



# WINFOONG INTERNATIONAL LIMITED

## ( 榮 豐 國 際 有 限 公 司 )

(Incorporated in Bermuda with limited liability)

(Stock code: 63)

### 2006 INTERIM RESULTS ANNOUNCEMENT

### SIX MONTHS ENDED 30 JUNE 2006

The Board of Directors 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 2006 were as follows:

#### CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2006

		Unaudited six months ended 30 June	
	Notes	2006 HK\$'000	2005 HK\$'000
Revenue	2	13,552	24,832
Cost of sales		(4,809)	(10,212)
Gross profit		8,743	14,620
Other revenue		339	161
Operating and administrative expenses		(17,606)	(15,013)
Reversal of provision for impairment of properties held for sales		–	19,563
Employee share option benefits		–	(8,911)
(Loss)/profit from operating activities	3	(8,524)	10,420
Finance costs	4	(12,339)	(8,467)
Share of loss of an associate		(7,136)	(1,093)
(Loss)/profit before tax		(27,999)	860
Income tax credit	5	–	548
(Loss)/profit for the period		(27,999)	1,408
Attributable to:			
Equity holders of the Company		(27,999)	1,439
Minority interest		–	(31)
		(27,999)	1,408
(Loss)/earnings per share			
– Basic	6	(1.88cents)	0.10cents
– Diluted	6	N/A	0.10cents

**CONDENSED CONSOLIDATED BALANCE SHEET**  
*AS AT 30 JUNE 2006*

		<b>Unaudited</b> <b>30 June</b> <b>2006</b> <b>HK\$'000</b>	Audited 31 December 2005 HK\$'000
	<i>Notes</i>		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment properties		1,966,640	1,966,640
Other properties, plants and equipment		1,829	2,075
Interests in leasehold land held for own use under operating leases		470	476
Interest in an associate		413,511	393,602
Pledged bank balances and time deposits		825	912
Other financial assets		2,750	2,750
Deferred tax assets		1,791	1,791
		<b>2,387,816</b>	<b>2,368,246</b>
<b>Current assets</b>			
Properties held for sale		12,500	14,146
Inventories		213	224
Trade and other receivables	8	9,558	19,937
Tax recoverable		12	12
Cash and cash equivalents		9,469	3,615
		<b>31,752</b>	<b>37,934</b>
Total assets		<b>2,419,568</b>	<b>2,406,180</b>
<b>EQUITY AND LIABILITIES</b>			
Equity attributable to equity holders of the Company			
Share capital		74,620	74,620
Reserves		1,616,902	1,617,940
		<b>1,691,522</b>	<b>1,692,560</b>
Minority interests		—	—
Total equity		<b>1,691,522</b>	<b>1,692,560</b>
<b>Non-current liabilities</b>			
Interest-bearing bank loans		337,367	347,219
Deferred income		5,582	5,582
Deferred tax liabilities		248,432	248,432
		<b>591,381</b>	<b>601,233</b>
<b>Current liabilities</b>			
Trade and other payables	9	15,656	17,734
Interest-bearing bank loans		121,009	80,204
Tax payable		—	14,449
		<b>136,665</b>	<b>112,387</b>
Total liabilities		<b>728,046</b>	<b>713,620</b>
Total equity and liabilities		<b>2,419,568</b>	<b>2,406,180</b>

**1. PRINCIPAL ACCOUNTING POLICIES**

The interim financial report is unaudited, but has been reviewed by the Company's audit committee. The interim financial report has 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, 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 financial report has been prepared in accordance with the same accounting policies adopted in the 2005 annual financial statements except for the accounting policy changes that are expected to be reflected in the 2006 annual financial statements as follows.

In the current interim period, a number of new standards, amendments and interpretations have been issued by the HKICPA, which are effective for accounting periods beginning on or after 1 December 2005.

The following new standards, amendments to standards and interpretations which are relevant to Group's operations are mandatory for financial year ending 31 December 2006.

HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures
HKFRS 21 (Amendment)	The effects of changes in foreign exchange rates

HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions
HKAS 39 (Amendment)	The fair value option
HKAS 39 & HKFRS 4 (Amendment)	Financial guarantee contracts
HK(IFRIC) - Int 4	Determining whether an arrangement contains a lease

The adoption of new/revised HKAS 19 (Amendment), 21 (Amendment), 39 (Amendment), HKFRS 4 (Amendment) and HK(IFRIC) – Int 4 did not result in significant changes to the Group's accounting policies applied on these financial statements for the periods presented.

