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WINFAIR INVESTMENT COMPANY LIMITED

永發置業有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 287)

2022/23 ANNOUNCEMENT OF INTERIM RESULTS

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 2022.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

	Notes	Six months ended 30 September	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Revenue	3	12,089	12,084
Other revenue and gains	4	272	252
Fair value loss on equity instruments at fair value through profit or loss		(17,692)	(18,801)
Fair value (loss)/gain on investment properties		(20,700)	19,000
Administrative and general expenses		(3,112)	(3,134)
Finance costs		<u>(204)</u>	<u>(152)</u>
(Loss)/profit before income tax	5	(29,347)	9,249
Income tax expense	6	<u>(573)</u>	<u>(597)</u>
(Loss)/profit for the period attributable to the owners of the Company		<u><u>(29,920)</u></u>	<u><u>8,652</u></u>
(Loss)/earnings per share (Basic and diluted) (HK cents)	7	<u><u>(74.8)</u></u>	<u><u>21.6</u></u>

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022**

	Six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
(Loss)/profit for the period	<u>(29,920)</u>	<u>8,652</u>
Other comprehensive income:		
<i><u>Item that will not be reclassified subsequently to profit or loss:</u></i>		
Changes in fair value of equity instruments at fair value through other comprehensive income	<u>(14,807)</u>	<u>(3,987)</u>
Other comprehensive income for the period	<u>(14,807)</u>	<u>(3,987)</u>
Total comprehensive income for the period attributable to owners of the Company	<u><u>(44,727)</u></u>	<u><u>4,665</u></u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2022**

	Notes	As at 30 September 2022 HK\$'000 (Unaudited)	As at 31 March 2022 HK\$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		1,404	1,404
Investment properties	8	923,500	944,200
Properties held for or under development		5,550	5,550
Equity instruments at fair value through other comprehensive income	9	54,665	70,315
		<u>985,119</u>	<u>1,021,469</u>
Current assets			
Equity instruments at fair value through profit or loss		51,072	72,547
Trade and other receivables	10	943	528
Deferred tax asset		5	-
Tax recoverable		100	100
Cash and bank balances		130,797	120,634
		<u>182,917</u>	<u>193,809</u>
Current liabilities			
Other payables		6,906	4,800
Bank borrowings - secured	11	17,511	17,916
Tax payable		596	44
		<u>25,013</u>	<u>22,760</u>
Net current assets		<u>157,904</u>	<u>171,049</u>
Total assets less current liabilities		<u>1,143,023</u>	<u>1,192,518</u>
Non-current liabilities			
Provision for long service payments		118	118
Deferred tax liabilities		1,001	969
		<u>1,119</u>	<u>1,087</u>
NET ASSETS		<u>1,141,904</u>	<u>1,191,431</u>
EQUITY			
Capital and reserves			
Share capital		40,000	40,000
Reserves		1,101,904	1,151,431
TOTAL EQUITY		<u>1,141,904</u>	<u>1,191,431</u>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022**

	Attributable to owners of the Company				
	Share capital HK\$'000	Capital reserve HK\$'000	Fair value reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
As at 1 April 2021 (audited)	40,000	251	21,991	1,128,309	1,190,551
Profit for the period	-	-	-	8,652	8,652
Other comprehensive income:					
Changes in fair value of equity instruments at fair value through other comprehensive income ("FVTOCI")	-	-	(3,987)	-	(3,987)
Total other comprehensive income	-	-	(3,987)	-	(3,987)
Total comprehensive income	-	-	(3,987)	8,652	4,665
Dividend paid (Note 12)	-	-	-	(4,800)	(4,800)
Fair value reserve transferred to retained profits upon disposal of equity instruments at FVTOCI	-	-	(8,206)	8,206	-
As at 30 September 2021 (unaudited)	<u>40,000</u>	<u>251</u>	<u>9,798</u>	<u>1,140,367</u>	<u>1,190,416</u>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY - Continued
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022**

