



On behalf of the board of directors, I present the annual report of Winfoong International Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31 December 2001.

Financial Results

For the year ended 31 December 2001, the Group recorded consolidated loss attributable to shareholders of approximately HK\$46.1 million.

Dividends

No interim dividend was paid for the year ended 31 December 2001 and the directors do not recommend the payment of a final dividend.

Review of Operations, Management Discussions and Analysis, Future Prospects

During the year, the Group continues to engage in property related businesses and provision of horticultural services.

The Group recorded loss before tax of approximately HK\$46.5 million in 2001 which showed an improvement of 70% over that of approximately HK\$154.4 million in 2000. The improvement of results was mainly attributable to the significant improvement in the gross results of approximately HK\$106.2 million, the decrease in finance costs of approximately HK\$14.1 million but slightly offset by the increase in operating expenses of approximately HK\$9.4 million.

The turn from gross loss of approximately HK\$73.6 million in 2000 to the gross profit of approximately HK\$32.6 million was mainly attributable to the loss of approximately HK\$108.5 million on disposal of a property under development (the "Shek O Property") in 2000. The gross profit in the current year was mainly contributed by the rental income. The occupancy level of the Group's rental property portfolio remained high and the rental income remained stable during the year.

The decrease in finance costs was a result of the decrease in borrowing after the disposal of the Shek O Property in 2000 and the decrease in interest rates during the year.

The increase in operating expenses was mainly due to a provision of HK\$8.6 million made for a property held for sale.

The net asset value of the Group per share as at 31 December 2001 was approximately HK\$1.8 based on the 684,416,993 shares issued.

Subsequent to the balance sheet date, the Company has completed the placement of 63 million new shares at HK\$0.175 per share, representing approximately 8.4% of the enlarged share capital of the Company, to an independent third party. The proceeds of the placement is approximately HK\$11 million and it is intended to be applied as general working capital of the Group.



Chairman's Statement

The Group will continue to look for any potential investment opportunities to broaden its earning base.

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.

The Group has substantial committed undrawn credit facilities from its bankers providing the Group with strong financing flexibility and liquidity to meet its funding needs and working capital requirements.

Majority of the Group's borrowings matures in 2006. As at 31 December 2001, the outstanding bank loan amounted to approximately HK\$480.5 million was secured by the Group's investment properties, land and buildings and properties held for sale.

Proposed Connected Transaction and Open Offer

The Company announced on 21 January 2000 to raise approximately HK\$145.7 million by issuing 747,416,993 new shares at a price of HK\$0.195 per share ("Offer Share") by way of the open offer on the basis of one Offer Share for every existing share held ("Open Offer"). The proceeds from the Open Offer of approximately HK\$71.3 million will be used for the acquisition of the entire issued share capital of and shareholder's loan to Super Homes Limited ("Super Homes"), a wholly-owned subsidiary of Hong Fok Corporation Limited, a substantial shareholder of the Company, and the remaining balance of approximately HK\$70.7 million will be used for the repayment of part of the bank loan of Super Homes. Further details of the proposal are contained in the circular despatched to the shareholders on 25 March 2002.

Acknowledgment

I take this opportunity to express my gratitude to my colleagues on the board and the staff members of the Group for their strong support and valuable contribution.

Patrick Cheong

Chairman

Hong Kong

27 March 2002