit for the period		–	–	–	36,261	36,261
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		–	–	4,249	–	4,249
– Release of fair value reserve upon disposal of available-for-sale financial assets		–	–	(1,218)	–	(1,218)
Total comprehensive income for the period		–	–	3,031	36,261	39,292
As at 30 September 2014		40,000	251	32,561	650,222	723,034

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2014

	(Unaudited)	
	Six months ended 30 September	
	2014	2013
	HK\$'000	HK\$'000
Operating activities		
Profit before taxation	37,387	27,229
Adjustments for:		
Gain on disposal of available-for-sale financial assets	(1,326)	(86)
Fair value loss/(gain) on properties held for or under development	17	(700)
Fair value gain on trading securities	(4,084)	(554)
Fair value gain on investment properties	(20,900)	(17,882)
Holding (losses)/gains on trading securities realised	(330)	2
Interest income	(114)	(238)
Interest expenses	330	340
Changes in provision for long service payments	10	(6)
Depreciation	41	41
Loss on disposal of property, plant and equipment	2	–
Operating profit before working capital changes	11,033	8,146
Decrease/(increase) in trading securities	7,623	(3,008)
Decrease in trade and other receivables	633	405
(Decrease)/increase in trade and other payables	(30)	907
Cash generated from operations	19,259	6,450
Profits tax paid	(439)	–
Net cash generated from operating activities	18,820	6,450

	(Unaudited)	
	Six months ended	
	30 September	
	2014	2013
	HK\$'000	HK\$'000
Investing activities		
Purchase of property, plant and equipment	(4)	–
Purchase of investment properties	–	(32,818)
Decrease in deposits paid for acquisition of investment properties	–	3,200
Increase in properties held for or under development	(17)	–
Purchase of available-for-sale financial assets	(3,193)	(153)
Proceeds from disposal of available-for-sale financial assets	3,548	432
Interest received	114	238
Net cash generated/(used in) from investing activities	448	(29,101)
Financing activities		
New bank borrowing obtained	–	15,650
Repayment of bank borrowings	(965)	(900)
Dividends paid	(4,000)	(6,800)
Interest paid	(330)	(340)
Net cash (used in)/generated from financing activities	(5,295)	7,610
Net increase/(decrease) in cash and cash equivalents	13,973	(15,041)
Cash and cash equivalents at beginning of period	35,381	95,509
Cash and cash equivalents at end of period	49,354	80,468

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2014

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 2013/2014 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").

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 2014. In the current interim period, the group has applied a number of new or revised standards, amendments and interpretations issued by the HKICPA, which are effective for the group's financial year beginning on 1 April 2014. The application of new or revised standards, amendments to HKFRSs and interpretation 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

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	
	2014	2013	2014	2013	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue								
– external customer	5,426	2,944	9,023	7,896	–	–	14,449	10,840
Segment results	4,695	2,292	7,216	6,392	45	45	11,956	8,729
Gain on disposal of available-for-sale financial assets	1,326	86	–	–	–	–	1,326	86
Fair value gain on trading securities	4,084	554	–	–	–	–	4,084	554
Fair value gain on investment properties	–	–	20,900	17,882	–	–	20,900	17,882
Fair value (loss)/gain on property held for or under development	–	–	–	–	(17)	700	(17)	700
Results before interest, tax and corporate expenses	10,105	2,932	28,116	24,274	28	745	38,249	27,951
Interest income							114	238
Finance cost							(330)	(340)
Unallocated corporate expenses							(646)	(620)
Profit before taxation							37,387	27,229
Taxation							(1,126)	(999)
Profit after taxation							36,261	26,230

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 2014	As at 31 March 2014	As at 30 September 2014	As at 31 March 2014	As at 30 September 2014	As at 31 March 2014	As at 30 September 2014	As at 31 March 2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Assets								
Segment assets	144,224	144,207	556,518	536,195	12,362	12,358	713,104	692,760
Unallocated corporate assets							47,323	32,672
Consolidated total assets							760,427	725,432
Liabilities								
Segment liabilities	801	700	33,510	34,365	81	177	34,392	35,242
Tax payable and deferred taxation	-	-	2,102	1,418	8	4	2,110	1,422
	801	700	35,612	35,783	89	181	36,502	36,664
Unallocated corporate liabilities							891	1,026
Consolidated total liabilities							37,393	37,690

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. REVENUE

	Six months ended 30 September	
	2014	2013
	HK\$'000	HK\$'000
Gross rental income from investment properties	9,023	7,896
Dividend income from listed investments		
– trading securities	1,347	1,370
– available-for-sale financial assets	2,470	1,505
	3,817	2,875
Net result of trading in securities	1,609	69
	14,449	10,840

4. OTHER REVENUE

	Six months ended 30 September	
	2014	2013
	HK\$'000	HK\$'000
Bank interest income	114	238
Sundry income	185	57
	299	295

5. TAXATION

	Six months ended 30 September	
	2014	2013
	HK\$'000	HK\$'000
Provision for Hong Kong profits tax for current period	(1,092)	(976)
Deferred tax	(34)	(23)
Total income tax	(1,126)	(999)

Provision for Hong Kong profits tax is made at 16.5% (2013: 16.5%) on the estimated assessable profit for the period.

