



INTERIM REPORT
2016 / 2017



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 2016. 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 2016

	Notes	(Unaudited) Six months ended 30 September	
		2016 HK\$'000	2015 HK\$'000
Revenue	3	13,676	12,776
Other revenue	4	77	127
Gain on disposal of available-for-sale financial assets		6,356	1,552
Fair value gain/(loss) on trading securities		6,388	(10,337)
Fair value (loss)/gain on investment properties		(10,300)	31,290
Fair value gain on properties held for or under development		310	60
Administrative and general expenses including depreciation of HK\$40,000 (2015: HK\$41,000)		(3,083)	(3,147)
Finance cost		(288)	(312)
Profit before taxation		13,136	32,009
Taxation	5	(1,277)	(1,216)
Profit after taxation attributable to the equity shareholders of the Company		11,859	30,793
Earnings per share (Basic and diluted)	6	29.6 HK cents	77.0 HK cents

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2016

	(Unaudited) Six months ended 30 September	
	2016	2015
	HK\$'000	HK\$'000
Profit for the period	11,859	30,793
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	13,537	(11,868)
Release of fair value reserve upon disposal of available-for-sale financial assets	(4,554)	(839)
	8,983	(12,707)
Total comprehensive income, net of tax, for the period attributable to equity shareholders of the Company	20,842	18,086

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2016

	Notes	(Unaudited)		(Audited)	
		As at 30 September 2016		As at 31 March 2016	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
ASSETS					
Non-current assets					
Property, plant and equipment			1,820		1,860
Investment properties			576,200		586,500
Properties held for or under development			12,790		12,410
Available-for-sale financial assets – equity shares listed in Hong Kong	7		104,490		98,753
			695,300		699,523
Current assets					
Trading securities – equity shares listed in Hong Kong			56,120	49,896	
Trade and other receivables	8		982	5,103	
Cash and bank balances			52,890	33,801	88,800
Current liabilities					
Trade and other payables	9		5,987	5,376	
Bank borrowings – secured	10		25,349	26,314	
Tax payable			1,452	209	
Provision for long service payments			955	951	(32,850)
			76,249		55,950
Net current assets					
			771,549		755,473
Total assets less current liabilities					
			770,555		754,513
Non-current liabilities					
Provision for long service payments			118	118	
Deferred taxation			876	842	(960)
NET ASSETS					
			770,555		754,513
CAPITAL AND RESERVES					
Share capital	11		40,000		40,000
Reserves			730,555		714,513
			770,555		754,513

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2016

	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 2015		40,000	251	38,312	686,382	764,945
Dividend paid						
– 2014/15 final dividend (HK\$0.12 per share)	12	–	–	–	(4,800)	(4,800)
Profit for the period		–	–	–	30,793	30,793
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		–	–	(11,868)	–	(11,868)
– Release of fair value reserve upon disposal of available-for-sale financial assets		–	–	(839)	–	(839)
Total comprehensive income for the period		–	–	(12,707)	30,793	18,086
As at 30 September 2015		40,000	251	25,605	712,375	778,231
Dividend paid						
– 2015/16 interim dividend (HK\$0.02 per share)	12	–	–	–	(800)	(800)
Loss for the period		–	–	–	(27,069)	(27,069)
Other comprehensive income for the period						
<u>Items that will not be reclassified subsequently to profit or loss</u>						
– Impairment losses on available-for-sale financial assets		–	–	7,940	–	7,940
<u>Items that may be reclassified to profit or loss</u>						
– Decrease in fair value of available-for-sale financial assets		–	–	(3,834)	–	(3,834)
Total comprehensive income for the period		–	–	4,106	(27,069)	(22,963)
Unclaimed dividend forfeited		–	–	–	45	45
As at 31 March 2016		40,000	251	29,711	684,551	754,513

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Cont'd)

For the six months ended 30 September 2016

		(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 2016		40,000	251	29,711	684,551	754,513
Dividend paid						
– 2015/16 final dividend (HK\$0.12 per share)	12	–	–	–	(4,800)	(4,800)
Profit for the period		–	–	–	11,859	11,859
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		–	–	13,537	–	13,537
– Release of fair value reserve upon disposal of available-for-sale financial assets		–	–	(4,554)	–	(4,554)
Total comprehensive income for the period		–	–	8,983	11,859	20,842
As at 30 September 2016		40,000	251	38,694	691,610	770,555

