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WINFOONG INTERNATIONAL LIMITED

(榮豐國際有限公司) *

(Incorporated in Bermuda with limited liability)

(Stock Code: 63)

ANNOUNCEMENT OF AUDITED RESULTS

The board of directors (the “Board”) of Winfoong International Limited (the “Company”) presents the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2012.

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012 HK\$'000	2011 HK\$'000
Turnover	3	4,629	46,721
Cost of sales		<u>(900)</u>	<u>(31,379)</u>
Gross profit		3,729	15,342
Net gain on trading securities		47	—
Other revenue	4	3,676	827
Other net (loss)/income	4	(375)	5,148
Operating and administrative expenses		<u>(35,685)</u>	<u>(44,126)</u>
Loss from operations		(28,608)	(22,809)
Finance costs	5(a)	<u>(3)</u>	<u>(16)</u>
Loss before taxation	5	(28,611)	(22,825)
Income tax expense	6	<u>—</u>	<u>—</u>
Loss for the year		<u>(28,611)</u>	<u>(22,825)</u>
Attributable to:			
Equity shareholders of the Company		(28,611)	(22,825)
Non-controlling interests		<u>—</u>	<u>—</u>
Loss for the year		<u>(28,611)</u>	<u>(22,825)</u>
Basic and diluted loss per share	8	<u>HK cents (1.09)</u>	<u>HK cents (0.87)</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2012

	2012 HK\$'000	2011 <i>HK\$'000</i>
Loss for the year	(28,611)	(22,825)
Other comprehensive (loss)/income for the year (after tax and reclassification adjustments)		
Available-for-sale securities: net movement in the fair value reserve (net of nil tax):		
– Changes in fair value recognised during the year	(5,430)	1,900
– Reclassification adjustments for amounts transferred to profit or loss – impairment losses	1,800	300
	(3,630)	2,200
Total comprehensive loss for the year	(32,241)	(20,625)
Attributable to:		
Equity shareholders of the Company	(32,241)	(20,625)
Non-controlling interests	–	–
Total comprehensive loss for the year	(32,241)	(20,625)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012

		2012	2011
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets			
Fixed assets		1,383	1,702
Other financial assets		1,370	6,950
		<u>2,753</u>	<u>8,652</u>
Current assets			
Trading securities		523	–
Inventories		251,134	249,857
Trade and other receivables	10	18,699	17,334
Cash and cash equivalents		87,028	121,205
		<u>357,384</u>	<u>388,396</u>
Current liabilities			
Trade and other payables	11	20,724	25,213
Bank borrowings, unsecured		–	181
		<u>20,724</u>	<u>25,394</u>
Net current assets		<u>336,660</u>	<u>363,002</u>
NET ASSETS		<u><u>339,413</u></u>	<u><u>371,654</u></u>
CAPITAL AND RESERVES			
Share capital		131,582	131,582
Reserves		207,831	240,072
Total equity attributable to equity shareholders of the Company		<u>339,413</u>	<u>371,654</u>
Non-controlling interests		<u>–</u>	<u>–</u>
TOTAL EQUITY		<u><u>339,413</u></u>	<u><u>371,654</u></u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity shareholders of the Company						Non-controlling interests	Total equity
	Share capital	Share premium	Capital redemption reserve	Fair value reserve	Retained profits	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2011	131,582	4,785	121	1,430	254,361	392,279	–	392,279
Loss for the year	–	–	–	–	(22,825)	(22,825)	–	(22,825)
Other comprehensive income for the year	–	–	–	2,200	–	2,200	–	2,200
Total comprehensive (loss)/income for the year	–	–	–	2,200	(22,825)	(20,625)	–	(20,625)
At 31 December 2011	<u>131,582</u>	<u>4,785</u>	<u>121</u>	<u>3,630</u>	<u>231,536</u>	<u>371,654</u>	<u>–</u>	<u>371,654</u>
At 1 January 2012	131,582	4,785	121	3,630	231,536	371,654	–	371,654
Loss for the year	–	–	–	–	(28,611)	(28,611)	–	(28,611)
Other comprehensive loss for the year	–	–	–	(3,630)	–	(3,630)	–	(3,630)
Total comprehensive loss for the year	–	–	–	(3,630)	(28,611)	(32,241)	–	(32,241)
At 31 December 2012	<u>131,582</u>	<u>4,785</u>	<u>121</u>	<u>–</u>	<u>202,925</u>	<u>339,413</u>	<u>–</u>	<u>339,413</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The measurement basis used in the preparation of these financial statements is the historical cost basis except that the investment property, buildings and financial instruments classified as available-for-sale securities or as trading securities are stated at their fair value.

