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## WINFOONG INTERNATIONAL LIMITED

( 榮豐國際有限公司 ) \*

(Incorporated in Bermuda with limited liability)

(Stock code: 63)

### 2014 INTERIM RESULTS ANNOUNCEMENT SIX MONTHS ENDED 30 JUNE 2014

The board of directors (the “Board”) of Winfoong International Limited (the “Company”) announces that the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2014 are as follows:

#### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2014

		Unaudited six months ended 30 June	
	Note	2014 HK\$'000	2013 HK\$'000
Turnover	3	3,024	2,529
Cost of sales		(506)	(489)
Gross profit		2,518	2,040
Net gain/(loss) on trading securities		1	(44)
Other revenue		4,002	2,536
Other net income		2,375	54
Operating and administrative expenses		(17,395)	(17,113)
Loss from operations		(8,499)	(12,527)
Finance costs		—	—
Loss before taxation	4	(8,499)	(12,527)
Income tax expense	5	—	—
Loss for the period		<u>(8,499)</u>	<u>(12,527)</u>
Attributable to:			
Equity shareholders of the Company		(8,499)	(12,527)
Non-controlling interests		—	—
		<u>(8,499)</u>	<u>(12,527)</u>
Basic and diluted loss per share	6	<u>HK cents (0.32)</u>	<u>HK cents (0.48)</u>

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2014

	<i>Note</i>	<b>Unaudited six months ended 30 June</b>	
		<b>2014</b>	<b>2013</b>
		<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
Loss for the period		<b>(8,499)</b>	<b>(12,527)</b>
Other comprehensive (loss)/income for the period (after tax and reclassification adjustments)		<b>—</b>	<b>—</b>
Total comprehensive loss for the period		<b><u>(8,499)</u></b>	<b><u>(12,527)</u></b>
<i>Attributable to:</i>			
Equity shareholders of the Company		<b>(8,499)</b>	<b>(12,527)</b>
Non-controlling interests		<b>—</b>	<b>—</b>
Total comprehensive loss for the period		<b><u>(8,499)</u></b>	<b><u>(12,527)</u></b>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2014

		Unaudited 30 June 2014 HK\$'000	Audited 31 December 2013 HK\$'000
	Note		
<b>Non-current assets</b>			
Fixed assets		1,046	1,118
Available-for-sale financial assets		2,450	2,450
		<u>3,496</u>	<u>3,568</u>
<b>Current assets</b>			
Trading securities		340	339
Inventories		248,346	250,161
Trade and other receivables	8	16,737	19,247
Cash and cash equivalents		44,253	58,686
		<u>309,676</u>	<u>328,433</u>
<b>Current liabilities</b>			
Trade and other payables	9	8,817	19,147
		<u>8,817</u>	<u>19,147</u>
<b>Net current assets</b>		<u>300,859</u>	<u>309,286</u>
<b>NET ASSETS</b>		<u><u>304,355</u></u>	<u><u>312,854</u></u>
<b>Capital and reserves</b>			
Share capital		131,582	131,582
Reserves		172,773	181,272
		<u>304,355</u>	<u>312,854</u>
Total equity attributable to equity shareholders of the Company		304,355	312,854
Non-controlling interests		—	—
		<u>—</u>	<u>—</u>
<b>TOTAL EQUITY</b>		<u><u>304,355</u></u>	<u><u>312,854</u></u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2014*

## 1. BASIS OF PREPARATION

The interim condensed consolidated financial statements are unaudited, but have been reviewed by the Company's audit committee. The interim condensed consolidated financial statements have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), including compliance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting", issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The interim condensed consolidated financial statements have been prepared under the historical cost convention except for available-for-sale financial assets and trading securities which are stated at fair values.

The interim condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the 2013 annual financial statements.

The preparation of interim condensed consolidated 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.

This interim condensed consolidated financial statements contain condensed consolidated statement of profit or loss, condensed consolidated statement of profit or loss and comprehensive income, condensed consolidated statement of financial position 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 2013 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs").

The financial information relating to the financial year ended 31 December 2013 that is included in the interim condensed consolidated financial statements as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2013 are available from the Company's principal office in Hong Kong. The auditor has expressed an unqualified opinion on those financial statements in their report dated 28 February 2014.

