CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Kwok Tat Kwong *(Chairman)*
Mr. Liau Leong Pin *(Deputy Chairman)*
Mr. Cheung Yat Ko

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Kam Man AHKSA, FCCA
Mr. Au Chun Wai

COMPANY SECRETARY

Mr. Fu Wing Kwok, Ewing AICPA

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Units 501-505, 5th Floor
Modern Warehouse
6 Shing Yip Street
Kwun Tong
Kowloon
Hong Kong

AUTHORISED REPRESENTATIVES

Mr. Kwok Tak Kwong
Mr. Liau Leong Pin

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Dao Heng Bank Group Limited
DBS Kwong On Bank Limited
The Sanwa Bank Limited
Fortis Bank Asia HK
The Bank of East Asia, Limited
Hang Seng Bank Limited

LEGAL ADVISER

Fong & Ng
8th Floor, Aon China Building
29 Queen's Road Central
Central
Hong Kong

AUDITORS

Ernst & Young
Certified Public Accountants
15th Floor, Hutchison House
10 Harcourt Road
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
4th Floor, Hutchison House
10 Harcourt Road
Central
Hong Kong

INTERIM RESULTS

For the six months ended 30 September 2001

The directors (the "Directors") of Luen Tai Group Limited (the "Company") are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 September 2001 together with comparative figures as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		Six months ended 30 September	
		2001	2000
		HK$'000	*HK$'000*
	Notes	**(Unaudited)**	(Unaudited)
TURNOVER	*2*	**304,585**	332,406
Cost of sales		**(275,033)**	(300,560)
Gross profit		**29,552**	31,846
Other revenue		**867**	650
Selling and distribution costs		**(3,927)**	(4,119)
Administrative expenses		**(5,444)**	(5,018)
PROFIT FROM OPERATING ACTIVITIES	*2,3*	**21,048**	23,359
Finance costs	*4*	**(675)**	(850)
PROFIT BEFORE TAX		**20,373**	22,509
Tax	*5*	**(3,381)**	(3,733)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		**16,992**	18,776
EARNINGS PER SHARE – Basic, HK cents	*7*	**8.5**	12.5

Other than the net profit from ordinary activities attributable to shareholders for the period, the Group had no recognised gains or losses. Accordingly, a condensed consolidated statement of recognised gains and losses is not presented in the financial statements.

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	As at 30 September 2001 HK$'000 (Unaudited)	As at 31 March 2001 HK$'000 (Audited)
NON-CURRENT ASSETS			
Fixed assets	*8*	**3,441**	3,452
CURRENT ASSETS			
Inventories		**8,414**	7,370
Trade and bills receivables	*9*	**151,076**	123,718
Prepayments, deposits and other receivables		**2,899**	10,941
Pledged time deposits		**25,302**	11,252
Cash and cash equivalents		**26,656**	6,486
		214,347	159,767
CURRENT LIABILITIES			
Trade payables	*10*	**21,095**	44,411
Tax payable		**19,315**	16,553
Other payables and accruals		**4,695**	6,916
Interest-bearing bank borrowings		**62,304**	39,285
Finance lease payables		**224**	224
		107,633	107,389
NET CURRENT ASSETS		**106,714**	52,378
TOTAL ASSETS LESS CURRENT LIABILITIES		**110,155**	55,830
NON-CURRENT LIABILITIES			
Finance lease payables		**423**	537
Deferred tax		**246**	246
		669	783
		109,486	55,047
CAPITAL AND RESERVES			
Issued capital	*11*	**20,000**	200
Reserves	*12*	**89,486**	54,847
		109,486	55,047