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group’s financial statements:

- Amendments to HKFRS 7, *Financial instruments: Disclosures – Transfers of financial assets*
- Amendments to HKAS 12, *Income taxes – Deferred tax: Recovery of underlying assets*

The Group has not applied any new standards or interpretations that are not yet effective for the current accounting period.

Amendments to HKFRS 7, Financial instruments: Disclosures

The amendments to HKFRS 7 require certain disclosures to be included in the financial statements in respect of transferred financial assets that are not derecognised in their entirety and for any continuing involvement in transferred financial assets that are derecognised in their entirety, irrespective of when the related transfer transaction occurred. However, an entity need not provide the disclosures for the comparative period in the first year of adoption. The Group did not have any significant transfers of financial assets in previous periods or the current period which require disclosure in the current accounting period under the amendments.

Amendments to HKAS 12, Income taxes

Under HKAS 12 deferred tax is required to be measured with reference to the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of the asset(s) in question. In this regard, the amendments to HKAS 12 introduced a rebuttable presumption that the carrying amount of investment property carried at fair value under HKAS 40, *Investment property*, will be recovered through sale. This presumption is rebutted on a property-by-property basis if the investment property in question is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. These amendments do not have a material impact on the Group’s financial statements because the Group has no significant investment properties.

3. TURNOVER

The principal activities of the Group are property development, property construction, property management, provision of horticultural services and securities trading.

Turnover represents proceeds from sales of properties, revenue from provision of property management services and revenue from provision of horticultural services. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Gross proceeds from properties sold	–	42,329
Revenue from provision of property management services	413	527
Revenue from provision of horticultural services	4,216	3,865
	<u>4,629</u>	<u>46,721</u>

4. OTHER REVENUE AND NET (LOSS)/INCOME

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Other revenue		
Interest income on financial assets not at fair value through profit or loss		
– Interest income from banks	451	737
Management fee income	2,367	–
Rental receivable from operating leases	544	–
Others	314	90
	<u>3,676</u>	<u>827</u>
Other net (loss)/income		
Loss on disposal of fixed assets	(3)	(1)
Revaluation losses on buildings	(24)	(92)
Available-for-sale securities:		
reclassified from equity – on impairment	(1,800)	(300)
Fair value gain on transfer of investment property to other property, plant and equipment	–	50
Waiver of commission payable*	–	5,491
Write-back of provision for construction costs	1,452	–
	<u>(375)</u>	<u>5,148</u>

* During the year ended 31 December 2011, the property agent agreed to waive its commission for certain sale transactions.

5. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
(a) Finance costs		
Total interest expense on financial liabilities not at fair value through profit or loss		
– Interest on bank borrowings wholly repayable within five years	<u>3</u>	<u>16</u>
	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
(b) Staff costs (including directors' remuneration)		
Contributions to defined contribution retirement plan	284	135
Salaries, wages and other benefits	<u>20,592</u>	<u>10,301</u>
	<u>20,876</u>	<u>10,436</u>
	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
(c) Other items		
Amortisation of land lease premium	22	12
Depreciation of property, plant and equipment	437	931
Auditors' remuneration		
– audit services	420	420
– other services	60	60
Operating lease charges: minimum lease payments		
– hire of plant and machinery	1	9
– hire of other assets (including property rentals)	4,001	2,827
Cost of inventories	<u>900</u>	<u>31,379</u>

6. INCOME TAX

No Hong Kong Profits Tax for the years ended 31 December 2012 and 2011 has been provided for as the Group has no estimated assessable profits arising in Hong Kong for both years.

7. DIVIDEND

The directors of the Company do not recommend the payment of any dividend in respect of the current year (2011: Nil).