## 2. CHANGES IN ACCOUNTING POLICIES

In the current interim period, the Group has applied, for the first time, the following new and revised HKFRSs issued by the HKICPA:

- Amendments to HKFRS 10, HKFRS 12 and HKAS 27, *Investment entities*
- Amendments to HKAS 32, *Offsetting financial assets and financial liabilities*
- Amendments to HKAS 36, *Recoverable amount disclosures for non-financial assets*
- Amendments to HKAS 39, *Novation of derivatives and continuation of hedge accounting*
- HK(IFRIC) 21, *Levies*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

### **Amendments to HKFRS 10, HKFRS 12 and HKAS 27, Investment entities**

The amendments provide consolidation relief to those parents which qualify to be an investment entity as defined in the amended HKFRS 10. Investment entities are required to measure their subsidiaries at fair value through profit or loss. These amendments do not have an impact on the Group's interim financial report as the Company does not qualify to be an investment entity.

### **Amendments to HKAS 32, Offsetting financial assets and financial liabilities**

The amendments to HKAS 32 clarify the offsetting criteria in HKAS 32. The amendments do not have an impact on the Group's interim financial report as they are consistent with the policies already adopted by the Group.

### **Amendments to HKAS 36, Recoverable amount disclosures for non-financial assets**

The amendments to HKAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired asset or impaired cash-generating unit whose recoverable amount is based on fair value less costs of disposal. The amendments do not have an impact on the Group's interim report as the Group has no impaired asset or impaired cash-generating unit as at 30 June 2014.

### **Amendments to HKAS 39, Novation of derivatives and continuation of hedge accounting**

The amendments to HKAS 39 provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The amendments do not have an impact on the Group's interim financial report as the Group has not novated any of its derivatives.

### **HK(IFRIC) 21, Levies**

The Interpretation provides guidance on when a liability to pay a levy imposed by a government should be recognised. The amendments do not have an impact on the Group's interim financial report as the guidance is consistent with the Group's existing accounting policies.

### 3. SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by business lines (products and services). In a manner consistent with the way in which information is reported internally to the executive directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and performance assessment, the Group has presented the following four reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Property development: this segment develops and sells the Group’s residential properties.
- Horticultural services: this segment provides horticultural services.
- Property management and other related services: this segment mainly provides building management services.
- Securities trading: this segment engages in the trading of securities.

For the purposes of assessing segment performance and allocating resources between segments, the Company’s executive directors monitor the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible and current assets with the exception of available-for-sale financial assets, deferred tax assets and other corporate assets. Segment liabilities include trade creditors, accruals and other payables attributable to the sales activities of the individual segments managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit is “adjusted EBITDA” i.e. “adjusted earnings before interest, taxes, depreciation and amortisation”, where “interest” is regarded as including investment income and “depreciation and amortisation” is regarded as including impairment losses on non-current assets. To arrive at adjusted EBITDA the Group’s earnings are further adjusted for items not specifically attributed to individual segments, such as directors’ and auditors’ remuneration and other corporate administration costs.

In addition to receiving segment information concerning adjusted EBITDA, management is provided with segment information concerning revenue (including inter segment sales), interest income from cash balances managed directly by the segments, depreciation and amortisation, material non-cash items and additions to non-current segment assets used by the segments in their operations. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

Information regarding the Group's reportable segments as provided to the Company's executive directors for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2014 and 2013 is set out below.

For the six months ended 30 June (Unaudited)	Property development		Horticultural services		Property management and other related services		Securities trading		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	–	–	2,807	2,332	217	197	–	–	3,024	2,529
Inter-segment revenue	–	–	26	2	51	49	–	–	77	51
Reportable segment revenue	<u>–</u>	<u>–</u>	<u>2,833</u>	<u>2,334</u>	<u>268</u>	<u>246</u>	<u>–</u>	<u>–</u>	<u>3,101</u>	<u>2,580</u>
Reportable segment profit/(loss) (adjusted EBITDA)	<u>(6,281)</u>	<u>(9,862)</u>	<u>697</u>	<u>288</u>	<u>260</u>	<u>239</u>	<u>1</u>	<u>(44)</u>	<u>(5,323)</u>	<u>(9,379)</u>
Interest income	8	8	–	–	–	–	–	–	8	8
Interest expense	–	–	–	–	–	–	–	–	–	–
Depreciation and amortisation	–	–	(1)	(2)	(8)	(8)	–	–	(9)	(10)
Income tax expense	–	–	–	–	–	–	–	–	–	–
	<b>Unaudited</b>	<b>Audited</b>	<b>Unaudited</b>	<b>Audited</b>	<b>Unaudited</b>	<b>Audited</b>	<b>Unaudited</b>	<b>Audited</b>	<b>Unaudited</b>	<b>Audited</b>
	<b>30 June</b>	<b>31 December</b>	<b>30 June</b>	<b>31 December</b>	<b>30 June</b>	<b>31 December</b>	<b>30 June</b>	<b>31 December</b>	<b>30 June</b>	<b>31 December</b>
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
Reportable segment assets	264,549	266,315	916	1,542	912	807	352	352	266,729	269,016
Additions to non-current segment assets during the period	–	–	–	–	–	–	–	–	–	–
Reportable segment liabilities	<u>7,201</u>	<u>17,494</u>	<u>278</u>	<u>249</u>	<u>34</u>	<u>27</u>	<u>27</u>	<u>27</u>	<u>7,540</u>	<u>17,797</u>

For the six months ended 30 June 2014, revenue of approximately HK\$1,006,000 was derived from a single external customer who contributed more than 10% of total revenue of the Group. This revenue was attributable to the horticultural services segment.

