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## WINFOONG INTERNATIONAL LIMITED

榮豐國際有限公司\*

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 63)**

### **PROFIT FORECAST IN RELATION TO DISCLOSEABLE TRANSACTION**

Reference is made to the announcement of the Company dated 15 September 2016 (the “**Announcement**”) relating to the formation of a joint venture for commencing the business of manufacturing of Graphene and production and sales of Graphene related products. Unless otherwise stated, terms defined in the Announcement have the same meanings when used in this announcement.

Vigers Appraisal & Consulting Limited (the “**Valuer**”), an independent valuer, has been engaged by the Company to assess the valuation of the Right (the “**Valuation**”). The Valuer has adopted the income approach as the valuation method. The income approach is based on the discounted future estimated cash flows method which projects the future earnings of the Right. The investment value of the Right as estimated by the Valuer is approximately HK\$15,400,000.

Therefore, the valuation report (the “**Valuation Report**”) prepared by the Valuer constitutes a profit forecast under Rule 14.61 of the Listing Rules. This announcement is made pursuant to the requirements under Rules 14.60A and 14.62 of the Listing Rules in relation to the profit forecast.

### **ASSUMPTIONS OF VALUATION**

The principal assumptions, including commercial assumptions, upon which the Valuation Report was based (the “**Assumptions**”) are as follows:—

- There will be no material adverse change in the political, legal, fiscal or economic condition in the regions in which the Right applied to. The Valuation also assumed the Right are technically and economically viable.

\* For identification purposes only

- The business plan regarding the production of Graphene (the “**Plan**”) has been prepared by the Company on a reasonable basis that has been arrived at after due and careful consideration by the management of the Company. The Valuation assumed that the Graphene production operation plan with the use of Right will be implemented according to the Plan.
- The Joint Venture will employ key management, competent personnel, technical staff and to launch the required technology and Graphene production.
- The Right has 5 years economic life effectively. The determination of economic life is grounded on: (i) Graphene remain at early stage of its product life cycle in the market. No observation suggests Graphene demand would suddenly decline; (ii) Technologies on Graphene production remains in evolution stage market, possibly lead to a shorter life cycle and substitutes in near term; (iii) Possible negative impact on selling price as Graphene market expanding and more investment on research and development.
- Market trend and conditions for the “companies owning the Right” in related areas will not deviate significantly from the economic forecasts in general. Competitors in the neighborhood will not change their marketing strategies substantially in future.
- Revenues of the Right have taken into account of the income from the sales of Graphene only. No estimate has been made on imponderables such as compensation or other non-routine operations. The projected revenue in the Plan was arrived at based on the Company’s discussion with potential customers, the experience of the Company’s management and market research.
- The royalty rate to the Right is 2%.
- The tax applicable on royalty income includes three parts: (i) National Corporation Tax: 23.9% of taxable income; (ii) Local Corporation Tax: 4.4% of national corporation tax; (iii) Business Tax: 1.755% of taxable income (up to JPY4M) + 2.53% of taxable income (in excess of JPY4M up to 8M) + 3.4% of taxable income (in excess of JPY8M).
- Year is ended at September for the cash flow projections.

## **DIRECTORS’ CONFIRMATION**

Crowe Horwath (HK) CPA Limited (“**Crowe Horwath**”), the Company’s auditors, has examined the calculations of the discounted future estimated cash flows, which do not involve the adoption of accounting policies, on which the Valuation prepared by the Valuer was based.

Crowe Horwath has reported to the Directors that, so far as the calculations of the discounted future estimated cash flows on which the Valuation was based are concerned, the discounted future estimated cash flow has been properly compiled in all material respects in accordance with the Assumptions. The work performed by Crowe Horwath did not include reviewing, considering or conducting any work on the reasonableness and the validity of the Assumptions and also did not constitute any valuation of the Right. The Directors have reviewed the bases and assumptions based upon which the Valuation was prepared by the

Valuer. The Directors have also considered the report from Crowe Horwath. On the basis of the foregoing, the Directors have confirmed that they are satisfied that the Valuation prepared by the Valuer in the Valuation Report has been made after due and careful enquiry.

A report from Crowe Horwath dated 4 October 2016 in compliance with Rule 14.62(2) of the Listing Rules and a letter from the Directors dated 4 October 2016 in compliance with Rule 14.62(3) of the Listing Rules have been submitted to the Stock Exchange, the texts of which are included in Appendix 1 and Appendix 2 to this announcement, respectively.