	Attributable to owners of the Company				
	Share capital HK\$'000	Capital reserve HK\$'000	Fair value reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
As at 1 April 2022 (audited)	40,000	251	6,718	1,144,462	1,191,431
Loss for the period	-	-	-	(29,920)	(29,920)
Other comprehensive income:					
Changes in fair value of equity instruments at FVTOCI	-	-	(14,807)	-	(14,807)
Total other comprehensive income	-	-	(14,807)	-	(14,807)
Total comprehensive income	-	-	(14,807)	(29,920)	(44,727)
Dividend paid (Note 12)	-	-	-	(4,800)	(4,800)
Fair value reserve transferred to retained profits upon disposal of equity instruments at FVTOCI	-	-	(552)	552	-
As at 30 September 2022 (unaudited)	<u>40,000</u>	<u>251</u>	<u>(8,641)</u>	<u>1,110,294</u>	<u>1,141,904</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

These interim condensed consolidated financial statements of the Group for the six months period ended 30 September 2022 have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure provisions of Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

These interim condensed consolidated financial statements contain condensed consolidated financial statements and selected explanatory notes. The 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 Group’s audited annual consolidated financial statements for the year ended 31 March 2022. These interim condensed consolidated financial statements and notes do not include all the information required for a complete set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (the “HKFRSs”) and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 March 2022.

These interim condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties, properties held for or under development and certain financial instruments, which are measured at fair values, as appropriate. Historical cost is generally based on the fair value of consideration for goods and services.

The accounting policies applied that have been used in the preparation of these interim condensed consolidated financial statements are consistent with those used in the Group’s financial statements for the year ended 31 March 2022, except for the adoption of the new and amended HKFRSs, which collective term includes all applicable HKFRSs, HKASs and Interpretations effective for the first time for annual period beginning on 1 April 2022.

The financial information relating to the year ended 31 March 2022 that is included in this announcement as comparative information does not constitute the Company’s statutory annual consolidated financial statements 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 Hong Kong Companies Ordinance, Chapter 622 of the laws of Hong Kong (the “Companies Ordinance”) is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 March 2022 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 - Continued

The Company's independent auditor has reported on those consolidated financial statements for the year ended 31 March 2022. 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.

The preparation of these interim condensed consolidated financial statements in compliance with HKAS 34 requires the use of certain 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 significant judgements made by the management of the Company in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group's audited annual consolidated financial statements for the year ended 31 March 2022.

The application of the new and revised HKFRSs issued by the HKICPA that are mandatorily effective for the current interim period has had no material effect on the amounts reported in these interim condensed consolidated financial statements and/or disclosures set out in these interim condensed consolidated financial statements, unless otherwise stated.

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 anticipate that the application of other new and revised standards, amendments or interpretations issued but not yet effective will have no material impact on the results and financial position of the Group.

2. SEGMENT INFORMATION

The Group determines its operating segments based on internal reports reviewed by the Group's chief operating decision maker (i.e. the executive directors), that are used to assess segment performance and make strategic decision. All the Group's activities are carried out in Hong Kong.

The reportable segments of the Group are as follows:

Securities investment	- securities investment for short-term and long-term
Property leasing	- letting investment properties
Property development	- properties held for or under development

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

	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	
	2022	2021	2022	2021	2022	2021	2022	2021
(Unaudited)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue								
- external customer	<u>5,772</u>	<u>5,615</u>	<u>6,317</u>	<u>6,469</u>	<u>-</u>	<u>-</u>	<u>12,089</u>	<u>12,084</u>
Segment results before net gains or losses	<u>5,217</u>	<u>4,995</u>	<u>4,763</u>	<u>4,711</u>	<u>(7)</u>	<u>(10)</u>	<u>9,973</u>	<u>9,696</u>
Fair value loss on equity instruments at fair value through profit or loss ("FVTPL")	<u>(17,692)</u>	<u>(18,801)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(17,692)</u>	<u>(18,801)</u>
Fair value (loss)/gain on investment properties	<u>-</u>	<u>-</u>	<u>(20,700)</u>	<u>19,000</u>	<u>-</u>	<u>-</u>	<u>(20,700)</u>	<u>19,000</u>
Fair value gain on properties held for or under development	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>240</u>	<u>-</u>	<u>240</u>
Segment results	<u>(12,475)</u>	<u>(13,806)</u>	<u>(15,937)</u>	<u>23,711</u>	<u>(7)</u>	<u>230</u>	<u>(28,419)</u>	<u>10,135</u>
Bank Interest income							<u>116</u>	<u>-*</u>
Finance costs							<u>(204)</u>	<u>(152)</u>
Unallocated corporate expenses							<u>(840)</u>	<u>(734)</u>
(Loss)/profit before income tax							<u>(29,347)</u>	<u>9,249</u>

