

Chairman's Statement

RESULTS

It is my pleasure to present the annual results of Luen Tai Group Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31 March 2002 (the "Year").

The Group's audited turnover and net profit attributable to shareholders for the Year were approximately HK\$518 million and HK\$9 million, respectively, representing decrease of approximately 23% and 79%, respectively, over the corresponding period in 2001. Earnings per share for the Year stood at HK4.5 cents (2001: HK28.0 cents).

BUSINESS REVIEW

The Group was successfully listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 19 April 2001. The net proceeds of the new issue and placing of shares in the Company amounted to approximately HK\$37.5 million, of which approximately HK\$14.0 million was used for the Group's capital expenditure, marketing activities and as general working capital. The remaining HK\$23.5 million will be used for other capital expenditure, to strengthen its capital base and financial position.

The Year was a challenging one for the Group. The deterioration of the global economy which was further aggravated by the September 11 tragedy happened in the United States. Our customers became cautious about replenishing their inventories due to the uncertainties in consumer demand and decided to reduce their orders in the second half of the Year. Since the principal market of the Group remained The People's Republic of China (the "PRC") (excluding Hong Kong) which accounted for approximately 74% (2001: 73%) of the Group's turnover, the adverse impact has been relatively moderated. However the sluggish demand for the Polyurethane ("PU") materials in the United States market has led to the result of oversupply in the global market. Therefore the growth in demand in the PRC has been overwhelmed by this excessive supply of PU materials. Moreover, it gave rise to more intensified market competition that resulted in extra pressure on PU materials prices and the Group's sales were achieved at the expense of leaner margins. As a result, the Group's gross profit margin showed a decrease from approximately 10.5% in 2001 to approximately 6.5% in this Year.

Despite the unfavourable economy, revenue from the Group's manufacturing business during the Year still showed a steady growth from last year's approximately HK\$100 million to this Year's approximately HK\$114 million. Development of downstream products, PU foam and related foam products, will continue to be the focus of the Group.

OUTLOOK

The current downturn of the global economy is likely to persist in near term and the Group's business is expected to be under pressure. To cope with the current unfavorable market condition, the Group will strengthen its market position and remain competitive by means of cost rationalisation as well as diversification of its product range.

In long run, the increasing affluence of the PRC economy and the growth in consumption power of the PRC customers are expected to result in an increase in demand for the Group's products and PU materials traded by the Group. To cater for the promising PRC market, the Group will continue to broaden its customer base and expand its manufacturing operation. With long established goodwill, stable financial position, a forward-looking management and a customer focused marketing policy, the Group is confident to face every challenge positively in the future.

APPRECIATION

I would like to take this opportunity to thank all management teams and our staff members for their efforts and significant contribution during the past year. I would like to express my gratitude and appreciation to all our fellow shareholders and investors for their continued support and confidence in our Group.

Kwok Tat Kwong

Chairman

Hong Kong

23 July 2002