## **EXPERTS AND CONSENTS**

The qualifications of the experts who have given their opinions in their respective reports are as follows:

<b>Name</b>	<b>Qualification</b>
Crowe Horwath (HK) CPA Limited	Certified Public Accountant
Vigers Appraisal & Consulting Limited	Independent professional valuer

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, each of the Valuer and Crowe Horwath is a third party independent of the Group and is not a connected person of the Group. As at the date of this announcement, neither the Valuer nor Crowe Horwath has any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Each of the Valuer and Crowe Horwath has given and has not withdrawn its respective written consent to the issue of this announcement with inclusion of its name, statements and all references to its name (including its qualification) in the form and context in which they are included.

By order of the Board of  
**Winfoong International Limited**  
**Mak Tin Sang**  
*Executive Director*

Hong Kong, 4 October 2016

*As at the date of this announcement, the Board comprises Mr. Chen Meng, Mr. Mak Tin Sang and Mr. Yuan Li Min as executive Directors; Mr. Li Feng Mao as non-executive Director and Mr. Leung Po Hon, Mr. Li Jing Bo and Mr. Shigeki Tanaka as independent non-executive Directors.*

## **APPENDIX 1 — LETTER FROM CROWE HORWATH (HK) CPA LIMITED**

### **INDEPENDENT AUDITOR’S ASSURANCE REPORT ON THE CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE VALUATION OF THE RIGHT TO USE OF PATENTS**

#### **TO THE BOARD OF DIRECTORS OF WINFOONG INTERNATIONAL LIMITED**

We have completed our assurance engagement to report on the calculations of the discounted future estimated cash flows on which the valuation of the right to use of patents (the “**Valuation**”) dated 5 September 2016 prepared by Vigers Appraisal & Consulting Limited in respect of the investment value of the right to use of patents (the “**Right**”), as at 31 August 2016 is based. The Valuation is in connection with the announcement of the Company dated 4 October 2016 (the “**Announcement**”) relating to the formation of a joint venture to be engaged in the manufacturing of graphene and production and sales of graphene related products. The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

#### **Directors’ Responsibility for the Discounted Future Estimated Cash Flows**

The directors of the Company are responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the directors and as set on pages 1 to 2 of the Announcement. This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future estimated cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

#### **Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

#### **Auditor’s Responsibilities**

It is our responsibility to report, as required by paragraph 14.62(2) of the Listing Rules, on the calculations of the discounted future estimated cash flows on which the Valuation is based. We are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted future estimated cash flows are based and our work does not constitute any valuation of the Right.

We conducted our work in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by the HKICPA. This standard requires that we plan and perform the assurance engagement to obtain reasonable assurance on whether the discounted future estimated cash flows, so far as the calculations are concerned, has been properly compiled in accordance with the bases and assumptions as set out on pages 1 to 2 of the Announcement. We reviewed the arithmetical calculations and the compilation of the discounted future estimated cash flows in accordance with the bases and assumptions.

The discounted cash flows do not involve the adoption of accounting policies. The discounted cash flows depend on future events and on a number of assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.62(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of our work, or arising out of or in connection with our work.

### **Opinion**

In our opinion, based on the foregoing, so far as the calculations are concerned, the discounted future estimated cash flows, has been properly compiled in all material respects in accordance with the bases and assumptions as set out on pages 1 to 2 of the Announcement.

**Crowe Horwath (HK) CPA Limited**

*Certified Public Accountants*

Hong Kong, 4 October 2016

**Lam Cheung Shing**

Practising Certificate Number P03552

## APPENDIX 2 — LETTER FROM BOARD OF DIRECTORS

The Listing Division  
The Stock Exchange of Hong Kong Limited  
11/F., One International Finance Centre  
1 Harbour View Street  
Hong Kong

Dear Sirs,

We refer to the announcement of the Company dated 15 September 2016 in relation to the formation of joint venture (the “**Announcement**”). Unless the context otherwise requires, terms defined in the Announcement shall have the same meanings when used herein.

We also refer to the valuation report (the “**Valuation Report**”) prepared by Vigers Appraisal & Consulting Limited (the “**Valuer**”) regarding the valuation of the Right (the “**Valuation**”). The Valuation constitutes a profit forecast pursuant to Rule 14.61 of the Listing Rules.

We have reviewed the bases and assumptions based upon which the Valuation was prepared by the Valuer, and have reviewed the Valuation for which the Valuer is responsible. We have also considered the report from Crowe Horwath (HK) CPA Limited, the Company’s auditors, confirming that, so far as the calculations of the discounted future estimated cash flows on which the Valuation was based are concerned, the discounted future estimated cash flow has been properly compiled in all material respects in accordance with the bases and assumptions upon which the Valuation Report was based.

On the basis of the above, we are of the opinion that the Valuation prepared by the Valuer has been made after due and careful enquires.

By order of the Board of  
**Winfoong International Limited**  
**Mak Tin Sang**  
*Executive Director*