

The logo for Minglun, featuring the word "Minglun" in a white, sans-serif font on a dark blue rectangular background.

明倫集團
MINGLUN GROUP

MINGLUN GROUP (HONG KONG) LIMITED

Interim Report **2003**

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Zhou Yiming (*Chairman*)
Mr. Cheung Wai Yin, Wilson
(*Deputy Chairman*)
Mr. Lu Zhiming
Mr. Qin Gang

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wong Hing Tat
Mr. Kwong Chi Ho

AUDIT COMMITTEE

Mr. Wong Hing Tat
Mr. Kwong Chi Ho

COMPANY SECRETARY

Mr. Fu Wing Kwok, Ewing

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 4605-7, 46th Floor
Far East Finance Centre
16 Harcourt Road
Admiralty
Hong Kong

AUTHORISED REPRESENTATIVES

Mr. Cheung Wai Yin, Wilson
Mr. Fu Wing Kwok, Ewing

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
DBS Bank (Hong Kong) Limited

LEGAL ADVISER

Bosco Tso & Partners
8th Floor, Luk Hoi Tong Building
31 Queen's Road Central
Central
Hong Kong

AUDITORS

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants
6th Floor, Wheelock House
20 Pedder Street
Central
Hong Kong

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

The Bank of Bermuda Limited
Bank of Bermuda Building
6 Front Street
Hamilton HM 11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tengis Limited
Ground Floor
Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

INTERIM RESULTS

The board of directors (the “Board”) of Minglun Group (Hong Kong) Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 September 2003 together with comparative figures as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2003

		Six months ended 30 September	
	<i>Notes</i>	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Turnover	2	180,033	221,365
Cost of sales		(171,564)	(207,444)
Gross profit		8,469	13,921
Other revenue		426	1,604
Selling and distribution costs		(1,022)	(2,190)
Administrative expenses		(5,018)	(5,143)
PROFIT FROM OPERATING ACTIVITIES	2,3	2,855	8,192
Finance costs	4	(82)	(89)
PROFIT BEFORE TAX		2,773	8,103
Tax	5	(716)	(1,514)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		2,057	6,589
EARNINGS PER SHARE – Basic, HK cent	7	0.2	0.7

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2003

		As at 30 September 2003 (Unaudited) HK\$'000	As at 31 March 2003 (Audited) HK\$'000
NON-CURRENT ASSETS			
Fixed assets	8	1,751	1,504
CURRENT ASSETS			
Inventories		1,591	8,526
Trade receivables	9	174,281	157,677
Prepayment, deposits and other receivables		4,117	1,682
Amount due by a related company		2,043	18,616
Tax recoverable		30	275
Pledged bank deposits		5,204	23,892
Cash and bank balances		43,953	29,676
		231,219	240,344
CURRENT LIABILITIES			
Trade and bills payables	10	86,373	99,474
Tax payable		21,844	21,278
Other payables and accruals		3,716	4,132
Amount due to holding company		8,484	6,354
Finance lease payables		250	250
		120,667	131,488
NET CURRENT ASSETS			
		110,552	108,856
TOTAL ASSETS LESS CURRENT LIABILITIES			
		112,303	110,360
NON-CURRENT LIABILITIES			
Finance lease payables		221	335
Deferred tax		83	83
		304	418
NET ASSETS			
		111,999	109,942
CAPITAL AND RESERVES			
Issued capital	11	20,000	20,000
Reserves		91,999	89,942
SHAREHOLDERS' FUNDS			
		111,999	109,942

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2003

	Six months ended 30 September	
	2003	2002
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash outflow from operating activities	(3,632)	(7,723)
Net cash inflow/(outflow) from investing activities	18,105	(834)
Net cash outflow from financing activities	(196)	(113)
	<hr/>	<hr/>
Increase/(decrease) in cash and cash equivalents	14,277	(8,670)
Cash and cash equivalents at beginning of period	29,676	35,060
	<hr/>	<hr/>
Cash and cash equivalents at end of period	43,953	26,390
	<hr/> <u>43,953</u>	<hr/> <u>26,390</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	43,953	26,390
	<hr/> <u>43,953</u>	<hr/> <u>26,390</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the six months ended 30 September 2003*

	Six months ended 30 September	
	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Total equity at 1 April	109,942	101,393
Net profit for the period	2,057	6,589
Total equity at 30 September	111,999	107,982

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) 25 “Interim Financial Reporting”, issued by the Hong Kong Society of Accountants (the “HKSA”) and Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”). The principal accounting policies and basis of preparation are the same as those used in the annual financial statements for the year ended 31 March 2003 except that the Group has adopted the SSAP 12 (revised) “Income Taxes” issued by the HKSA which is effective for the accounting periods commencing on or after 1 January 2003.