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2016

	(Unaudited) Six months ended 30 September	
	2016	2015
	HK\$'000	HK\$'000
Operating activities		
Profit before taxation	13,136	32,009
Adjustments for:		
Gain on disposal of available-for-sale financial assets	(6,356)	(1,552)
Fair value gain on properties held for or under development	(310)	(60)
Fair value (gain)/loss on trading securities	(6,388)	10,337
Fair value loss/(gain) on investment properties	10,300	(31,290)
Holding losses on trading securities realised	(184)	(20)
Interest income	(20)	(71)
Interest expenses	288	312
Changes in provision for long service payments	4	9
Depreciation	40	41
Operating profit before working capital changes	10,510	9,715
Decrease/(increase) in trading securities	349	(13,049)
Decrease in trade and other receivables	4,121	6,204
Increase in trade and other payables	611	1,033
Cash generated from operations	15,591	3,903
Profits tax paid	-	(505)
Net cash generated from operating activities	15,591	3,398
Investing activities		
Purchase of property, plant and equipment	-	(5)
Increase in properties held for or under development	(70)	(50)
Purchase of available-for-sale financial assets	(756)	(17,385)
Proceeds from disposal of available-for-sale financial assets	10,357	2,295
Interest received	20	71
Net cash generated from/(used in) investing activities	9,551	(15,074)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Cont'd)

For the six months ended 30 September 2016

	(Unaudited)	
	Six months ended	
	30 September	
	2016	2015
	HK\$'000	HK\$'000
Financing activities		
Repayment of bank borrowings	(965)	(965)
Dividends paid	(4,800)	(4,800)
Interest paid	(288)	(312)
Net cash used in financing activities	(6,053)	(6,077)
Net increase/(decrease) in cash and cash equivalents	19,089	(17,753)
Cash and cash equivalents at beginning of period	33,801	53,214
Cash and cash equivalents at end of period	52,890	35,461

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2016

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements have been prepared under historical cost convention, as modified by the fair value 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 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 and 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 2015/2016 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 2016. 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 2016. The application of new or revised standards, amendments to HKFRSs and interpretations 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.

The financial information relating to the year ended 31 March 2016 that is included in these unaudited condensed consolidated financial statements for the six months ended 30 September 2016 as comparative information does not constitute the statutory annual consolidated financial statements of the Company for that year but is derived from those consolidated financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 March 2016 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

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

The Company's auditor has reported on those consolidated financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Companies Ordinance.

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 30 September		Six months ended 30 September		Six months ended 30 September		Six months ended 30 September	
	2016	2015	2016	2015	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue								
– external customer	4,091	3,555	9,585	9,221	–	–	13,676	12,776
Segment results	3,373	2,843	7,895	7,559	37	25	11,305	10,427
Gain on disposal of available-for-sale financial assets	6,356	1,552	–	–	–	–	6,356	1,552
Fair value gain/(loss) on trading securities	6,388	(10,337)	–	–	–	–	6,388	(10,337)
Fair value (loss)/gain on investment properties	–	–	(10,300)	31,290	–	–	(10,300)	31,290
Fair value gain on property held for or under development	–	–	–	–	310	60	310	60
Results before interest, tax and corporate expenses	16,117	(5,942)	(2,405)	38,849	347	85	14,059	32,992
Interest income							20	71
Finance cost							(288)	(312)
Unallocated corporate expenses							(655)	(742)
Profit before taxation							13,136	32,009
Taxation							(1,277)	(1,216)
Profit after taxation							11,859	30,793

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 investment		Property leasing		Property development		Consolidated total	
	As at 30 September 2016	As at 31 March 2016	As at 30 September 2016	As at 31 March 2016	As at 30 September 2016	As at 31 March 2016	As at 30 September 2016	As at 31 March 2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Assets								
Segment assets	163,894	151,109	580,606	593,863	12,830	12,447	757,330	757,419
Unallocated corporate assets							47,962	30,904
Consolidated total assets							805,292	788,323
Liabilities								
Segment liabilities	804	702	29,847	30,910	145	83	30,796	31,695
Tax payable and deferred taxation	-	-	2,321	1,051	7	-	2,328	1,051
	804	702	32,168	31,961	152	83	33,124	32,746
Unallocated corporate liabilities							1,613	1,064
Consolidated total liabilities							34,737	33,810

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	
	2016	2015
	HK\$'000	HK\$'000
Gross rental income from investment properties	9,585	9,221
Dividend income from listed investments		
– trading securities	1,696	1,697
– available-for-sale financial assets	2,157	1,708
	3,853	3,405
Net result of trading in securities	238	150
	13,676	12,776