*Represents amount less than HK\$1,000.

2. SEGMENT INFORMATION - Continued

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

	Securities investment		Property leasing		Property development		Consolidated total	
	As at 30 September 2022 HK\$'000 (Unaudited)	As at 31 March 2022 HK\$'000 (Audited)						
Assets								
Segment assets	198,985	226,447	944,837	966,040	5,550	5,550	1,149,372	1,198,037
Tax recoverable and deferred tax assets	-	-	93	94	12	6	105	100
	<u>198,985</u>	<u>226,447</u>	<u>944,930</u>	<u>966,134</u>	<u>5,562</u>	<u>5,556</u>	<u>1,149,477</u>	<u>1,198,137</u>
Unallocated corporate assets							18,559	17,141
Total assets							<u>1,168,036</u>	<u>1,215,278</u>
Liabilities								
Segment liabilities	184	248	20,813	21,121	120	103	21,117	21,472
Tax payable and deferred tax liabilities	-	-	1,597	1,013	-	-	1,597	1,013
	<u>184</u>	<u>248</u>	<u>22,410</u>	<u>22,134</u>	<u>120</u>	<u>103</u>	<u>22,714</u>	<u>22,485</u>
Unallocated corporate liabilities							3,418	1,362
Total liabilities							<u>26,132</u>	<u>23,847</u>

Segment assets principally comprise all tangible assets and current assets directly attributable to each segment with the exception of other unallocated head office and corporate assets (including fixed deposits and bank accounts) as these assets are managed on a group basis. Segment liabilities include all liabilities and borrowings directly attributable to and managed by each segment with the exception of other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

3. REVENUE

	Six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Gross rental income from investment properties	6,317	6,469
Dividend income from listed investments		
- Equity instruments at FVTPL	3,296	3,220
- Equity instruments at FVTOCI	2,476	2,344
	5,772	5,564
Gain on disposal of equity instruments at FVTPL	-	51
	<u>12,089</u>	<u>12,084</u>

4. OTHER REVENUE AND GAINS

	Six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Fair value gain on properties held for or under development	-	240
Government subsidies (Note(i))	144	-
Bank interest income	116	-*
Sundry income	12	12
	<u>272</u>	<u>252</u>

*Represents amount less than HK\$1,000.

Note:

- (i) The Government subsidies for the six months ended 30 September 2022 represent one-off subsidies under Employment Support Scheme launched by Hong Kong Special Administrative Region Government. There are no unfulfilled conditions and other contingencies attached to the receipts of those subsidies.

5. (LOSS)/PROFIT BEFORE INCOME TAX

(Loss)/profit before income tax is arrived at after charging

	Six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Depreciation	40	38
Interest on bank borrowings	204	152
Loss on disposal of property, plant and equipment	19	-
Provision for expected credit losses on trade and other receivables	5	-
	<u>5</u>	<u>-</u>

6. INCOME TAX EXPENSE

	Six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Hong Kong Profits Tax	546	580
Deferred income tax	<u>27</u>	<u>17</u>
Income tax expense	<u>573</u>	<u>597</u>

Hong Kong Profits Tax is calculated at the rate of 16.5% (six months ended 30 September 2021: 16.5%) on the estimated assessable profits arising in Hong Kong, except for one subsidiary of the Company which is a qualifying corporation under two-tiered profits tax rates regime. For this subsidiary, the first HK\$2,000,000 of assessable profits are taxed at 8.25% (six months ended 30 September 2021: 8.25%) and the remaining assessable profits are taxed at 16.5% (six months ended 30 September 2021: 16.5%).