In the current period, the Group has adopted, for the first time, the SSAP 12 (revised). The principal effect of the adoption of SSAP 12 (revised) is in relation to deferred tax. In prior years, deferred taxation was accounted for at the current taxation rate in respect of significant timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. Under the SSAP 12 (revised), deferred taxation is provided in full, using the balance sheet liability method, on all temporary timing differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, based on the tax rates enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary difference can be utilized. The adoption of the SSAP 12 (revised) represents a change in accounting policy which has been applied retrospectively. However, the adoption of the standard has no material impact on the Group’s financial statements in prior period and comparative figures have not been restated.

These unaudited condensed consolidated interim financial statements have been reviewed by the Audit Committee of the Company and were approved by the Board on 19 December 2003.

2. SEGMENTAL INFORMATION

The Group’s operating business is the trading of PU materials, such as isocyanate, polyols and various kinds of PU catalysts.

During the year ended 31 March 2003, the Group’s PU foam and related products segment which comprised the manufacture and sales of PU foam and PU foam products, molded and unmolded, was disposed of.

In determining the Group’s geographical segments, revenue and results are attributed to the segments based on the location of the customers.

Intersegment sales and transfers are transacted at mutually agreed prices.

2. SEGMENTAL INFORMATION (Continued)

(a) Business segments

The following tables present revenue and results for the Group's business segments.

	PU materials		(Discontinued Operation) PU foam and related products		Eliminations		Consolidated	
					Six months ended 30 September			
	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Segment revenue:								
Sales to external customers	180,033	157,318	-	64,047	-	-	180,033	221,365
Intersegment sales	-	30,193	-	-	-	(30,193)	-	-
Total revenue	<u>180,033</u>	<u>187,511</u>	<u>-</u>	<u>64,047</u>	<u>-</u>	<u>(30,193)</u>	<u>180,033</u>	<u>221,365</u>
Segment results	<u>6,371</u>	<u>1,717</u>	<u>-</u>	<u>9,523</u>	<u>-</u>	<u>-</u>	<u>6,371</u>	<u>11,240</u>
Interest income							29	98
Unallocated expenses							(3,545)	(3,146)
Profit from operating activities							2,855	8,192
Finance costs							(82)	(89)
Profit before tax							2,773	8,103
Tax							(716)	(1,514)
Net profit from ordinary activities attributable to shareholders							<u>2,057</u>	<u>6,589</u>

2. SEGMENTAL INFORMATION (Continued)

(b) Geographical segments

The following tables present revenue and results for the Group's geographical segments.

	PRC		Hong Kong		Others		Consolidated	
	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
	Six months ended 30 September							
Segment revenue:								
Sales to external customers	134,236	149,559	45,797	63,230	-	8,576	180,033	221,365
Segment results	5,719	2,320	652	7,854	-	1,066	6,371	11,240

3. PROFIT FROM OPERATING ACTIVITIES

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

	Six months ended 30 September	
	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Depreciation	336	1,225
Gain on disposal of subsidiaries	-	(721)
Interest income	(29)	(98)

4. FINANCE COSTS

	Six months ended 30 September	
	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Interest on:		
Trust receipt loans wholly repayable within five years	42	56
Finance leases	40	33
	82	89

5. TAX

Current Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 16%) on the estimated assessable profits arising in Hong Kong for the period.

	Six months ended 30 September	
	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Current period provision:		
Hong Kong	150	549
Elsewhere	566	965
	<hr/>	<hr/>
Tax charge for the period	716	1,514
	<hr/> 716	<hr/> 1,514

Deferred Taxation

No provision for deferred taxation has been made as the Company and its subsidiaries had no significant unprovided timing differences at each of the balance sheet dates.

6. INTERIM DIVIDEND

The Directors resolved not to declare any interim dividend in respect of the six months ended 30 September 2003 (2002: Nil).

7. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 September 2003 was based on the Group's net profit from ordinary activities attributable to shareholders for the period of approximately HK\$2,057,000 (2002: HK\$6,589,000) and the weighted average of 1,000,000,000 (2002: adjusted weighted average of 1,000,000,000) shares currently in issue after subdivision of each of the issued and unissued shares into five subdivided shares on 17 June 2003. The earnings per share for 2002 has been adjusted accordingly.

The diluted earnings per share for the periods ended 30 September 2002 and 2003 have not been presented as there were no potential dilutive ordinary shares in existence during either of the periods.

8. FIXED ASSETS

The changes in the net book value of fixed assets for the six months ended 30 September 2003 are analysed as follows:

	<i>HK\$'000</i>
At 1 April 2003 (Audited)	1,504
Additions	583
Depreciation	(336)
	<u> </u>
At 30 September 2003 (Unaudited)	<u>1,751</u>

9. TRADE RECEIVABLES

The ages of the Group's trade receivables are analysed as follows:

	As at 30 September 2003 (Unaudited) HK\$'000	As at 31 March 2003 (Audited) HK\$'000
Current to 30 days	34,092	43,244
31 days to 90 days	28,861	64,026
91 days to 180 days	111,328	50,407
	<u> </u>	<u> </u>
	<u>174,281</u>	<u>157,677</u>

10. TRADE AND BILLS PAYABLES

	As at 30 September 2003 (Unaudited) HK\$'000	As at 31 March 2003 (Audited) HK\$'000
Trade payables	57,580	45,582
Bills payables	28,793	53,892
	<u> </u>	<u> </u>
	<u>86,373</u>	<u>99,474</u>

10. TRADE AND BILLS PAYABLES (Continued)

The ages of the Group's trade and bills payables are analysed as follows:

	As at 30 September 2003 (Unaudited) HK\$'000	As at 31 March 2003 (Audited) HK\$'000
Current to 30 days	41,328	55,018
31 days to 90 days	45,045	44,456
	86,373	99,474

11. SHARE CAPITAL

	As at 30 September 2003 (Unaudited) HK\$'000	As at 31 March 2003 (Audited) HK\$'000
<i>Authorised:</i>		
10,000,000,000 ordinary shares of HK\$0.02 each (2002: 2,000,000,000 ordinary shares of HK\$0.10 each)	200,000	200,000
<i>Issued and fully paid:</i>		
1,000,000,000 ordinary shares of HK\$0.02 each (2002: 200,000,000 ordinary shares of HK\$0.10 each)	20,000	20,000

On 16 June 2003, an ordinary resolution was passed to subdivide the issued and unissued share of HK\$0.10 each of the Company into five shares of HK\$0.02 each with effect from 17 June 2003.

12. POST BALANCE SHEET EVENTS

On 16 October 2003, Chance Profit Investments Limited, the substantial shareholder of the Company, entered into an unconditional placing agreement in which Chance Profit Investments Limited has agreed to place an aggregate of 170,000,000 ordinary shares of the Company to not less than six independent placees at a price of HK\$0.21 per share. On the same date, the Company and Chance Profit Investments Limited entered into a conditional subscription agreement pursuant to which Chance Profit Investments Limited has agreed to subscribe for 170,000,000 new ordinary shares to be issued under the subscription agreement. On completion, 170,000,000 new ordinary shares were issued and the premium on the issue of the shares of HK\$32,300,000 was credited to the share premium account.

13. COMPARATIVE AMOUNTS

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

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

The Group's unaudited condensed consolidated turnover and net profit from ordinary activities attributable to shareholders for the six months ended 30 September 2003 were approximately HK\$180 million and approximately HK\$2 million respectively, representing a decrease of approximately 19% and approximately 69% respectively as compared to the same period last year. The Group's gross profit margin decreased by approximately 1.6% as compared to the corresponding period last year.

The principal market of the Group remained the PRC which accounted for approximately 75% of the Group's turnover. Sales to Hong Kong market accounted to approximately 25% of the Group's turnover.

