



WINFOONG INTERNATIONAL LIMITED

(榮 豐 國 際 有 限 公 司)

(Incorporated in Bermuda with limited liability)

(Stock code: 63)

2005 INTERIM RESULTS ANNOUNCEMENT

SIX MONTHS ENDED 30 JUNE 2005

The Directors of Winfoong International Limited (the "Company") present the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2005.

CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited six months ended 30 June	
		2005 HK\$'000	2004 HK\$'000
Revenue	2	24,832	20,862
Cost of sales		(10,212)	(7,379)
Gross profit		14,620	13,483
Other revenue		161	1,222
Operating and administrative expenses		(15,013)	(14,653)
Reversal of provision/(provision) for impairment of properties held for sale		19,563	(4,417)
Profit/(loss) from operating activities before employee share option benefits		19,331	(4,365)
Employee share option benefits		(8,911)	–
Profit/(loss) from operating activities	3	10,420	(4,365)
Finance costs	4	(8,467)	(4,895)
Share of loss of an associate		(1,351)	(112)
Profit/(loss) before tax		602	(9,372)
Income tax credit/(expense)	5	806	(183)
Profit/(loss) for the period		1,408	(9,555)
Attributable to:			
Equity holders of the Company		1,439	(9,541)
Minority interest		(31)	(14)
		1,408	(9,555)
Earnings/(loss) per share – Basic	6	0.10 cents	(0.64 cents)
– Diluted	6	0.10 cents	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited 30 June 2005	Audited 31 December 2004 (Restated)
	Notes	HK\$'000	HK\$'000
ASSETS			
Non-current assets			
Properties, plants and equipment	8	2,557	52,355
Investment properties		1,800,640	1,800,640
Properties held for future development		80,000	80,000
Interest in an associate		357,874	373,159

Available-for-sale financial assets		3,310	3,688
Pledged bank balances and time deposits		3,357	4,191
Deferred tax assets		1,353	986
		<u>2,249,091</u>	<u>2,315,019</u>
Non-current assets held for sale	9	64,141	–
		<u>2,313,232</u>	<u>2,315,019</u>
Current assets			
Properties held for sale	10	88,570	74,653
Inventories		233	251
Trade and other receivables		18,158	20,810
Other current assets		623	623
Cash and cash equivalents		3,873	882
		<u>111,457</u>	<u>97,219</u>
Total assets		<u>2,424,689</u>	<u>2,412,238</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital		74,620	74,620
Reserves	11	1,528,908	1,517,123
		<u>1,603,528</u>	<u>1,591,743</u>
Minority interest		3,049	3,052
Total equity		<u>1,606,577</u>	<u>1,594,795</u>
Non-current liabilities			
Interest-bearing bank loans		488,855	526,899
Deferred income		5,583	5,583
Deferred tax liabilities		219,216	219,397
		<u>713,654</u>	<u>751,879</u>
Current liabilities			
Trade and other payables		48,496	18,393
Interest-bearing bank loans		41,513	32,722
Tax payable		14,449	14,449
		<u>104,458</u>	<u>65,564</u>
Total liabilities		<u>818,112</u>	<u>817,443</u>
Total equity and liabilities		<u>2,424,689</u>	<u>2,412,238</u>

1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

The condensed consolidated financial statements have not been audited by the Company's auditors but have been reviewed by the Company's audit committee. These unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standards ("HKAS") no. 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The accounting policies and the basis of preparation used in the preparation of these interim financial statements are the same as those used in the annual audited financial statements for the year ended 31 December 2004 except that the Group has in the current period applied, for the first time, the following new Hong Kong Financial Reporting Standards (HKFRSs), HKASs and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA that are effective for accounting periods beginning on or after 1 January 2005.

HKAS 1	Presentation of Financial Statements
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HKFRS 2	Share-based Payments
HKFRS 3	Business Combinations
HKFRS 5	Non-current Assets Held for Sale and Discontinued Operations
HKAS-INT 21	Income Taxes-Recovery of Revalued Non-Depreciable Assets

HKAS 1 affects certain presentation in the income statement, balance sheet and statement of changes in equity, whilst HKFRS 5 requires a separate classification of non-current assets as held for sale if certain criteria are met.

The adoption of HKAS 16 and HKAS 17 does not have significant effect on the Group. The land and building components of the Group's leasehold properties for self-use cannot be separated, such lease is accounted for as a finance lease and the Group has adopted the revaluation model under HKAS 16.