For the six months ended 30 June 2013, revenue of approximately HK\$670,000 was derived from a single external customer who contributed more than 10% of total revenue of the Group. This revenue was attributable to the horticultural services segment.

**(b) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities**

	<b>Unaudited six months ended 30 June</b>	
	<b>2014</b>	<b>2013</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Revenue</b>		
Reportable segment revenue	<b>3,101</b>	2,580
Elimination of inter-segment revenue	<b>(77)</b>	(51)
Consolidated turnover	<b>3,024</b>	2,529
<b>Profit</b>		
Reportable segment loss	<b>(5,323)</b>	(9,379)
Elimination of inter-segment profit	<b>(77)</b>	(51)
Reportable segment loss derived from Group's external customers	<b>(5,400)</b>	(9,430)
Other revenue and net income	<b>1,195</b>	1,466
Depreciation and amortisation	<b>(72)</b>	(178)
Finance costs	<b>–</b>	–
Unallocated corporate expenses	<b>(4,222)</b>	(4,385)
Consolidated loss before taxation	<b>(8,499)</b>	(12,527)
	<b>Unaudited 30 June 2014 HK\$'000</b>	<b>Audited 31 December 2013 HK\$'000</b>
<b>Assets</b>		
Reportable segment assets	<b>266,729</b>	269,016
Available-for-sale financial assets	<b>2,450</b>	2,450
Unallocated corporate assets		
– cash and cash equivalent	<b>40,308</b>	56,564
– other assets	<b>3,685</b>	3,971
Consolidated total assets	<b>313,172</b>	332,001
<b>Liabilities</b>		
Reportable segment liabilities	<b>7,540</b>	17,797
Unallocated corporate liabilities	<b>1,277</b>	1,350
Consolidated total liabilities	<b>8,817</b>	19,147

**(c) Geographic information**

No geographic information is shown as all the Group's revenue and results of operations are derived from and all the Group's assets are located in Hong Kong.



#### 4. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging /(crediting):

	Unaudited six months ended 30 June	
	2014 HK\$'000	2013 HK\$'000
Depreciation and amortisation	72	178
Cost of inventories	506	489
Loss on disposal of fixed assets	—	1
Interest income	(52)	(31)
Net realised and unrealised gains/(losses) on trading securities	1	(44)
	<u>1</u>	<u>(44)</u>

#### 5. INCOME TAX

No Hong Kong Profits Tax for the six months ended 30 June 2014 and 2013 has been provided for as the Group has no estimated assessable profits arising in Hong Kong.

#### 6. LOSS PER SHARE

##### (a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of HK\$8,499,000 (2013: HK\$12,527,000) for the period and the weighted average number of approximately 2,631,652,000 (2013: 2,631,652,000) ordinary shares in issue during the period.

##### (b) Diluted loss per share

The calculation of diluted loss per share for the six months ended 30 June 2014 does not assume the exercise of the Company's outstanding share options at the exercise of the share options would result in a decrease in loss per share.

Diluted loss per share is the same as basic loss per share as the Company does not have dilutive potential ordinary shares for the six months ended 30 June 2013.

#### 7. INTERIM DIVIDEND

The directors of the Company do not recommend the payment of any interim dividend for the six months ended 30 June 2014 (2013: Nil).

## 8. TRADE AND OTHER RECEIVABLES

	Unaudited 30 June 2014 HK\$'000	Audited 31 December 2013 HK\$'000
Trade debtors		
Within 1 month	350	577
After 1 month but within 3 months	209	323
Over 3 months	8	11
	<u>567</u>	<u>911</u>
Receivables for monies held by the solicitor in accordance with the relevant property sale agreements	12,032	13,981
Amount due from a fellow subsidiary	684	682
Other debtors	<u>886</u>	<u>815</u>
Loans and receivables	14,169	16,389
Rental and other deposits	1,890	1,909
Prepayments	<u>678</u>	<u>949</u>
	<u><u>16,737</u></u>	<u><u>19,247</u></u>

The Group's trade receivables are due within 30 days from the date of billing.