4. OTHER REVENUE

	Six months ended 30 September	
	2016	2015
	HK\$'000	HK\$'000
Bank interest income	20	71
Sundry income	57	56
	77	127

5. TAXATION

	Six months ended 30 September	
	2016	2015
	HK\$'000	HK\$'000
Provision for Hong Kong profits tax for current period	(1,243)	(1,181)
Deferred tax	(34)	(35)
Total income tax	(1,277)	(1,216)

Provision for Hong Kong profits tax is made at 16.5% (2015: 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\$11,859,000 (2015: HK\$30,793,000) and on 40,000,000 shares (2015: 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 (2015: Nil).

7. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	(Unaudited) As at 30 September 2016 HK\$'000	(Audited) As at 31 March 2016 HK\$'000
Listed shares in Hong Kong, at fair value		
At the beginning of the period/year	98,753	97,852
Additions	756	18,184
Disposals	(8,556)	(1,581)
Increase/(decrease) in fair value	13,537	(15,702)
At the end of the period/year	104,490	98,753

During the period, Hing Shing Far East Development Limited, a wholly-owned subsidiary of the Company, disposed certain listed shares at total consideration of HK\$10,357,000 and generated a gain of HK\$6,356,000. The major dispose included 100,000 ordinary shares of CLP Holdings Limited (Stock code: 2).

8. TRADE AND OTHER RECEIVABLES

	(Unaudited) As at 30 September 2016 HK\$'000	(Audited) As at 31 March 2016 HK\$'000
Rental receivables		
– Within 30 days	307	247
– Within 31 days to 60 days	159	153
– Within 61 days to 90 days	112	112
– Within 91 days to 180 days	–	112
	578	624
Other receivables	143	1,344
Rental and other receivables, unimpaired (note a)	721	1,968
Deposits and prepayments (note b)	261	3,135
	982	5,103

Notes:

- (a) Normally, monthly rentals are payable in advance by tenants in accordance with the leases. The rental receivables and other receivables (mainly including dividend receivable from listed shares and bank interest receivable) of the Group were current and were aged less than 90 days. The ageing analysis is based on first date on each month in accordance with the leases. The Group does not hold any collateral over these balances.

8. TRADE AND OTHER RECEIVABLES (Cont'd)

Notes: (Cont'd)

- (b) On 10 May 2016, Wing Tai Investment Limited, a wholly-owned subsidiary of the Company terminated the acquisition of the entire issued shares of Champrix Limited. The initial deposit of HK\$2,800,000 which was paid on 27 January 2016 was refunded in May 2016.

9. TRADE AND OTHER PAYABLES

	(Unaudited) As at 30 September 2016 HK\$'000	(Audited) As at 31 March 2016 HK\$'000
Rental deposits received	3,221	3,311
Receipts in advance	145	183
Unclaimed dividends	382	307
Accrued expenses	2,239	1,575
	5,987	5,376

10. BANK BORROWINGS – SECURED

The bank loans are repayable as follows:

	(Unaudited) As at 30 September 2016 HK\$'000	(Audited) As at 31 March 2016 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	21,489	22,454
	25,349	26,314

As at 30 September 2016, the bank loans are secured by investment properties with fair value of HK\$190,900,000 (31 March 2016: HK\$194,000,000), 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 2016, interest on bank borrowings was HK\$288,000 (2015: HK\$312,000).

10. BANK BORROWINGS – SECURED (Cont'd)

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 2016: 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 2017.

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

11. SHARE CAPITAL

	(Unaudited) As at 30 September 2016		(Audited) As at 31 March 2016	
	No. of shares	Amount HK\$'000	No. of shares	Amount HK\$'000
Issued and fully paid				
Ordinary shares	40,000,000	40,000	40,000,000	40,000

12. DIVIDENDS

	Six months ended 30 September	
	2016 HK\$'000	2015 HK\$'000
Dividends attributable to the period –		
Final dividend at HK\$0.12 (2015: HK\$0.12) per ordinary share paid during the period	4,800	4,800
Interim dividend at HK\$0.02 (2015: HK\$0.02) per ordinary share declared after the reporting period end (note)	800	800
	5,600	5,600

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

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					Carrying
Financial assets:	Level 1	Level 2	Level 3	Total	value
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 30 September 2016					
Available-for-sale financial assets					
– listed shares in HK	104,490	–	–	104,490	104,490
Trading securities – listed shares in HK	56,120	–	–	56,120	56,120
	160,610	–	–	160,610	160,610
As at 31 March 2016					
Available-for-sale financial assets					
– listed shares in HK	98,753	–	–	98,753	98,753
Trading securities – listed shares in HK	49,896	–	–	49,896	49,896
	148,649	–	–	148,649	148,649

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 (2015: 2 HK cents), absorbing a total amount of HK\$800,000 (2015: HK\$800,000). Such dividend will be paid on or about 6 January 2017 to the shareholders whose names appear on the Register of Members of the Company at the close of business on 19 December 2016.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Thursday, 15 December 2016 to Monday, 19 December 2016, 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 Wednesday, 14 December 2016.