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 September	
	2001	2000
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	**(52,304)**	24,031
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Interest received	**479**	463
Interest paid	**(643)**	(845)
Interest element on finance lease payments	**(32)**	(5)
Net cash outflow from returns on investments and servicing of finance	**(196)**	(387)
Tax		
Hong Kong profits tax paid	**(619)**	–
INVESTING ACTIVITIES		
Purchases of fixed assets	**(593)**	(256)
Increase in pledged time deposits	**(14,050)**	(6,000)
Net cash outflow from investing activities	**(14,643)**	(6,256)
NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING ACTIVITIES	**(67,762)**	17,388
FINANCING ACTIVITIES		
Proceeds from issue of share capital	**50,000**	–
Share issue expenses	**(12,553)**	–
Capital element of finance lease payments	**(114)**	(50)
Repayments to directors	**–**	(9,746)
Net cash inflow/(outflow) from financing activities	**37,333**	(9,796)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**(30,429)**	7,592
Cash and cash equivalents at beginning of period	**(5,219)**	9,477
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**(35,648)**	17,069

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (Continued)

	Six months ended 30 September	
	2001	2000
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**16,656**	30,915
Time deposits	**10,000**	–
Trust receipt loans with original maturity of less than three months	**(62,304)**	(13,846)
	(35,648)	17,069

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION AND PRINCIPAL ACCOUNTING POLICIES

The Company was incorporated in Bermuda on 5 January 2001 as an exempted company with limited liability under the Companies Act 1981 of Bermuda. Pursuant to a group reorganisation scheme (the "Group reorganisation") to rationalise the structure of the Group in preparation for the public listing of the Company's shares on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the companies now comprising the Group on 24 March 2001. The shares of the Company were listed on the Stock Exchange on 19 April 2001. The Group reorganisation involved companies under common control. The condensed consolidated interim financial statements for the six months ended 30 September 2001 have been prepared using the merger basis of accounting in accordance with Hong Kong Statement of Standard Accounting Practice No. 2.127 "Accounting for Group Reconstructions". Under this basis, the condensed consolidated interim financial statements for the six months ended 30 September 2001 together with the comparative figures of the corresponding period last year and the related notes thereto have also been presented in these condensed consolidated interim financial statements on the basis that the Company is treated as the holding company of its subsidiaries for the financial periods presented rather than from the subsequent date of acquisition of the subsidiaries pursuant to the Group reorganisation on 24 March 2001, or since the respective dates of their incorporation/establishment, where this is a shorter period.

The condensed consolidated interim financial statements of the Group have been prepared in accordance with Hong Kong Statement of Standard Accounting Practice No. 2.125 "Interim Financial Reporting".

The basis of presentation and accounting policies adopted in these condensed consolidated interim financial statements are consistent with those adopted by the Group in presenting the most recent published annual financial statements for the year ended 31 March 2001.

2. SEGMENTAL INFORMATION

During the period, the Company acted as an investment holding company and its subsidiaries were principally engaged in the trading of polyurethane ("PU") materials, and the manufacture and sales of PU foam and related foam products.

An analysis of the Group's consolidated turnover and contribution to profit from operating activities by principal activity and geographical area of principal market of the Group's products for the six months ended 30 September 2001 together with the comparative figures for 2000 is as follows:

	Turnover Six months ended 30 September		**Contribution to profit from operating activities Six months ended 30 September**	
	2001	2000	**2001**	2000
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
By principal activity:				
Trading of PU materials	**248,757**	286,932	**14,019**	20,402
Manufacture and sales of PU foam and related foam products	**55,828**	45,474	**7,029**	2,957
	304,585	332,406	**21,048**	23,359
By geographical area:				
PRC:				
Hong Kong	**54,537**	153,052	**5,857**	5,200
Elsewhere in the PRC	**241,292**	172,236	**14,163**	17,241
Others	**8,756**	7,118	**1,028**	918
	304,585	332,406	**21,048**	23,359

3. PROFIT FROM OPERATING ACTIVITIES

Profit from operating activities for the period is arrived at after charging depreciation of approximately HK$604,000 (2000: HK$233,000) in respect of the Group's fixed assets.