8. LOSS PER SHARE

a) BASIC LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to equity shareholders of the Company of HK\$28,611,000 (2011: HK\$22,825,000) and the weighted average number of approximately 2,631,652,000 (2011: 2,631,652,000) ordinary shares in issue during the year.

b) DILUTED 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 years ended 31 December 2012 and 2011.

9. SEGMENT REPORTING

The Group manages its businesses by divisions, which are organized by a mixture of both business lines (products and services) and geography. 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. Currently the Group's activities in this regard are carried out in Hong Kong.

Horticultural services: this segment provides horticultural services. Currently the Group's activities in this regard are carried out in Hong Kong.

Property management and other related business: this segment mainly provides building management services. Currently the Group's activities in this regard are carried out in Hong Kong.

Securities trading: this segment engages in the trading of securities for short-term investment purposes. The operations of securities trading were introduced to the Group during the year ended 31 December 2012. Currently, the Group's activities in this regard are carried out in Hong Kong.

a) Segment results, assets and liabilities

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

Segment assets include all tangible, intangible assets 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 and bank borrowings 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 and expense from cash balances and borrowings managed directly by the segments, depreciation, amortisation and impairment losses 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 executive directors of the Company for the purposes of resource allocation and assessment of segment performance for the year is set out below:

	Property development		Horticultural services		Property management and other related business		Securities trading		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	–	42,329	4,216	3,865	413	527	–	–	4,629	46,721
Inter-segment revenue	–	–	49	48	112	–	–	–	161	48
Reportable segment revenue	–	42,329	4,265	3,913	525	527	–	–	4,790	46,769
Reportable segment (loss)/profit (adjusted EBITDA)	(22,024)	(11,538)	436	661	510	561	37	–	(21,041)	(10,316)
Interest income	12	513	–	–	–	–	–	–	12	513
Interest expense	–	–	–	–	–	–	–	–	–	–
Depreciation and amortisation for the year	–	(2)	(5)	(34)	(17)	(17)	–	–	(22)	(53)
Fair value gain on transfer of investment property to other property, plant and equipment	–	–	–	–	–	50	–	–	–	50
Income tax expense	–	–	–	–	–	–	–	–	–	–
Reportable segment assets	266,041	264,130	988	1,097	584	359	523	–	268,136	265,586
Additions to non-current segment assets during the year	–	–	–	13	–	–	–	–	–	13
Reportable segment liabilities	19,128	23,870	360	334	18	24	27	–	19,533	24,228

For the year ended 31 December 2012, revenue of approximately HK\$1,070,000 was derived from a single external customer who contributed over 10% of total revenue of the Group. This revenue was attributable to the horticultural services segment.

For the year ended 31 December 2011, revenues of approximately HK\$12,286,000, HK\$10,447,000 HK\$10,281,000 and HK\$9,315,000 were derived from four single external customers respectively, each of them contributed over 10% of total revenue of the Group. These revenues were attributable to the property development segment.

b) Reconciliations of reportable segment revenue and profit or loss, assets and liabilities

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Revenue		
Reportable segment revenue	4,790	46,769
Elimination of inter-segment revenue	(161)	(48)
	<hr/>	<hr/>
Consolidated turnover	4,629	46,721
	<hr/>	<hr/>
Profit		
Reportable segment loss	(21,041)	(10,316)
Elimination of inter-segment profit	(161)	(48)
	<hr/>	<hr/>
Reportable segment loss derived from Group's external customers	(21,202)	(10,364)
Other revenue and net (loss)/income	1,305	434
Depreciation and amortisation	(459)	(943)
Finance costs	(3)	(16)
Unallocated corporate expenses	(8,252)	(11,936)
	<hr/>	<hr/>
Consolidated loss before taxation	(28,611)	(22,825)
	<hr/>	<hr/>
Assets		
Reportable segment assets	268,136	265,586
Elimination of inter-segment receivables	–	–
	<hr/>	<hr/>
	268,136	265,586
Available-for-sale financial assets	1,370	6,950
Unallocated corporate assets		
– cash and cash equivalents	86,465	121,088
– other assets	4,166	3,424
	<hr/>	<hr/>
Consolidated total assets	360,137	397,048
	<hr/>	<hr/>
Liabilities		
Reportable segment liabilities	19,533	24,228
Elimination of inter-segment payables	–	–
	<hr/>	<hr/>
	19,533	24,228
Unallocated corporate liabilities	1,191	1,166
	<hr/>	<hr/>
Consolidated total liabilities	20,724	25,394
	<hr/>	<hr/>

c) Geographic information

The geographical location of customers is based on the location at which the services were provided or the goods delivered. For the years ended 31 December 2012 and 2011, all external customers of the Group are located in Hong Kong. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment. As at 31 December 2012 and 2011, all specified non-current assets of the Group are located in Hong Kong.