The following new standards, amendments to standards and interpretations have been issued but are not effective for year ending 31 December 2006 and have not been early adopted by the Group:

HKAS 1 (Amendment)	Capital disclosures
HKFRS 7	Financial instruments: Disclosures
HK(IFRIC) – Int 7	Applying the restatement approach under HKAS 29 Financial reporting in hyperinflationary economies
HK(IFRIC) – Int 8	Scope of HKFRS 2
HK(IFRIC) – Int 9	Reassessment of embedded derivatives

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application but is not in a position to state whether these new standards, amendments and interpretations would have a significant impact on the Group's results of operations and financial position.

Notwithstanding that the Group had net current liabilities as at 30 June 2006, the directors are of the opinion that the Group are able to continue as a going concern and to meet their obligations as and when they fall due having regard to agreements with financial institutions for new loan facilities of approximately HK\$769 million, to replace existing loan facilities of approximately HK\$264 million.

The directors believe that the Group will have sufficient cash resources to satisfy its future working capital and other financing requirements. Accordingly, it is appropriate that this interim financial report should be prepared on going concern basis and do not include any adjustments that would be required should that Group fail to continue as a going concern.

## 2. SEGMENT INFORMATION

Segment information is presented on a primary segment reporting basis by business segment. Revenue from external customers represents the revenue generated from property investment and management, property construction and development; and horticultural services.

### Business segments

The following tables present revenue, (loss)/profit for the Group's business segments for the six months ended 30 June:

	Property investment and management HK\$'000	Property construction and development HK\$'000	Horticultural services HK\$'000	Corporate and others HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
2006 (Unaudited)						
Segment revenue:						
Sales to external customers	10,339	1,680	1,533	–	–	13,552
Intersegment sales	360	3,680	14	–	(4,054)	–
Other revenue	–	188	–	59	–	247
Total revenue	10,699	5,548	1,547	59	(4,054)	13,799
Segment results	4,680	3,581	136	(12,959)	(4,054)	(8,616)
Interest income						92
Loss from operating activities						(8,524)
Finance costs						(12,339)
Share of loss of an associate	(7,136)					(7,136)
Loss before tax						(27,999)
Income tax						–
Loss for the period						(27,999)
	Property investment and management HK\$'000	Property construction and development HK\$'000	Horticultural services HK\$'000	Corporate and others HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
2005 (Unaudited)						
Segment revenue:						
Sales to external customers	17,953	5,350	1,529	–	–	24,832
Intersegment sales	1,938	1,192	–	–	(3,130)	–
Other revenue	–	–	–	144	–	144
Total revenue	19,891	6,542	1,529	144	(3,130)	24,976
Segment results	24,131	98	207	(10,903)	(3,130)	10,403
Interest income						17
Profit from operating activities						10,420
Finance costs						(8,467)
Share of loss of an associate	(1,093)					(1,093)
Profit before tax						860
Income tax credit						548
Profit for the period						1,408

### 3. (LOSS)/PROFIT FROM OPERATING ACTIVITIES

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

	Unaudited six months ended 30 June	
	2006	2005
	HK\$'000	HK\$'000
Depreciation and amortization	296	627
Cost of properties sold	1,728	5,828
Dividends from unlisted investments	—	(44)
Loss on disposal of fixed assets	28	6
Rental income gross of HK\$10,101,000 (2005: HK\$17,762,000) less outgoing of HK\$2,832,000 (2005: HK\$4,174,000)	(7,269)	(13,588)
Interest income	(92)	(17)
	<u>          </u>	<u>          </u>

### 4. FINANCE COSTS

	Unaudited six months ended 30 June	
	2006	2005
	HK\$'000	HK\$'000
Interest on bank loans	12,339	8,467
	<u>          </u>	<u>          </u>

### 5. INCOME TAX

	Unaudited six months ended 30 June	
	2006	2005
	HK\$'000	HK\$'000
Deferred taxation	—	(548)
	<u>          </u>	<u>          </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 period estimated assessable profits.

### 6. (LOSS)/EARNINGS PER SHARE

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

The calculation of basic (loss)/earnings per share is based on the net loss attributable to shareholders for the period of HK\$27,999,000 (2005: profit of HK\$1,439,000) and the weighted average number of 1,492,410,986 (2005: 1,492,410,986) ordinary shares in issue during the period.

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

Diluted loss per share for the six months ended 30 June 2006 has not been presented as the effect of any dilution is anti-dilutive.

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

### 7. INTERIM DIVIDEND

The directors do not recommend the payment of any interim dividend for the six months ended 30 June 2006 (2005: Nil).