7. (LOSS)/EARNINGS PER SHARE

The basic (loss)/earnings per share for the period is calculated by dividing the (loss)/profit attributable to owners of the Company by the weighted average number of ordinary shares in issue held by the Group of 40,000,000 (six months ended 30 September 2021: 40,000,000) during the period. There were no potential dilutive ordinary shares outstanding for both periods ended as at 30 September 2022 and 2021.

8. INVESTMENT PROPERTIES

	As at 30 September 2022 HK\$'000 (Unaudited)	As at 31 March 2022 HK\$'000 (Audited)
Fair value		
At the beginning of the period/year	944,200	918,500
(Decrease)/increase in fair value recognised in profit or loss	<u>(20,700)</u>	<u>25,700</u>
At the end of the period/year	<u>923,500</u>	<u>944,200</u>

All investment properties of the Group are situated in Hong Kong and held under following lease terms:

	As at 30 September 2022 HK\$'000 (Unaudited)	As at 31 March 2022 HK\$'000 (Audited)
Short-term lease	17,500	17,500
Medium-term lease	231,800	232,300
Long-term lease	<u>674,200</u>	<u>694,400</u>
	<u>923,500</u>	<u>944,200</u>

Lease payments may be varied periodically to reflect market rentals.

The Group's investment properties were revalued at 30 September 2022 and 31 March 2022, giving rise to an unrealised fair value loss of approximately HK\$20,700,000 (six months ended 30 September 2021: unrealised fair value gain of approximately HK\$19,000,000) which has been recognised in the condensed consolidated statement of profit or loss for the period. The fair values of the Group's investment properties at 30 September 2022 and 31 March 2022 have been derived at by RHL Appraisal Limited, an independent qualified professional valuer, using direct comparison method.

Included in the investment properties, the carrying value of HK\$584,000,000 as at 30 September 2022 (31 March 2022: HK\$600,000,000) represents the investment properties under redevelopment in Hong Kong.

At 30 September 2022, the investment properties with aggregate carrying value of approximately HK\$63,500,000 (31 March 2022: HK\$65,500,000) have been pledged to a bank to secure general bank facilities of the Group.

9. EQUITY INSTRUMENTS AT FVTOCI

	As at 30 September 2022 HK\$'000 (Unaudited)	As at 31 March 2022 HK\$'000 (Audited)
Listed shares in Hong Kong, at fair value	<u>54,665</u>	<u>70,315</u>

The listed equity securities were irrevocably designated at FVTOCI as the Group considers the investment to be long-term strategic capital investment in nature. The Group held less than 1% interest of issued share capital for each underlying investee company.

Top five holdings of the Group's equity instruments at FVTOCI are as follows:

Stock Code	Stock name	Principal business	As at 30 September 2022 HK\$'000 (Unaudited)	As at 31 March 2022 HK\$'000 (Audited)
388	Hong Kong Exchanges and Clearing Limited	Financials	12,544	17,280
2	CLP Holdings Limited	Utilities	11,870	15,270
1113	CK Assets Holdings Limited	Properties & Construction	6,145	7,797
1398	Industrial and Commercial Bank of China Limited ("ICBC") - H Shares	Financials	4,420	5,778
1	CK Hutchison Holdings Limited	Conglomerate	4,348	5,766

Changes in fair value of the above equity securities are recognized in other comprehensive income and accumulated within the fair value reserve within equity. The Group transfers amounts from fair value reserve to retained profits when the relevant equity securities are derecognised.