## 9. TRADE AND OTHER PAYABLES

	Unaudited 30 June 2014 HK\$'000	Audited 31 December 2013 HK\$'000
Trade creditors		
Within 1 month	6	—
After 1 month but within 3 months	—	32
Over 6 months	680	6,381
	<u>686</u>	<u>6,413</u>
Retentions payable	2,008	2,451
Other creditors and accrued charges	<u>5,899</u>	<u>10,007</u>
Financial liabilities measured at amortised cost	8,593	18,871
Receipt-in-advance	<u>224</u>	<u>276</u>
	<u><u>8,817</u></u>	<u><u>19,147</u></u>

## **10. FAIR VALUE MEASUREMENT**

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements were approximately equal to their fair values.

## **11. CONTINGENT LIABILITY IN RESPECT OF CLAIMS**

In previous years, a subsidiary of the Group sold a property to a buyer. The buyer alleged that the subsidiary made certain representations in selling of the property. The buyer filed a claim with the High Court in Hong Kong claiming the repayment of consideration of approximately HK\$9.8 million paid in purchasing the property and rescission of the contract together with related costs, interests and damages. The subsidiary filed a defense against the claim. On 18 February 2014, the buyer filed a mediation notice with the High Court attempting to resolve the claim through mediation. The mediation will be conducted in the due course. The directors of the Company are of the view that the buyer's claim is based on unreasonable and invalid grounds and therefore unfounded. In view of the inherent uncertainties of the legal proceedings, the outcome of which cannot be estimated reliably at this stage, the directors of the Company considered that no specific provision should be made in the financial statements.

## **BUSINESS REVIEW**

During the period, the Group continued to engage in property related businesses and the provision of horticultural services. The Group's turnover in the period was mainly derived from horticultural services.

The Group recorded loss for the period of approximately HK\$8.5 million.

The Company remains confident in the Hong Kong property market, the prestigious location and the superior quality of the Group's development properties.

The net asset value of the Company per share as at 30 June 2014 was approximately HK\$0.12 (31 December 2013: HK\$0.12) based on the 2,631,652,084 shares issued.

All the Group's funding and treasury activities are centrally managed and controlled at the corporate level. There is no significant change in respect of treasury and financing policies from the information disclosed in the Company's latest annual report. The Group's monetary assets and liabilities are denominated and the Group conducts its business transactions principally in Hong Kong dollars. The exchange rate risk of the Group is not considered significant, no financial instruments for hedging purpose are employed.

The Group has no bank borrowing as at 30 June 2014. Working capital requirements of the Group are funded by bank deposits.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period.

## **CORPORATE GOVERNANCE**

The Company has adopted the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 of the Listing Rules with the following deviation:

The code provision A.2.1 of the CG Code provides that the roles of chairman and chief executive (“CE”) should be separate and should not be performed by the same individual. Mr. Cheong Pin Chuan, Patrick and Mr. Cheong Sim Eng are both the joint chairman of the Board as well as the Group’s joint CE/ managing director. Given the size and that the Company’s and the Group’s current business operations and administration have been relatively stable and straightforward, the Board is satisfied that the current structure is able to effectively discharge the duties of both positions. However, going forward, the Board will review from time to time the need to separate the roles of the chairman and the CE if the situation warrants it.

## **AUDIT COMMITTEE**

The Company has established an audit committee (the “Audit Committee”) with written terms of reference. At present, members of the Audit Committee comprise three independent non-executive directors, namely Messrs. Chan Yee Hoi, Robert, Leung Wing Ning and Kwik Sam Aik. Mr. Chan Yee Hoi, Robert is the chairman of the Audit Committee. During the period, one meeting of the Audit Committee has been held. The Audit Committee has reviewed the effectiveness of both the external audit and internal control and also the risk evaluation. The unaudited financial statements of the Company for the period have been reviewed by the Audit Committee.

## **PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT**

The results announcement is published on the website of The Stock Exchange of Hong Kong Limited ([www.hkex.com.hk](http://www.hkex.com.hk)) and the Company’s website ([www.winfoong.com](http://www.winfoong.com)). The interim report will be dispatched to the shareholders and available on the same websites in due course.

By Order of the Board  
**Winfoong International Limited**  
**Cheong Pin Chuan, Patrick**  
*Joint Chairman*

Hong Kong, 14 August 2014

*As at the date of this statement, the Board comprises (i) three executive directors, namely Messrs. Cheong Pin Chuan, Patrick, Cheong Sim Eng and Ms. Cheong Hooi Kheng and; (ii) three independent non-executive directors, namely Messrs. Chan Yee Hoi, Robert, Leung Wing Ning and Kwik Sam Aik.*

\* For identification purposes only