The adoption of HKFRS 2 has resulted in a change in accounting policy for employee share options. Prior to this, the provision of share options to employees did not result in a charge to the income statement. Following the adoption of HKFRS 2, the fair value of share options of HK\$8,911,000 at grant date on 18 January 2005 is charged to the income statement at the date of vest which is the same as the grant date.

The adoption of HKFRS 3, HKAS 36 and HKAS 38 has resulted in a change in the accounting policy for negative goodwill. Prior to this, negative goodwill was credited to equity as a capital reserve in relation to an acquisition of an associate and share of associate's negative goodwill pursuant to transitional provisions. Following the adoption of HKFRS 3, HKAS 36 and HKAS 38, negative goodwill arising from prior years' acquisition and share of associate's negative goodwill aggregated to HK\$145,549,000 was derecognised by way of a corresponding adjustment to the opening retained earnings at 1 January 2005.

The adoption of HKAS 32 and HKAS 39 has resulted in a change in accounting policy for recognition, measurement, derecognition and disclosure of financial instruments. Until 31 December 2004, investments of the Group were classified into long term and short term investments. The long term investments are stated at cost less any impairment losses whilst the short term investments are stated at their fair values with changes taken to the income statement.

Following the adoption of HKAS 32 and HKAS 39, the long term investments are classified as available-for-sale financial assets measured at fair value. The change in fair value is taken to financial asset revaluation reserve in equity.

The adoption of HKAS 40 has resulted in a change in the accounting policy for the Group's investment property. Changes in valuation of the investment property were previously dealt with in an investment property revaluation reserve. Following the adoption of HKAS 40, all changes in valuation of the investment property would be recognized in the income statement.

Pursuant to the transitional provisions of HKAS 40, the opening balance of investment property revaluation reserve amounted to HK\$1,245,819,000 as at 1 January 2005 is transferred to the opening retained earnings as of the same date.

The adoption of HKAS-INT 21 has resulted in a change in accounting policy relating to deferred taxation of the Group's investment property. Prior to this, deferred tax arising from the revaluation of investment property was calculated on the basis that the property was held for sale. In accordance with the provision of HKAS-INT 21, the deferred tax arising from the revaluation of the property should be recalculated as if the investment property is held through use and charged to the income statement. Consequently, the deferred tax liability of HK\$218,000,000 resulting from the aforementioned investment property revaluation reserve is recognised as of 1 January 2005 with the corresponding charge to the opening retained earnings.

The effect of changes in accounting policies on the condensed consolidated income statement are as follows:

	Effect of adopting HKFRS 2 HK\$'000	Total effect on adoption of HKFRSs and HKASs HK\$'000
For the six months ended 30 June 2005 (Unaudited)		
Increase in employee share option benefits and decrease in profit	(8,911)	(8,911)
Decrease in basic earnings per share	(0.60 cents)	(0.60 cents)

The effect of changes in accounting policies on the condensed consolidated balance sheet are as follows:

	Previous accounting policies HK\$'000	Effect of adopting					Total effect on adoption of HKFRSs and HKASs HK\$'000	HKFRSs and HKASs adopted HK\$'000
		HKAS 40 HK\$'000	HKFRS 2 HK\$'000	HKFRS 3, HKAS 36 and 38 HK\$'000	HKASs 32 and 39 HK\$'000	HKAS-INT 21 HK\$'000		
At 1 January 2005 (Unaudited)								
Deferred tax liabilities	1,397	-	-	-	-	218,000	218,000	219,397
Investment property revaluation reserve	1,245,819	(1,245,819)	-	-	-	-	(1,245,819)	-
Capital reserve	145,549	-	-	(145,549)	-	-	(145,549)	-
Retained earnings/(accumulated losses)	(349,160)	1,245,819	-	145,549	-	(218,000)	1,173,368	824,208
At 30 June 2005 (Unaudited)								
Interest in an associate	357,410	-	-	-	464	-	464	357,874
Deferred tax liabilities	1,216	-	-	-	-	218,000	218,000	219,216
Investment property revaluation reserve	1,245,819	(1,245,819)	-	-	-	-	(1,245,819)	-
Financial asset revaluation reserve	-	-	-	-	464	-	464	464
Capital reserve	145,549	-	-	(145,549)	-	-	(145,549)	-
Employee share-based payment reserve	-	-	8,911	-	-	-	8,911	8,911
Retained earnings/(accumulated losses)	(338,810)	1,245,819	(8,911)	145,549	-	(218,000)	1,164,457	825,647

2. SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to profit/(loss) from operating activities by business segments is as follows:

	Unaudited six months ended 30 June 2005		Unaudited six months ended 30 June 2004	
	Turnover HK\$'000	Contribution to profit from operating activities HK\$'000	Turnover HK\$'000	Contribution to loss from operating activities HK\$'000
By activity:				
Property investment and management	17,953	24,131	17,704	5,776
Property construction and development	5,350	98	1,637	(4,768)

Horticultural services	1,529	207	1,521	172
	<u>24,832</u>	<u>24,436</u>	<u>20,862</u>	<u>1,180</u>
Corporate and others		(14,033)		(5,549)
Interest income		17		4
		<u>10,420</u>		<u>(4,365)</u>

The operations outside Hong Kong contributed less than 10% of turnover and less than 10% of consolidated operating profit/(loss).

3. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

The Group's profit/(loss) from operating activities is arrived at after charging/(crediting):

	Unaudited six months ended 30 June	
	2005 HK\$'000	2004 HK\$'000
Depreciation	627	668
Cost of properties sold	5,828	1,850
Profit on disposal of listed investments	—	(172)
Dividends from unlisted investment	(44)	(183)
Loss on disposal of fixed assets	6	6
Rental income, gross of HK\$17,762,000 (2004: HK\$17,264,000)		
less outgoings of HK\$4,174,000 (2004: HK\$5,329,000)	(13,588)	(11,935)
Interest income	<u>(17)</u>	<u>(4)</u>

4. FINANCE COSTS

	Unaudited six months ended 30 June	
	2005 HK\$'000	2004 HK\$'000
Interest on bank loans	<u>8,467</u>	<u>4,895</u>

5. INCOME TAX

	Unaudited six months ended 30 June	
	2005 HK\$'000	2004 HK\$'000
Tax attributable to Company and its subsidiaries:		
Deferred	(548)	—
Share of tax attributable to an associate:		
Elsewhere	<u>(258)</u>	<u>183</u>
Tax (credit)/charge for the period	<u>(806)</u>	<u>183</u>

No Hong Kong profits tax has been provided as the Company and its subsidiaries either has no assessable profits arising in Hong Kong or has available tax losses brought forward from prior years to offset against current year estimated assessable profits. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the places in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

6. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the net profit attributable to shareholders for the period of HK\$1,439,000 (2004: loss of HK\$9,541,000) and the weighted average number of 1,492,410,986 (2004: 1,492,410,986) ordinary shares in issue during the period.

(b) Diluted earnings/(loss) per share

Diluted earnings per share for the six months ended 30 June 2005 has not been presented as the exercise of share options does not have a material dilutive effect on the basic earnings per share.

Diluted loss per share for the six months ended 30 June 2004 has not been presented as the effect of any dilution is anti-dilutive.

7. INTERIM DIVIDEND

The directors do not recommend the payment of any interim dividend for the six months ended 30 June 2005 (2004: Nil).

8. PROPERTIES, PLANT AND EQUIPMENT

	Unaudited HK\$'000
At 1 January 2005	52,355
Additions	527
Disposal	(11)
Surplus on revaluation of land and building	14,454
Depreciation	(627)
Transfer to non-current assets held for sale (Note 9)	(64,141)
At 30 June 2005	<u>2,557</u>

9. NON-CURRENT ASSETS HELD FOR SALE

Transfer from properties, plant and equipment (Note 8) and at 30 June 2005

Unaudited
HK\$'000
64,141

10. PROPERTIES HELD FOR SALE

At 1 January 2005
Disposal
Reversal of provision for impairment, net
At 30 June 2005

Unaudited
HK\$'000
74,653
(5,646)
19,563
88,570

11. RESERVES

	Unaudited 30 June 2005	Audited 31 December 2004 (Restated)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Share premium account	196,873	196,873
Capital redemption reserve	121	121
Contributed surplus	618,098	618,098
Land and building revaluation reserve:		
At beginning of period/year	12,177	12,177
Surplus on revaluation	14,454	—
At end of period/year	26,631	12,177
Investment property revaluation reserve:		
At beginning of period/year	—	713,720
Disposal of subsidiaries	—	(917)
Surplus on revaluation	—	533,016
Transfer to retained earnings	—	(1,245,819)
At end of period/year	—	—
Financial asset revaluation reserve	464	—
Capital reserve:		
At beginning of period/year	—	145,549
Transfer to retained earnings	—	(145,549)
At end of period/year	—	—
Employee share-based payment reserve	8,911	—
Exchange fluctuation reserve	(147,837)	(134,354)
Retained earnings:		
At beginning of period/year	824,208	(371,510)
Net profit for the period/year	1,439	22,350
Deferred tax arising from change in fair value of investment properties	—	(218,000)
Transfer from investment property revaluation reserve	—	145,549
Transfer from capital reserve	—	1,245,819
At end of period/year	825,647	824,208
	<u>1,528,908</u>	<u>1,517,123</u>