During the six months ended 30 September 2022, the Group disposed certain equity securities as these investments no longer coincided with the Group's investment strategy. The fair value on the date of disposal was approximately HK\$844,000 (six months ended 30 September 2021: HK\$17,588,000), resulting in a transfer of accumulated gain on the equity instruments at FVTOCI of approximately HK\$552,000 (six months ended 30 September 2021: accumulated gain on equity investment at FVTOCI of approximately HK\$8,206,000) within equity.

The fair values of listed securities are determined on the basis of their quoted market prices at the end of the reporting period.

10. TRADE AND OTHER RECEIVABLES

	As at 30 September 2022 HK\$'000 (Unaudited)	As at 31 March 2022 HK\$'000 (Audited)
Rental receivables (note)		
- Within 30 days	122	104
- Within 31 days to 60 days	66	89
- Within 61 days to 90 days	43	69
- Over 90 days	93	55
	<u>324</u>	<u>317</u>
Other receivables	526	86
Deposits and prepayments	278	305
	<u>1,128</u>	<u>708</u>
Less: Provision for expected credit losses	(185)	(180)
Total trade and other receivables, net	<u>943</u>	<u>528</u>

Note:

Rental receivables from tenants are payable on presentation of invoices. Normally, monthly rentals are payable in advance by tenants in accordance with the respective lease term. As at 30 September 2022 and 31 March 2022, all trade and other receivables are expected to be recovered within one year. The ageing analysis is presented based on the invoice date at the end of the reporting period. The Group does not hold any collateral over these balances.

In determining the recoverability of rental receivables, the Group reviews the recoverable amount in respect of each tenant at the end of the reporting period to ensure the adequate impairment losses are made for irrecoverable amounts. The exposure of credit risk is limited due to deposits received from tenants. Full allowance will be made on the balance overdue for 90 days after setting off the relevant tenant's deposit.

Movements on the provision for expected credit losses are as follows:

	As at 30 September 2022 HK\$'000 (Unaudited)	As at 31 March 2022 HK\$'000 (Audited)
Balance at beginning of the period/year	180	105
Provision	5	75
Balance at end of the period/year	<u>185</u>	<u>180</u>

11. BANK BORROWINGS - SECURED

The Group's secured bank loans at the end of the reporting period were repayable as follows:

	As at 30 September 2022 HK\$'000 (Unaudited)	As at 31 March 2022 HK\$'000 (Audited)
Current liabilities		
- Within one year	811	811
- After one year but not exceeding two years	16,700	811
- After two years but not exceeding five years	-	16,294
	<u>17,511</u>	<u>17,916</u>

Notes:

- (a) As at 30 September 2022, secured bank loans of approximately HK\$17,511,000 (31 March 2022: HK\$17,916,000) are classified as current liabilities as the related loan agreements contain a clause that provides the lenders with an unconditional right to demand repayment at any time at its own discretion.
- (b) The Group's secured bank loans bear interest at 1.55% above Hong Kong Interbank Offered Rate ("HIBOR"), or 1.8% per annum below Hong Kong Dollars Best Lending Rate ("BLR") of a commercial bank in Hong Kong (31 March 2022: 1.55% above HIBOR, or 1.8% below BLR). During the six months ended 30 September 2022, interest on bank borrowings was approximately HK\$204,000 (six months ended 30 September 2021: HK\$152,000).
- (c) As at 30 September 2022 and 31 March 2022, the Group's bank borrowings were secured by (i) investment properties amounting to approximately HK\$63,500,000 (31 March 2022: HK\$65,500,000); and (ii) a corporate guarantee amounting to HK\$32,900,000 (31 March 2022: HK\$32,900,000) given by the Company in favour of the bank for securing the aforesaid loans.
- (d) The Group needs to fulfill certain covenants on loan-to-security value ratio. If the Group was to breach the covenants, the draw down facilities would become payable on demand and the rent of the pledged properties would be collected by the bank. The Group regularly monitors its compliance with these covenants. As at 30 September 2022 and 31 March 2022, the Group has not breached any of the covenants of the banking facilities.
- (e) The directors of the Company consider that the carrying amount of the bank borrowings approximates their fair value.

