

CHAIRMAN'S STATEMENT

For and on behalf of the Board of directors (the "Board") 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 2004.

PERFORMANCE

Despite the outbreak of Severe Acute Respiratory Syndrome ("SARS") and the economic downturn during the year, the Group recorded a turnover of HK\$453,344,000 (2003: HK\$520,857,000) for the year ended 31 March 2004, represented a decrease of 13% compared to the previous year. Meanwhile, the profit attributable to shareholders increased to approximately HK\$12,862,000 (2003: HK\$8,549,000). Earnings per share increased to HK1.2 cent (2003: HK0.9 cent).

BUSINESS REVIEW

In prior year, the Group implemented tactically internal move to rationalise both managerial hierarchy and operational structure of the Group for accommodation of long term strategy. Following the restructuring of the Group's business by discontinuance of its manufacturing operations in view of the intensive competition and the diminution of the profitability of the industry, the Group concentrated on the trading of PU materials during the year. The outbreak of Severe Acute Respiratory Syndrome ("SARS") had devastating impact to the Group during the first half of the financial year. Nevertheless, the overall market sentiment during the second half of the financial year improved and there has been a tremendous increase in the demand of PU materials. The Group has consistently adopted the 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.

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 rationalisation, mergers and establishment of new ventures.

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LOOKING AHEAD

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. During the year, the Company has entered into an acquisition agreement and purchase agreements with independent third parties to acquire all equity interest in Shenyang Xinmin Chemical Factory, a share co-operation corporation established in the People's Republic of China (the "Acquisition"). The Board considers that the Acquisition represents a good opportunity to the Group to diversify into the manufacture and sale business of petrochemical fuel products in the People's Republic of China (the "PRC"), which in view of the strong demand for these products in the PRC, are believed by the Board to be of considerable business and earning potentials in the medium and long term, and will be in the interest of the Company and its shareholders.

Even though Hong Kong is finally recovered from the impact of SARS, the conflicts in the Middle East continue to pose uncertainties on both Hong Kong and global economy. The Group will reinforce its existing 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 excellent economic performance of the PRC will continue to stimulate both local demands and attract global traders flocking to the PRC for investment opportunities. With strong financial resources and extensive network in the PRC, the Group is well-positioned to reap business opportunities arising from the exchange of pattern of global trade.

Looking ahead, the Board 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, 28 July 2004