

CHAIRMAN'S STATEMENT

For and on behalf of the board of directors (the "Directors") of Minglun Group (Hong Kong) Limited (the "Company"), I am pleased to present the annual results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2003.

PERFORMANCE

Despite the economic downturn and the lack of an obvious, positive invigoration of prospect faced by the globe during the year, the Group achieved a stable turnover of HK\$520,857,000 for the year ended 31 March 2003, represented a slight increase of 0.5% compared to the pervious year. Meanwhile, the profit attributable to shareholders, it was steady and was approximately HK\$8,549,000 (2002: HK\$8,899,000). Earnings per share sustained at HK0.9 cent (2002: HK0.9 cent).

BUSINESS REVIEW

It was a remarkable year for the Group. During the year, the Group implemented tactically internal move to rationalize both managerial hierarchy and operational structure of the Group for accommodation of long term strategy. Primarily, new management joined the Group in August 2002 that marked a new era of position development for the Group. Through fusion of the unique experience and enthusiasm of the new management with the expertise and extensive network of the existing business heads, synergy has been created which benefited every aspect of the Group in terms of efficiency and effectiveness. In addition, new management philosophy generated positive motives and forces on human capital and operations of the Group.

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Disposal of our manufacturing operation was the other event during the year. Having reviewed the market trend of the PU foam and related products manufacturing industry, the new management notice that numbers of PU foam and related products manufacturers have been increasing rapidly as a result of low entry barriers of the industry. In particular, mainland enterprises benefit from the People's Republic of China (the "PRC") government's preferential foreign exchange policies have been scrambling for market shares of the PU foam and related products manufacturing industry. As a result, the intensive competition diminished the profitability of industry. In addition, manufacturing operation involved huge production over heads and locked up large amount of our operational capital, in return, hampered the liquidity of the Group.

In view of the exacerbating competition and significant capital commitment of running the manufacturing business, the new management disposed its manufacturing operations to an independent third party at a profit of HK\$1,973,000. By abandoning the manufacturing arm, the Group would be flexible in allocation of resources to grasp potential investment opportunities. In addition, the discontinuance of the manufacturing operations avoided the Group from tying up working capital. Therefore, the Group would be capable to deal with unforeseen difficulties under the current economic turmoil.

To adhere to the business restructuring plan, substantial effort has been placed into areas such as business diversification. The Group is dedicated to explore potential and high growth rate development projects by all means, including assets acquisition, business rationalization, mergers and establishment of new ventures.

CHAIRMAN'S STATEMENT *(continued)*

LOOKING AHEAD

The devastating impact of Severe Acute Respiratory Syndrome and conflicts in the Middle East will continue to pose uncertainties on both Hong Kong and global economy. Given these difficulties, the Group will pursue actively for development opportunities and reinforce its business by implementation of stringent cost control measure and cost effective management to strive for growth of revenue and to stay ahead of major competitors.

Following the accession of the PRC to the World Trade Organisation ("WTO"), the Directors anticipates that the PRC will be the foundation for recovery of the global economy. The rapid development of the PRC economy will stimulate both local demands and attract global traders flocking to the PRC for investment opportunities. As a result, the demand for reliable Asian business partners who can cater the needs of these traders will be tremendous. With strong financial resources and extensive network in the PRC, the Group is well-positioned to reap business opportunities arising from the change of pattern of global trade.

Looking ahead, the Directors is dedicated to bring the best return and to enhance the shareholders' value in the long run. The Group will continue to strive for advancement in both quantity and quality of earnings and expansion of business by all means, including merger, acquisition or establishment of business ventures.

APPRECIATION

I would like to thank our management team and all our staff for their untiring efforts and significant contribution during the past year. I would also like to take this opportunity to express my sincere gratitude and appreciation to all our fellow shareholders and institutional investors for their continuous support and confidence in our Group.

Zhou Yiming

Chairman

Hong Kong
6 August 2003