6. EARNINGS PER SHARE (BASIC AND DILUTED)

The calculation of basic earnings per share is based on the consolidated profit after taxation of HK\$36,261,000 (2013: HK\$26,230,000) and on 40,000,000 shares (2013: 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 (2013: Nil).

7. TRADE AND OTHER RECEIVABLES

	(Unaudited) As at 30 September 2014 HK\$'000	(Audited) As at 31 March 2014 HK\$'000
Rental receivables		
– Within 30 days	214	214
– Within 31 days to 60 days	177	176
– Within 61 days to 90 days	129	156
– Within 91 days to 180 days	–	6
	520	552
Other receivables	524	1,040
Rental and other receivables, unimpaired	1,044	1,592
Deposits and prepayments	275	360
	1,319	1,952

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.

8. TRADE AND OTHER PAYABLES

	(Unaudited) As at 30 September 2014 HK\$'000	(Audited) As at 31 March 2014 HK\$'000
Rental deposits received	2,893	2,984
Receipts in advance	356	213
Unclaimed dividends	382	339
Accrued expenses	1,373	1,498
	5,004	5,034

9. BANK BORROWINGS – SECURED

The bank loans are repayable as follows:

	(Unaudited) As at 30 September 2014 HK\$'000	(Audited) As at 31 March 2014 HK\$'000
Current liabilities		
Within one year	1,930	1,930
After one year but not exceeding two years	1,930	1,930
After two years but not exceeding five years	14,704	5,788
After five years	10,644	20,525
	29,208	30,173

As at 30 September 2014, the bank loans are secured by investment properties with fair value of HK\$194,600,000 (31 March 2014: HK\$190,400,000), 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 2014, interest on bank borrowings was HK\$330,000 (2013: HK\$340,000).

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.

The company has executed a corporate guarantee amounting to HK\$82,900,000 (31 March 2014: HK\$82,900,000) in favour of the bank for securing the aforesaid loans. The bank loans are renewable annually and will be reviewed in April 2015.

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

10. SHARE CAPITAL

	(Unaudited)		(Audited)	
	As at 30 September 2014		As at 31 March 2014	
	No. of shares	Amount	No. of shares	Amount
	HK\$'000			HK\$'000
Issued and fully paid				
Ordinary shares	40,000,000	40,000	40,000,000	40,000

On 3 March 2014, the new Hong Kong Companies Ordinance 622 (the "New CO") came into effect. The New CO abolished the concepts of nominal (par) value, share premium and authorised share capital for all shares of Hong Kong incorporated companies. Any amount received for issuing equity shares of a company should be recorded as share capital.

11. DIVIDENDS

	Six months ended	
	30 September	
	2014	2013
	HK\$'000	HK\$'000
Dividends attributable to the period –		
Final dividend at HK\$0.10 (2013: HK\$0.10) per ordinary share paid during the period	4,000	4,000
Interim dividend at HK\$0.02 (2013: HK\$0.02) per ordinary share declared after the reporting period end (note)	800	800
Special dividend at HK\$Nil (2013: HK\$0.07) per ordinary share paid during the period	–	2,800
	4,800	7,600

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

12. 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 2014					
Available-for-sale financial assets					
– listed shares in HK	91,338	–	–	91,338	91,338
Trading securities					
– listed shares in HK	51,639	–	–	51,639	51,639
	142,977	–	–	142,977	142,977
As at 31 March 2014					
Available-for-sale financial assets					
– listed shares in HK	87,335	–	–	87,335	87,335
Trading securities					
– listed shares in HK	54,848	–	–	54,848	54,848
	142,183	–	–	142,183	142,183

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 per share (2013: 2 HK cents), absorbing a total amount of HK\$800,000 (2013: HK\$800,000). Such dividend will be paid on or about 9 January 2015 to the shareholders whose names appear on the Register of Members of the company at the close of business on 19 December 2014.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the company will be closed from Monday, 15 December 2014 to Friday, 19 December 2014, 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, 12 December 2014.

DIRECTORS' INTERESTS IN SECURITIES

As at 30 September 2014, 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	9,393,423	–	3,370,500*	–	12,763,923
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, 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 2014, 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 2014, the group had 3 (2013: 3) employees (excluding 3 executive directors). The company's emolument policy is to ensure that the remuneration offered to employees including executive directors and senior management is based on the skill, knowledge, responsibilities and involvement in the company's affairs. The remuneration packages of the group's employees are periodically reviewed objectively and according to the individual performance. The total staff cost, including mandatory provident fund contribution of HK\$22,000 (2013: HK\$20,000), was HK\$468,000 (2013: HK\$443,000) for the six months ended 30 September 2014.