BUSINESS REVIEW

Distribution business

During the period under review, revenue from the distribution of PU materials was approximately HK\$180 million, increase from approximately HK\$157 million of the same period last year. The distribution business contributed approximately HK\$6 million to the Group's net profit from operating activities for the period, representing an increase of approximately 2.7 times in comparison to the corresponding period in 2002. The global market of the PU materials continued to be very competitive. As a result, the management of the Group is not willing for expansion in PU material distribution business. The Group has still adopted a selective approach in accepting PU trading orders by ensuring that these transactions will meet the minimum profit criteria in order to reduce the risk exposure in the competitive environment.

Manufacturing business

During the year ended 31 March 2003, the Group had undergone restructuring in which the Group disposed its manufacturing operation of PU foam and related products.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2003, the Group held cash and bank balances of approximately HK\$44 million with no bank borrowings and available banking facilities of approximately HK\$27 million. HK\$5 million of the Group's assets was pledged to secure the bank borrowings and general banking facilities. As at 30 September 2003, the net book value of the Group's fixed assets held under finance leases amounted to approximately HK\$618,000. Finance lease payables of approximately HK\$250,000 were repayable within one year. The remaining finance lease payables of approximately HK\$221,000 were repayable within five years. The Group's bank borrowings are made in Hong Kong dollars and US dollars. The Group maintained a very low level of debts and a high liquidity. As at 30 September 2003, the Group had a current ratio of approximately 1.9 (2002: 2.1) and zero gearing ratio (2002: Nil) (defined as long term bank borrowings over shareholder's equity). As the Group's transactions are mostly settled by Hong Kong dollars or Hong Kong dollars pegged currencies, no use of financial instruments for hedging purposes is considered necessary. With the available resources and the proceeds from the new issue and placing of shares of the Company, the Group has adequate working capital to finance its business operations.

CHARGES ON THE GROUP'S ASSETS

As at 30 September 2003, pledged bank deposits of approximately HK\$5,204,000 (2002: HK\$5,124,000) were pledged to secure banking facilities granted to the Group.

CONTINGENT LIABILITIES

The Company had executed several guarantees, with unlimited limit, in favour of banks in respect of general banking facilities granted to certain subsidiaries. As at 30 September 2003, all of the facilities had been utilised.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2003.

MATERIAL ACQUISITIONS AND DISPOSALS

During the period under review, there was no material acquisition or disposal of any subsidiary, associate or joint venture of the Group.

EMPLOYEES

As at 30 September 2003, the total number of staff was 45. Salaries of employees were maintained at competitive level. The Group has encountered no problem with the recruitment of its employees. None of the companies in the Group has experienced any labour disputes during the period and the Directors of the Company consider that the Group has excellent employment relationship.

OUTLOOK

The Directors of the Company are reviewing in detail the financial position and operation of the Group. It has been the Company's business strategy to make investments that have earning potentials for the Group to expand its existing operations and to diversify its business. The Company has entered into a Letter of Intent with independent third parties and the Group intends to acquire more than 50% of the total equity interest in Beijing Chang Dong Shun Gas Co., Ltd (the "Acquisition"). The Directors consider that the Acquisition represents a good opportunity to the Company to diversify into the natural gas business in the People's Republic of China (the "PRC"), which are believed to be of considerable business and earning potentials and will be in the interest of the Company and its shareholders. In view of the PRC government policy of encouraging the use of natural gas to loosen environmental pollution problem, the Directors are of the view that the market potential of Beijing Chang Dong Shun Gas Co., Ltd is encouraging. Apart from the aforesaid, the Directors will also continue to explore other business opportunities and consider whether any asset disposals (including redeployment of fixed asset in the ordinary course of business), asset acquisitions, business rationalisation, divertment and/or diversification will be appropriate in order to enhance the long term growth potential of the Group. Any acquisition or disposal will be made in accordance with the Listing Rules. However, at present no finalised plan has been formulated. With future emphasis being placed in business rationalisation and diversification, it is anticipated that these efforts would offer a route to business growth and help to restore a profit growth for the Group in the long run. The Group would then be in a better position to enhance the shareholder value going forward. Given the healthy financial position of the Group, the Directors believe that the Group is able to leverage the available opportunities to maximise returns for its shareholders.