4. FINANCE COSTS

	Six months ended 30 September	
	2001	2000
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest on:		
Trust receipt loans wholly repayable within five years	**643**	125
Finance leases	**32**	5
Amounts due to directors	**–**	720
	675	850

5. TAX

	Six months ended 30 September	
	2001	2000
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current period provision:		
Hong Kong	**1,189**	826
Elsewhere	**2,192**	2,907
Tax charge for the period	**3,381**	3,733

The Company and its subsidiaries are subject to income taxes on an entity basis on income arising in or derived from the tax jurisdictions in which they operate, based on existing legislation, interpretations and practices thereof.

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profits arising in Hong Kong for the period.

Jiwangsheng Resin (Shenzhen) Co., Ltd. ("Jiwangsheng", 吉旺晟樹脂(深圳)有限公司) and Aotebao Home Furniture and Decorative (Shenzhen) Co., Ltd. ("Aotebao", 奧特寶家飾(深圳)有限公司), the Company's wholly-owned subsidiaries established and operating in the People's Republic of China (the "PRC"), were both exempt from the PRC corporate income tax for their first two profitable years of operations and are eligible for a 50% relief from the PRC corporate income tax for the following three years under the relevant tax law of the PRC. As Jiwangsheng and Aotebao did not generate any assessable profits during the period, no PRC corporate income tax provision was made.

No provision for deferred tax has been made as the Group did not have any significant unprovided deferred tax liabilities in respect of the period (2000: Nil).

6. DIVIDEND

The Directors resolved not to declare any dividend in respect of the six months ended 30 September 2001 (2000: Nil).

7. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 September 2001 was based on the Group's net profit from ordinary activities attributable to shareholders for the period of approximately HK$16,992,000 (2000: HK$18,776,000) and the weighted average of approximately 200 (2000: 150) million ordinary shares in issue during the period.

The diluted earnings per share for the periods ended 30 September 2000 and 2001 have not been presented as there were no potential dilutive ordinary shares in existence during either of the periods.

8. FIXED ASSETS

During the period, the Group acquired fixed assets at a cost of approximately HK$593,000 (2000: HK$256,000).

9. TRADE AND BILLS RECEIVABLES

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

	As at 30 September 2001 ***HK$'000*** **(Unaudited)**	As at 31 March 2001 *HK$'000* (Audited)
Current to 30 days	**37,117**	55,047
31 days to 90 days	**99,428**	67,627
91 days to 180 days	**14,531**	1,384
181 days to 360 days	**324**	–
Over 360 days	**347**	331
	151,747	124,389
Provisions	**(671)**	(671)
	151,076	123,718

10. TRADE PAYABLES

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

	As at 30 September 2001 ***HK$'000*** **(Unaudited)**	As at 31 March 2001 *HK$'000* (Audited)
Current to 30 days	**9,554**	8,121
31 days to 90 days	**11,539**	33,609
91 days to 180 days	**2**	2,681
	21,095	44,411

11. SHARE CAPITAL

	Number of authorised shares *'000*	Number of issued shares *'000*	Nominal value of shares issued *HK$'000*
Shares allotted and issued nil paid, upon incorporation	1,000	1,000	–
Increase in authorised share capital	1,999,000	–	–
Shares issued as consideration for the acquisition of the entire issued share capital of a subsidiary pursuant to the Group reorganisation	–	1,000	100
Application of contributed surplus to pay up the 1,000,000 ordinary shares issued nil paid upon incorporation	–	–	100
Shares issued and credited as fully paid conditional on the share premium account of the Company being credited as a result of the new issue and placing of shares to the public	–	148,000	–
Pro forma issued share capital as at 31 March 2001 (Audited)	2,000,000	150,000	200
New issue and placing of shares to the public	–	50,000	5,000
Capitalisation of the share premium account	–	–	14,800
Share capital as at 30 September 2001 (Unaudited)	2,000,000	200,000	20,000