12. DIVIDENDS

- (a) Dividends payable to equity shareholders of the Company attributable to the period:

	Six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Interim dividend declared after the end of the reporting period		
- HK\$0.02 (2021: HK\$0.02) per ordinary share	<u>800</u>	<u>800</u>
	<u>800</u>	<u>800</u>

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

- (b) Dividends attributable to the previous financial year, approved and paid during the period:

	Six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Final dividend declared and paid		
- HK\$0.12 (2021: HK\$0.12) per ordinary share	<u>4,800</u>	<u>4,800</u>
	<u>4,800</u>	<u>4,800</u>

13. CAPITAL COMMITMENTS

	As at 30 September 2022 HK\$'000 (Unaudited)	As at 31 March 2022 HK\$'000 (Audited)
Contracted but not provided for:		
Capital expenditure for the redevelopment of the investment properties	<u>13,050</u>	<u>13,050</u>
Authorised but not contracted for:		
Capital expenditure for the redevelopment of the investment properties	<u>54,000</u>	<u>54,000</u>

14. 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).

The level in the fair value hierarchy within which the financial asset is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

The financial assets measured at fair value are grouped into the fair value hierarchy as follows:

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Recurring fair value measurement				
Financial assets:				
As at 30 September 2022 (unaudited)				
Equity instruments at FVTOCI				
- listed shares in Hong Kong	54,665	-	-	54,665
Equity instruments at FVTPL				
- listed shares in Hong Kong	51,072	-	-	51,072
	<u>105,737</u>	<u>-</u>	<u>-</u>	<u>105,737</u>
As at 31 March 2022 (audited)				
Equity instruments at FVTOCI				
- listed shares in Hong Kong	70,315	-	-	70,315
Equity instruments at FVTPL				
- listed shares in Hong Kong	72,547	-	-	72,547
	<u>142,862</u>	<u>-</u>	<u>-</u>	<u>142,862</u>

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 (2021: 2 HK cents), totaling HK\$800,000 (2021: HK\$800,000). Such dividend will be paid on or about 11 January 2023 to the shareholders whose names appear on the Register of Members of the Company at the close of business on 20 December 2022.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Friday, 16 December 2022 to Tuesday, 20 December 2022, both days inclusive. To qualify for the interim 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, Shops 1712-1716, 17 Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 15 December 2022.

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.

AUDIT COMMITTEE

The audit committee currently consists of three independent non-executive directors and one non-executive director.

At the request of the Audit Committee, BDO Limited, the auditor of the Company, has performed certain agreed-upon procedures on the Group's unaudited interim condensed consolidated financial statements for the six months ended 30 September 2022 in accordance with Hong Kong Standard on Related Services 4400 (Revised) "Agreed-Upon Procedures Engagements" issued by the HKICPA.

The agreed-upon procedures were performed solely to assist the Audit Committee to review the interim results of the Group for the six months ended 30 September 2022. As the agreed-upon procedures did not constitute an assurance engagement performed in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA, the auditor of the Company does not express any assurance on the interim results of the Company for the six months ended 30 September 2022.

The Audit Committee has reviewed with the management of the Company 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 consolidated interim results for the Group for the six months ended 30 September 2022.

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 2022 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. Generally, prior approvals by all executive directors are required for all strategic decisions and are to be confirmed either at formal board meeting or under written resolution subsequently. The Group believes that the existing organization and decision making procedures are adequate for the Group to cope with the ever-changing economic environment;
- 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 at which they are eligible for re-election; and
- The Group has not arranged insurance cover in respect of legal action against its directors as the Board considers that there is prudent management policy currently in place. However, the need for insurance policy will be subject to review from time to time.

BUSINESS REVIEW AND PROSPECTS

Business review

The Group’s turnover for the period amounted to approximately HK\$12,089,000, which was similar to the same period in last year.

During the period, the Group recorded a loss of approximately HK\$29,920,000 as compared to a profit of HK\$8,652,000 for the same period in last year. The turnaround from profit to loss was mainly due to fair value loss on investment properties incurred during the period.