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 2014 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\$14,449,000, representing an increase by HK\$3,609,000 (33.29%), as compared to the same period in last year.

During the period, the group recorded a profit of HK\$36,261,000, representing an increase by HK\$10,031,000 (38.2%) as compared to the same period in last year. The increase in profit for this period was mainly attributable to an increase in realised gain on trading and long-term securities by approximately of HK\$2.9 million, an increase in unrealised gain on trading securities by approximately of HK\$3.5 million and an increase in revaluation gain on investment properties by approximately HK\$3 million.

Securities investment

Dividend income increased by HK\$942,000 (32.8%) to HK\$3,817,000 as compared to the same period in last year. The increase was primarily due to the one-off special dividends distributed from certain listed shares.

During the period, the group recorded a realised gain on disposal of trading securities of HK\$1,609,000 (2013: HK\$69,000) and a realised gain on disposal of available-for-sale financial assets of HK\$1,326,000 (2013: HK\$86,000). Also, an unrealised gain on trading securities of HK\$4,084,000 (2013: HK\$554,000) was recorded in profit or loss, while an unrealised gain on available-for-sale financial assets of HK\$4,249,000 (2013: unrealised loss of HK\$1,715,000) was recorded in other comprehensive income. As at 30 September 2014, the group's listed share investment portfolios had an aggregate fair value of HK\$142,977,000 (31 March 2014: HK\$148,183,000).

BUSINESS REVIEW AND PROSPECTS (Cont'd)

Property leasing

The rental income and the result (excluding a revaluation gain of HK\$20,900,000) of the group's property leasing business increased by HK\$1,127,000 (or 14.3%) and HK\$824,000 (or 12.9%) to HK\$9,023,000 and HK\$7,216,000 respectively, as compared to the same period in last year. The acquisition of investment properties held by Howe Kaye Investments Limited in January 2014 contributed, as expected, desirable rental income to the group.

The implementation of various stamp duties measures on the Hong Kong property market in 2013 has alarmed speculative investors and in consequence, the price of the property has been monitored within acceptable range. Also, benefited from the steady growth in the current economic environment, the group recorded a revaluation gain of HK\$20,900,000 (2013: HK\$17,882,000) during the period under review. At 30 September 2014, the carrying value of investment properties was HK\$552,500,000 (31 March 2014: HK\$531,600,000).

Property development

The group recorded a fair value loss of HK\$17,000 (2013: fair value gain of HK\$700,000) on property held for or under development. Although there is no existing 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

As at 30 September 2014, the group's total bank borrowings were HK\$29,208,000 (31 March 2014: HK\$30,173,000). The bank borrowing amounting to HK\$18,564,000 is wholly repayable within 5 years and another bank borrowing amounting to HK\$10,644,000 is wholly repayable after 5 years. The group's gearing ratio, which was taken as bank borrowings to total shareholders' equity, decreased from 4.4% to 4%. Also, the group had banking credit facilities of HK\$50,000,000 which has not been utilised. These banking facilities are renewable annually and will be reviewed in April 2015. In line with the lending bank's prevailing terms to customer, the bank reserves its right for demand of immediate repayment of outstanding loans and recovery action on assigned rent in case of non-compliance of certain covenants on loan-to-security value ratio. The group diligently monitors its compliance with these covenants.

As at 30 September 2014, the group held cash of HK\$49,354,000 (31 March 2014: HK\$35,381,000). The management continues to operate under a prudent financial policy and will implement all necessary measures to ensure the group maintaining adequate cash and appropriate credit facilities to meet its future operating and project development expenditure, and loan repayment obligations. The management will arrange for additional credit facilities, when necessary, to reinforce the cash position of the group for operating and future potential investment in future. In the long run, the group will continue to adopt an optimum financial structure for the best interest of shareholders in light of changes in economic conditions.

BUSINESS REVIEW AND PROSPECTS *(Cont'd)*

Assets pledged

As at 30 September 2014, the investment properties of the group with an aggregate carrying value of HK\$194,600,000 (31 March 2014: HK\$190,400,000) were pledged to a bank to secure general banking facilities granted to the group.

Prospects

Benefited from acquisition of long-term investment properties and the growing economy, the group's profit has increased in the first half of financial year 2014/15. However, prolonged civil disobedience movement is likely to dampen the Hong Kong economy, the impact of which is still too early to assess. Regarding the Shanghai-Hong Kong Stock Connect, the management is optimistic about smooth merge of the markets that would result in a win-win scenario. Barring the unforeseeable future, the management is cautious in making appropriate strategic adjustment on the group's assets portfolio in order to maximise the returns for shareholders.

By order of the board

Ng See Wah

Chairman

Hong Kong, 28 November 2014

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 14, 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 2014, 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, 28 November 2014