DIRECTORS' INTERESTS IN SECURITIES

As at 30 September 2016, 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 issued ordinary shares held			Total	Approximate percentage of issued share capital of the Company
		Family interests	Corporate interests	Other interests		
Executive directors:						
Ng See Wah	9,429,923	-	3,370,500*	-	12,800,423	32.0%
Ng Tai Wai	3,899,077	-	3,370,500*	-	7,269,577	18.2%
Ng Tai Yin Victor	1,886,000	-	-	-	1,886,000	4.7%
Non-executive directors:						
So Kwok Leung	5,961,077	-	-	-	5,961,077	14.9%
So Kwok Wai Benjamin	4,989,923	36,000	-	-	5,025,923	12.6%
Alternate directors:						
Ng Kwok Fun (alternate to Ng See Wah)	105,000	-	-	-	105,000	0.3%

* 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.

DIRECTORS' INTERESTS IN SECURITIES *(Cont'd)*

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 2016, no person, other than Mr. Ng See Wah, Mr. Ng Tai Wai, Mr. So Kwok Leung and Mr. So Kwok Wai Benjamin, all of whom are directors of the Company, and Rheingold Holdings Limited (jointly owned by Mr. Ng See Wah and Mr. Ng Tai Wai), had any 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 for Securities Transactions by Director of Listed Issuers ("Model Code") set out in Appendix 10 of the Listing Rules as its code of conduct regarding directors' securities transactions. Specific enquiries were made of all directors and the Directors confirmed that they have complied with the required standard set out in the Model Code throughout the period ended 30 September 2016.

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 2016, the Group had 4 (2015: 4) 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\$27,000 (2015: HK\$24,000), was HK\$539,000 (2015: HK\$510,000) for the six months ended 30 September 2016.

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 2016 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; and
- 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.

BUSINESS REVIEW AND PROSPECTS

Business review

The Group’s turnover for the period amounted to HK\$13,676,000, representing an increase by HK\$900,000 (7.0%), as compared to the same period in last year.

During the period, the Group recorded a profit of HK\$11,859,000, representing a decrease by HK\$18,934,000 (61.5%) as compared to the same period in last year. The decrease was mainly due to the fair value loss of investment properties, as compared to the fair value gain in the last corresponding year.

Property leasing

The rental income and the result (excluding a revaluation loss of HK\$10,300,000) of the Group’s property leasing business increased by HK\$364,000 (or 3.9%) and HK\$336,000 (or 4.4%) to HK\$9,585,000 and HK\$7,895,000 respectively, as compared to the same period in last year.

BUSINESS REVIEW AND PROSPECTS (Cont'd)

Property leasing (Cont'd)

In the absence of evidence for continuing growth in number and purchasing power of visitors from Mainland China, investors in local commercial shops become conservative and the shop rental had been continuously adjusted, the Group's fair value of investment properties reduced slightly by 1.8% (i.e. fair value loss of HK\$10,300,000) (2015: fair value gain of HK\$31,290,000). As at 30 September 2016, the carrying value of investment properties was HK\$576,200,000 (31 March 2016: HK\$586,500,000).

Property development

The Group recorded a fair value gain of HK\$310,000 (2015: HK\$60,000) on property held for or under development. The Group applied to the Lands Department for the change of use of land for intended development property at Ping Shan and received the proposed premium quotation during the period. After careful consideration, the management lodged an appeal in October 2016. Up to present, the appeal has not been finalised. The Group will continue to evaluate, as early as practicable, the investment potential of the Ping Shan project with updated information.