Property leasing

The rental income of the Group was approximately HK\$6,317,000, representing a decrease of approximately HK\$152,000 (or 2.3%), as compared to the same period in last year.

Excluding recurring valuation gain or loss of investment properties, the leasing segment recorded a profit of approximately HK\$4,763,000, representing an increase of approximately HK\$52,000 (or 1.1%), as compared to the same period in last year.

Regarding the redevelopment project on No. 31 Fuk Tsun Street (“FTS Project”), there is no significant progress on the development during the period. The management has recommenced site investigation since mid-November 2022.

The Group recorded a fair value loss on investment properties of approximately HK\$20,700,000 (six months ended 30 September 2021: fair value gain of HK\$19,000,000) during the period under review. As at 30 September 2022, the Group’s fair value of investment properties was HK\$923,500,000 (31 March 2022: HK\$944,200,000).

Property development

The Group recorded no fair value gain or loss (six months ended 30 September 2021: HK\$240,000) on property held for or under development during the period.

As at the date of this report, there was no significant progress on the development.

Securities investment

Dividend income increased by approximately HK\$208,000 (or 3.7%) to approximately HK\$5,772,000 as compared to the same period in last year.

During the period, the Group disposed of certain equity instruments at FVTOCI at an aggregate consideration of approximately HK\$844,000 and realised a gain of approximately HK\$552,000 (six months ended 30 September 2021: gain of HK\$8,206,000) which was directly transferred from fair value reserve to retained profits.

Given the sluggish sentiment in the securities market, the Group recorded a fair value loss on equity instruments at FVTPL of approximately HK\$17,692,000 (six months ended 30 September 2021: HK\$18,801,000) and fair value loss on equity instruments at FVTOCI of approximately HK\$14,807,000 (six months ended 30 September 2021: HK\$3,987,000) which were recorded in the statement of profit or loss and other comprehensive income respectively. The management continues to keep watch of the market and make appropriate adjustments if they think fit. As at 30 September 2022, the Group's listed share investment portfolios had an aggregate fair value of approximately HK\$105,737,000 (31 March 2022: HK\$142,862,000).

Securities investment - Continued

Details of the top five in the Group's share investment portfolios as at 30 September 2022 for long-term and trading purpose are set out in Table 1 and Table 2 below, respectively:

Table 1: Details of the top five in the Group's Share Investment Portfolio for Long-Term Purpose

Stock code	Stock name	Principal Business	Investment Costs (HK\$'000)	Fair value at 30.9.2022 (HK'000)	Proportional to total assets of the Group	Fair value loss during the period (HK\$'000)	Gain on disposal (HK\$'000)	Dividend income (HK\$'000)
1. 388	Hong Kong Exchanges and Clearing Limited	Financials	9,602	12,544	1.1%	(4,736)	-	161
2. 2	CLP Holdings Limited	Utilities	10,937	11,870	1.0%	(3,400)	-	252
3. 1113	CK Assets Holdings Limited	Properties & Construction	2,529	6,145	0.5%	(808)	552	316
4. 1398	ICBC - H Shares	Financials	6,881	4,420	0.4%	(1,357)	-	371
5. 1	CK Hutchison Holdings Limited	Conglomerates	9,479	4,348	0.4%	(1,418)	-	271
	Other securities (note(1))		31,167	15,338	1.3%	(3,088)	-	1,105
	Total		70,595	54,665	4.7%	(14,807)	552	2,476

Note (1): Other securities included ten stocks listed in Hong Kong. Six of which were current constituents of the Hang Seng Index and their principal businesses mainly included property and construction, conglomerates, financials, energy, and information technology.

Note (2): The Group held less than 1% interest of the issued share capital for each underlying company.