DISCLOSURE OF ADDITIONAL INFORMATION

DIRECTORS' INTERESTS IN SHARE CAPITAL

As at 30 September 2003, the interests of the Directors and chief executives in the share capital of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company under Section 352 of the SFO or as notified to the Company were as follows:

Name of Directors	<i>Note</i>	Nature of interest	Number of ordinary shares held	% of issued shares
Mr. Zhou Yiming	(i)	Corporate	75%	750,000,000

Note:

- (i) The 750,000,000 shares are registered in the name of Chance Profit Investments Limited ("Chance Profit"), a company incorporated in the British Virgin Islands ("BVI") and wholly owned by Mr. Zhou Yiming. As at 30 September 2003, all these shares were pledged to KCG Finance Limited. KCG Finance Limited is an independent third party not connected with any of the Directors, chief executives and substantial shareholders of the Company and its subsidiaries or any of their respective associates.

Save as disclosed above, none of the Directors or chief executives of the Company had any interest or short positions in the shares, underlying shares and debentures of the Company or any associated corporation.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2003, the interests of persons, other than a director or chief executive of the Company, in the shares of the Company as recorded in the register maintained pursuant to Section 336 of the SFO were as follows:

Name	<i>Note</i>	Number of issued shares held	Percentage of holding
Chance Profit Investments Limited	(i)	750,000,000	75%

Note:

- (i) The 750,000,000 shares are wholly owned by Mr. Zhou Yiming. As at 30 September 2003, all these shares were pledged to KCG Finance Limited. KCG Finance Limited is an independent third party not connected with any of the Directors, chief executives and substantial shareholders of the Company and its subsidiaries or any of their respective associates.

Save as disclosed above, the Company had not been notified of any other interests or short positions in the shares and underlying shares of the Company representing 5% or more of the issued share capital of the Company as at 30 September 2003.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Apart from as disclosed under the heading "Share Option Scheme" below, at no time during the period and up to the date of this report was the Company or any of its subsidiaries a party to any arrangement to enable the Company's directors, their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

The following table discloses movements in the Company's share options during the period.

Name or category of Participant	Number of share options				At 30 September 2003	Date of grant of share options** (dd/mm/yyyy)	Exercise period of share options (dd/mm/yyyy)	Exercise price of share options*** HK\$
	At 1 April 2003*	Granted during the period	Exercised during the period	Lapsed during the period				
Directors								
Mr. Zhou Yiming	10,000,000	-	-	-	10,000,000	01/11/2002	01/11/2002 to 31/10/2012	0.180
Mr. Cheung Wai Yin, Wilson	10,000,000	-	-	-	10,000,000	01/11/2002	01/11/2002 to 31/10/2012	0.180
Mr. Lu Zhiming	10,000,000	-	-	-	10,000,000	01/11/2002	01/11/2002 to 31/10/2012	0.180
Mr. Wong Hing Tat	1,000,000	-	-	-	1,000,000	01/11/2002	01/11/2002 to 31/10/2012	0.180
Mr. Kwong Chi Ho	1,000,000	-	-	-	1,000,000	01/11/2002	01/11/2002 to 31/10/2012	0.180
Mr. Qin Gang	-	8,000,000	-	-	8,000,000	24/09/2003	24/09/2003 to 23/09/2013	0.228
Employees other than directors								
In aggregate	60,000,000	-	-	-	60,000,000	01/11/2002	01/11/2002 to 31/10/2012	0.180
	<u>92,000,000</u>	<u>8,000,000</u>	<u>-</u>	<u>-</u>	<u>100,000,000</u>			

* On 16 June 2003, an ordinary resolution was passed to subdivide the issued and unissued share of HK\$0.10 each of the Company into five shares of HK\$0.02 each with effect from 17 June 2003. The number of share options as at 1 April 2003 had been adjusted accordingly.

** The vesting period of the share options is from the date of grant until the commencement of the exercise period.

*** The exercise price of the share options is adjusted for the sub-division of the Company's shares.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the period and up to the date of this report, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied with the Code of Best Practice, as set out in Appendix 14 of the Listing Rules throughout the period covered by this report, except that the independent non-executive directors of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Company's bye-laws.

AUDIT COMMITTEE

The Audit Committee, comprising two independent non-executive directors of the Company, has reviewed with management the accounting principles and practices adopted by the Group, and discussed auditing, internal control and financial reporting matters including the review of the unaudited interim financial statements for the six months ended 30 September 2003.

By Order of the Board
Minglun Group (Hong Kong) Limited
Zhou Yiming
Chairman

Hong Kong, 19 December 2003