12. EMPLOYEE SHARE-BASED PAYMENT RESERVE

- (a) During the period, options to subscribe for 53,040,000 shares were granted under the Company's share option scheme adopted on 15 April 2002 to directors and staff on 18 January 2005 which are exercisable between 18 January 2005 and 14 April 2012 at an exercise price of HK\$0.377 per share.
- (b) No option has been exercised during the period.
- (c) According to the Dividend Adjusted Black-Scholes Option Pricing Model, the details of the share options granted during the period are as follows:

Date of grant	Number of shares issuable under options granted	Option value <i>HK\$'000</i>	Closing price at date of grant <i>HK\$</i>	Risk free rate (being the yield of 10-year government bond)	Expected volatility (note i)	Expiration of options	Expected ordinary dividend (note ii)
18 January 2005	53,040,000	8,911	0.365	2.4%	62%	14 April 2012	0%

- (i) The volatility is estimated based on the historical price of the Company in the past 3.5 years.
- (ii) Estimated based on the Company's past dividend yield and dividend policy.
- (iii) Dilution effect is expected to be offset by expected net proceed upon exercise.
- (d) Had all the outstanding share options been fully exercised on 30 June 2005, the Group would have received proceeds of HK\$19,996,080. The market value of the shares issued based on the closing price of HK\$0.530 per share on that date would have been HK\$28,111,200. The directors and staff concerned under the scheme would have made a gain of HK\$0.153 per share or, in aggregate, HK\$8,115,120.

REVIEW OF OPERATIONS AND FUTURE PROSPECTS

During the period, the Group continues to engage in property related businesses and provision of horticultural services. The increase in turnover was due to the increase in the revenue from the business segment of property construction and development.

The Group recorded net profit of approximately HK\$1.4 million in the period. The turn from loss to profit was mainly attributable to the reversal of provision made for the Group's properties held for sale of approximately HK\$19.6 million. Despite the decrease in bank loan, interest expense increased by approximately HK\$3.6 million due to increase in interest rate. The Group's result was also affected by the recognition of share-based benefits of approximately HK\$8.9 million on adoption of the new Hong Kong Financial Reporting Standard no. 2.

In March 2005, the Group entered into agreement for the sale of 8/F, 9 Queen's Road, Central for a consideration of approximately HK\$150.9 million. The transaction will be completed in September 2005 and will result in the transfer of land and building revaluation reserve of approximately HK\$26.6 million to retained earnings. The proceeds will be used to repay bank borrowings.

The net asset value of the Group per share as at 30 June 2005 was approximately HK\$1.08 based on the 1,492,410,986 shares issued.

The Group will continue to capture investment and development opportunities in Hong Kong.

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 Group's latest annual report. The Group has no exposure to foreign exchange rate fluctuations except for the interest in an associate in Singapore which is held as long term investment. The Group's borrowings are denominated in Hong Kong dollars and arranged on a floating rate basis.

The Group's working capital requirements are met by recurring cash flows from the investment properties portfolios and committed undrawn credit facilities. Majority of the Group's borrowings matures in or after 2010. As at 30 June 2005, the outstanding bank loan amounted approximately HK\$530.4 million. These loan facilities were secured by the Group's properties. The end of period gearing ratio based on bank loans less cash and bank balances to total equity was approximately 33% (31 December 2004: 35%). The Company has provided guarantees in respect of bank facilities made available to subsidiaries totaling approximately HK\$562.8 million.

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.

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 of the Listing Rules. 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 period.

CORPORATE GOVERNANCE

The Board will review its corporate governance practices and propose any amendments, if necessary, to ensure compliance with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

The results announcement is published on the Stock Exchange's website (www.hkex.com.hk). The interim report will be despatched to the shareholders and available on the same website in due course.

As at the date hereof, the Board comprises:

Executive directors:

Cheong Pin Chuan, Patrick

Cheong Kim Pong

Cheong Sim Eng

Independent non-executive directors:

Chan Yee Hoi, Robert

Kan Fook Yee

Lai Hing Chiu, Dominic

Non-executive director:

Lim Ghee

BY ORDER OF THE BOARD
WINFOONG INTERNATIONAL LIMITED
Cheong Pin Chuan, Patrick
Chairman

Hong Kong
12 August 2005

Please also refer to the published version of this announcement in China Daily.