Securities investment

Dividend income increased by HK\$448,000 (13.2%) to HK\$3,853,000 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\$238,000 (2015: HK\$150,000) and a realised gain on disposal of available-for-sale financial assets of HK\$6,356,000 (2015: HK\$1,552,000). The gain on disposal of available-for-sale financial assets was mainly attributable to the sale of 100,000 ordinary shares of CLP Holdings Limited (Stock code: 2) at a total consideration of approximate of HK\$8 million. Such disposal generated a gain of approximate of HK\$4.6 million. During the period, the Group recorded an unrealised gain on trading securities of HK\$6,388,000 (2015: unrealised loss of HK\$10,337,000) and unrealised gain on available-for-sale financial assets of HK\$13,537,000 (2015: unrealised loss of HK\$11,868,000) which were recorded in profit or loss and other comprehensive income respectively. As at 30 September 2016, the Group's listed share investment portfolios had an aggregate fair value of HK\$160,610,000 (31 March 2016: HK\$148,649,000).

The top three holdings of shares investment portfolio as at 30 September 2016 for long-term and trading purpose are set out in Table 1 and Table 2 below, respectively:

Table 1: Top Three Holdings for Long-Term Purpose

	Stock code	Stock name	Proportional to total assets of the Group
1.	2	CLP Holdings Limited	3.0%
2.	17	New World Development Co. Ltd.	2.4%
3.	5	HSBC Holdings Plc	2.3%

BUSINESS REVIEW AND PROSPECTS (Cont'd)

Securities investment (Cont'd)

Table 2: Top Three Holdings for Trading Purpose

	Stock code	Stock name	Proportional to total assets of the Group
1.	5	HSBC Holdings Plc	2.2%
2.	388	Hong Kong Exchanges and Clearing Limited	1.4%
3.	1398	Industrial and Commercial Bank of China Limited - H Shares	0.8%

Liquidity and financial resources

As at 30 September 2016, the Group's total bank borrowings were HK\$25,349,000, which were wholly repayable within 5 years (31 March 2016: HK\$26,314,000). The Group's gearing ratio, which was taken as bank borrowings to total shareholders' equity, decreased from 3.5% to 3.3%. Also, the Group had banking credit facilities of HK\$50,000,000 not yet utilised. The Group's banking facilities are renewable annually and will be due for negotiation in April 2017.

As at 30 September 2016, the Group held cash of HK\$52,890,000 (31 March 2016: HK\$33,801,000). 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 execute partial of the existing credit facilities, when necessary, to strengthen the cash position of the Group for 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.

Assets pledged

As at 30 September 2016, investment properties of the Group with an aggregate carrying value of HK\$190,900,000 (31 March 2016: HK\$194,000,000) were pledged to a bank to secure general banking facilities granted to the Group.

Prospects

In general, the leasing business sector faces a challenging year. During the period under review, the Group inevitably faced certain rental reduction requests, mostly upon expiration of existing tenancies. The mild reduction of rental income may be gradually reflected in the second half of this financial year. The management expects the property market in Hong Kong, especially commercial shops, will be continuously sluggish in the short run. Such business sentiment may result in adverse impact on our annual rental income and market value of investment properties. To minimize such impact, the management will endeavor to maintain high occupancy rate with reasonable market rental.

BUSINESS REVIEW AND PROSPECTS *(Cont'd)*

Prospects *(Cont'd)*

In the early November 2016, the Ad valorem stamp duty ("AVD") was amended and standardized with stamp duty rate of 15% chargeable on transactions for residential properties in order to cool down the overheated residential property market in Hong Kong. Despite such measure, the Group will keep its current business strategy plan for identifying high yield property investments and at the same time evaluating and balancing the risk and return for each potential investment.

The global economy confronts great uncertainty and instability in consequence of certain major political events during the year 2016. In addition, the continuing devaluation of Yuan leads the management to expect relative volatility in the securities market. However, the Shenzhen-Hong Kong Connect is expected to be launched on 5 December 2016 and the management expects it will be advantageous for the securities market growth in the long run. The Group will keep a close watch of prevailing market changes and make appropriate strategic adjustments to the Group's assets portfolio in order to realize the returns of the shareholders of the Company.

By order of the board

Ng See Wah

Chairman

Hong Kong, 30 November 2016

As at the date of this report, the executive directors of the Company are Mr. Ng See Wah, Mr. Ng Tai Wai and Mr. Ng Tai Yin Victor, the non-executive directors are Mr. So Kwok Leung and Mr. So Kwok Wai Benjamin, the independent non-executive directors are Dr. Loke Yu alias Loke Hoi Lam, Dr. Ng Chi Yeung Simon and Ms. Chan Suit Fei Esther, and Ms. Ng Kwok Fun is alternate director to Mr. Ng See Wah.

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 2016, 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, 30 November 2016