### 8. TRADE AND OTHER RECEIVABLES

	Unaudited 30 June 2006 HK\$'000	Audited 31 December 2005 HK\$'000
Trade receivables		
Current	356	374
1-3 months	102	54
4-12 months	3	4
	<u>461</u>	<u>432</u>
Tax reserve certificate	—	14,449
Prepayments, deposits and other receivables	8,759	4,718
Retention money receivable	338	338
	<u>9,558</u>	<u>19,937</u>

The Group's trade receivables are normally invoiced with credit terms of 30 to 60 days of issuance.

## 9. TRADE AND OTHER PAYABLES

	Unaudited 30 June 2006 HK\$'000	Audited 31 December 2005 HK\$'000
Trade payables		
Current	75	80
1-3 months	3	50
4-6 months	19	24
7-12 months	22	23
Over 1 year	2,050	2,064
	<hr/> 2,169	<hr/> 2,241
Accruals	4,809	4,187
Deposits received	2,885	4,646
Retention money payables	2,745	2,795
Other liabilities	3,048	3,865
	<hr/> 15,656	<hr/> 17,734

## 10. SUBSEQUENT EVENT

Subsequent to 30 June 2006, the Group has entered into agreement in respect of loan facilities of approximately HK\$559 million for the refinance of existing loan facilities of HK\$243 million. Further unconditional guarantee will be given by the Company to secure these additional loan facilities.

## 11. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current period's presentation.

## BUSINESS REVIEW

During the period, the Group continues to engage in property related businesses and provision of horticultural services. The decrease in turnover was due to the decrease in revenue from disposal of development properties and decrease in rental income. Certain investment properties were either vacant or subject to short leases to match with proposed redevelopment plans.

The Group recorded net loss of approximately HK\$28.0 million in the period. The turn from profit to loss was mainly attributable to:

- (a) decrease in net rental income of approximately HK\$6.3 million;
- (b) reversal of provision made for properties held for sale of approximately HK\$19.6 million in the six months ended 30 June 2005;
- (c) increase in interest expenses of approximately HK\$3.9 million; and
- (d) increase in share of loss of an associate of approximately HK\$6.0 million which was mainly due to increase in finance costs of the associate.

The net asset value of the Group per share as at 30 June 2006 was approximately HK\$1.13 based on the 1,492,410,986 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 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. As at 30 June 2006, the outstanding bank loan amounted approximately HK\$458 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 equity was approximately 26% (31 December 2005: 25%). The Company has provided guarantees in respect of bank facilities utilised by subsidiaries totaling approximately HK\$458 million.

For the Group's bank borrowings of approximately HK\$110 million maturing within one year, refinancing agreements with financial institutions were reached. Under the refinancing agreements, new loan facilities of approximately HK\$769 million, will be granted to replace existing loan facilities of approximately HK\$264 million. In respect of the redevelopment of 38 Conduit Road, site work will commence in the third quarter of 2006.

The Company announced on 18 July 2006 the proposed change of company name from "Winfoong International Limited" to "Hong Fok Land International Limited". Such proposed change of name is conditional upon (i) the passing of a special resolution by the shareholders of Winfoong ("Shareholders") approving the change of company name at a special general meeting and (ii) the approval by the Registrar of companies in Bermuda and will not affect any rights of the Shareholders. However, the Company has on the date of the said announcement no confirmed agenda as to when such proposed change of name will be effected and further announcement will be made to inform Shareholders at appropriate time.

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

## **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 Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules with the following deviations:

- (i) Under Code A.2.1, the roles of chairman and chief executive officer 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 officer ("CEO")/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 CEO if the situation warrants it.
- (ii) Under Code A.4.1, non-executive directors should be appointed for a specific term, subject to re-election. Non-executive directors of the Company are not appointed for a specific term although they are subject to retirement and rotation and re-election at the annual general meeting under the Company's Bye-laws and except for the chairman of the board and /or the managing director of the Company, each director is effectively appointed under an average term of three years.
- (iii) Under Code B.1, a remuneration committee with specific written terms of reference which deal clearly with its authority and duties. A majority of the members of the remuneration committee should be independent non-executive directors.  
The board does not have a remuneration committee. The board conducts an informal assessment of the individual director's contribution. No director decides his or her own remuneration.
- (iv) Under Code C.3.3, the audit committee should have the duties to be primary responsible for making recommendation to the board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of that auditor.

The recommendation on the appointment, reappointment and removal of the external auditor, and to approve the remuneration of the external auditors, and any questions of resignation or dismissal of that auditor of the Company is made by the board to the audit committee for approval.

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

The results announcement is published on the Stock Exchange's website ([www.hkex.com.hk](http://www.hkex.com.hk)). The interim report will be dispatched 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  
14 August 2006

Please also refer to the published version of this announcement in The Standard.