10. TRADE AND OTHER RECEIVABLES

Trade receivables are generally granted with credit period of not more than 30 days from the date of billing.

Included in trade and other receivables are trade debtors (net of impairment losses for bad and doubtful debts) with the following ageing analysis as of the end of the reporting period:

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Within 1 month	488	478
1 to 3 months	149	151
More than 3 months but less than 12 months	7	5
	<hr/>	<hr/>
	644	634
	<hr/> <hr/>	<hr/> <hr/>

11. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade creditors with the following ageing analysis as of the end of the reporting period:

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Within 1 month	4	7
After 1 month but within 3 months	10	—
After 3 months but within 6 months	246	—
Over 6 months	9,163	11,695
	<hr/>	<hr/>
	9,423	11,702
	<hr/> <hr/>	<hr/> <hr/>

12. CONTINGENT LIABILITIES

(a) Financial guarantee issued

As at 31 December 2012, the Company had given a corporate guarantee to a bank for issuing a letter of indemnity to a third party in respect of a contract undertaken by a wholly-owned subsidiary to the extent of approximately HK\$Nil (2011: approximately HK\$134,000). The extent of such facility utilized by the third party at the end of the reporting period amounted to approximately HK\$Nil (2011: approximately HK\$26,000).

The Company has not recognised any deferred income in respect of the above guarantee issued because the fair value of this guarantee was insignificant. As at the end of the reporting period, the directors of the Company do not consider it probable that a claim will be made against the Company under the guarantee.

(b) Contingent liability in respect of claims

As at 31 December 2012 and 2011, a subsidiary of the Company was involved in the disputes in connection with the sales of certain completed properties. The directors of the Company are of the view that such disputes are based on unreasonable and invalid grounds and are unfounded. In the circumstances, the directors of the Company believe that the disputes will not have a material adverse impact on the financial position of the Group. Accordingly, no specific provision has been made in respect of these disputes.

Except for the aforesaid, the Group and the Company did not have any material contingent liabilities as at 31 December 2012 and 2011.

BUSINESS REVIEW AND PROSPECTS

During the year, the Group continued to engage in property related businesses and provision of horticultural services and has introduced the securities trading business. The Group's turnover of the year was mainly derived from horticultural services. No sale of properties was transacted in the year.

The Group recorded loss for the year of approximately HK\$28.6 million. The increase in net loss was mainly due to the decrease in gross profit from property development segment, waiver of commission payable in 2011 and impairment of available-for-sale securities in 2012.

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 31 December 2012 was approximately HK\$0.13 (2011: HK\$0.14) based on the 2,631,652,084 (2011: 2,631,652,084) shares issued.

LIQUIDITY AND FINANCIAL RESOURCES

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.

As at 31 December 2012, there was no outstanding bank loan (2011: approximately HK\$0.2 million). The Group's working capital requirements 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 year.

AUDIT COMMITTEE

The Audit Committee has reviewed the audited results of the Group for the year ended 31 December 2012.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the code of conduct regarding directors' securities transactions as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix 10 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Following specific enquiry by the Company, all directors confirmed that they have complied with the required standards as set out in the Model Code throughout the year.

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:

Under CG Code A.2.1, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Cheong Pin Chuan, Patrick is both the chairman of the Board, as well as the Group’s chief executive (“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 one person 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.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The results announcement is published on the website of the Stock Exchange (www.hkex.com.hk) and the Company’s website (www.winfoong.com). The annual report will be dispatched to the shareholders and available on the above websites in due course.

On behalf of the Board
Winfoong International Limited
Cheong Pin Chuan, Patrick
Chairman

Hong Kong, 28 February 2013

As at the date of this statement, the Board comprises (i) four executive directors, namely Messrs. Cheong Pin Chuan, Patrick, Cheong Kim Pong and 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 purpose only*