Securities investment - continued

Table 2: Details of the top five in the Group's Share Investment Portfolio for Trading Purpose

Stock code	Stock name	Principal business	Investment Costs (HK\$'000)	Fair value at 30.9.2022 (HK'000)	Proportional to total assets of the Group	Fair value loss during the period (HK\$'000)	Dividend income (HK\$'000)
1. 2628	China Life Insurance Co. Ltd. - H Shares	Financials	15,710	8,450	0.7%	(1,663)	576
2. 9988	Alibaba Group Holdings Ltd - SW	Information Technology	20,312	7,405	0.6%	(3,172)	-
3. 914	Anhui Conch Cement Co. Ltd. - H shares	Materials	11,558	5,727	0.5%	(3,227)	478
4. 1398	ICBC - H Shares	Financials	8,388	4,784	0.4%	(1,469)	402
5. 3988	Bank of China - H Shares	Financials	6,556	4,544	0.4%	(1,025)	412
	Other securities (note (1))		41,409	20,162	1.7%	(7,136)	1,428
	Total		103,933	51,072	4.3%	(17,692)	3,296

Note (1): Other securities included 17 stocks listed in Hong Kong. Seven of which were current constituents of the Hang Seng Index and their principal businesses were properties and construction, financials, energy, consumer staples, automobile, and utilities.

Note (2): The Group held less than 1% interest of the issued share capital for each underlying company.

Liquidity and financial resources

As at 30 September 2022, the Group's total bank borrowings were approximately HK\$17,511,000, which were wholly repayable within 2 years (31 March 2022: within 5 years HK\$17,916,000). All of the Group's bank borrowings are at floating interest rates. The Group's gearing ratio, which was taken as bank borrowings to total shareholders' equity, were 1.5%. The Group's banking facilities are subject to review at any time, and also subject to the Bank's overriding right of repayment on demand.

Cash held by the Group as at 30 September 2022 was approximately HK\$130,797,000 (31 March 2022: HK\$120,634,000). The Group's outstanding capital commitments for property redevelopment projects, which were contracted but not accounted for, were HK\$13,050,000. The capital expenditures for redevelopment projects are expected to be partly funded by internal resources and partly by construction loan. The management of the Company continues to operate under a prudent financial policy and will implement all necessary measures to ensure that the Group maintains adequate cash and appropriate credit facilities to meet its future operating, project development expenditure, and loan repayment obligations. The Group will consider arranging new credit facilities for the Group's property development, when necessary. In the long run, the Group will continue to adopt an optimum financial structure for the best interests of its shareholders in light of changes in economic conditions.

The Group did not use any financial instruments for hedging purposes during the six months ended 30 September 2022.

Assets pledged

As at 30 September 2022, the investment properties of the Group with an aggregate carrying value of HK\$63,500,000 (31 March 2022: HK\$65,500,000) were pledged to a bank to secure general banking facilities granted to the Group.

Prospects

The upsurge in interest rates, inflation, continued impact of the epidemic, geopolitical factors and trade war has brought uncertainty to the global economic recovery. It will take some time for economic activity to return to pre-pandemic levels. The speed of the recovery will depend on the precautionary measure policy for COVID-19 prevention implemented by the local government. As the US economy is still in the interest rate hike cycle, and a strong US dollar has traditionally had an adverse effect on the economy, it is expected the securities market will be more volatile in the short run. We will keep watching the market and make appropriate adjustments to the securities portfolio.

Looking ahead, the COVID-19 epidemic shows signs of stabilizing, it is expected the Hong Kong Government will continue to relax epidemic prevention measures. The Company remains optimistic about both domestic and foreign economic activities and that the leasing business will continue to improve.

By order of the board

Ng Tai Wai
Chairman

Hong Kong, 30 November 2022

As at the date of this announcement, the executive directors of the Company are Mr. Ng Tai Wai and Mr. Ng Tai Yin Victor, the non-executive directors are Mr. So Kwok Leung, Mr. So Kwok Wai Benjamin and Ms. Ng Kwok Fun, the independent non-executive directors are Dr. Ng Chi Yeung Simon, Ms. Chan Suit Fei Esther and Mr. Heng Pei Neng Roy.