

C h a i r m a n ' s S t a t e m e n t

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 2000.

Financial Results

For the year ended 31 December 2000, the Group recorded consolidated loss attributable to shareholders of approximately HK\$151.6 million.

Dividends

No interim dividend was paid for the year ended 31 December 2000 and the directors do not recommend the payment of a final dividend.

Review of Operations, Management Discussions and Analysis

During the year, the Group has disposed of its property under development in Shek O to an independent third party. Despite that the sale resulted in a loss of HK\$108.5 million, it brought HK\$105 million cash inflow to the Group. An independent valuation of the Group's investment properties and land and buildings has been carried out by qualified professional valuers. Taking into account the revaluation, the net asset value of the Group as at 31 December 2000 was approximately HK\$2.16 per share.

The Group's rental portfolio performance was satisfactory. The occupancy level stayed high and rental rates remained stable throughout the year.

The occupation permit of a residential building in North Point ("Fortress Heights") was issued in November 2000.

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 significant exposure to foreign exchange rate fluctuations. A great majority of 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.

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As at 31 December 2000, the Group had total assets of approximately HK\$1,997 million which were financed by liabilities of approximately HK\$519 million and equity of approximately HK\$1,478 million.

Future Prospects

The sale of residential units in Fortress Heights has commenced in March 2001 and the debt level will be further reduced on sale of the units.

With 100% of the Group's borrowings in the form of floating-rate debt, the recent rapid decline in global interest rate will lead to savings in interest expense in the coming year.

Although the unsettled equity market in the United States may in the short term indirectly affect the growth in demand for higher end office space and residential premises, the very low levels of new supply in 2001 and 2002 will lend support to rental rates. The Government has adopted various policy measures that have boosted public confidence and sustained the economic recovery. The Group will continue to look for any potential investment opportunities to broaden its earning base.

Acknowledgement

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

29 March 2001