12. RESERVES

	Share premium *HK$'000*	Contributed surplus *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*
As at 31 March 2001 (Audited)	–	3,156	51,691	54,847
Issue of shares to the public	45,000	–	–	45,000
Capitalisation issue	(14,800)	–	–	(14,800)
Share issue expenses	(12,553)	–	–	(12,553)
Net profit for the period	–	–	16,992	16,992
As at 30 September 2001 (Unaudited)	17,647	3,156	68,683	89,486

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

The Group was successfully listed on the main board of the Stock Exchange on 19 April 2001. The net proceeds of the new issue and placing of shares of the Company amounted to approximately HK$37.5 million, which will be used to finance the Group's capital expenditure and strengthen its capital base and financial position.

The Group's unaudited consolidated turnover and net profit from ordinary activities attributable to shareholders for the six months ended 30 September 2001 were approximately HK$305 million and approximately HK$17 million respectively, representing a drop of approximately 8% and approximately 10% respectively as compared to the same period last year. The gross profit margin remained at around 9.7%.

The principal market of the Group remained the PRC (excluding Hong Kong) which accounted for approximately 79% of the Group's turnover. Sales to Hong Kong market amounted to approximately HK$55 million, representing a decrease of approximately 64% as compared to the same period last year.

Distribution business

During the period under review, revenue from the distribution of PU materials was approximately HK$249 million, down from approximately HK$287 million of the same period last year. The distribution business contributed approximately HK$14 million to the Group's net profit from operating activities for the period, representing approximately a 31% decrease in comparison to the corresponding period in 2000. The downturn of Hong Kong economy accounted for the slowdown in the Group's sales from distribution of PU materials. However, sales to the PRC market continued to show a strong growth as compared to the corresponding period last year.

Manufacturing business

During the period under review, the Group continued to focus on the development of its downstream products, such as PU foam and related foam products. Revenue and operating profit generated from the Group's manufacturing business during the period were approximately HK$56 million and approximately HK$7 million respectively, representing an increase of approximately 23% and 138% as compared to the same period in 2000. The Group had taken advantage of lower raw material prices and adopted an effective cost control policy. As a result, a higher gross profit was recorded and both sales as well as operating profit were boosted.

Liquidity and financial resources

As at 30 September 2001, the Group held cash and bank balances of approximately HK$52 million, bank borrowings of approximately HK$62 million and unutilised banking facilities of approximately HK$36 million. Approximately HK$25 million of the Group's time deposits was pledged to secure the bank borrowings and general banking facilities. All of the Group's bank borrowings were repayable within one year. As at 30 September 2001, the net book value of the Group's fixed assets held under finance leases amounted to approximately HK$637,000. Finance lease payables of approximately HK$224,000 were repayable within one year. The remaining finance lease payables of approximately HK$ 423,000 were repayable within five years. All of the Group's borrowings are denominated in Hong Kong dollars and US dollars. The Group maintained a very low level of debts and a high liquidity. As at 30 September 2001, the Group had a current ratio of approximately 2 and a gearing ratio of zero (defined as long term bank borrowings over shareholder's equity).

Liquidity and financial resources (Continued)

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.

Contingent liabilities

The Company had executed several guarantees, with unlimited amount, in favor of banks in respect of general banking facilities granted to certain subsidiaries. As at 30 September 2001, the subsidiaries had utilised approximately HK$62 million of the facilities.

Interim dividend

The board of Directors (the "Board") does not recommend the payment of an interim dividend for the six months ended 30 September 2001.

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 2001, the Group's total number of staff in Hong Kong and the PRC was 41. Salaries of employees are maintained at a competitive level. The Group has not encountered any problem with the recruitment of its employees. None of the companies in the Group has experienced any labor disputes during the period and the Directors of the Company consider that the Group has maintained an excellent employment relationship.

Use of proceeds

The shares of the Company were listed on the Stock Exchange on 19 April 2001. After deduction of necessary expenses payable by the Company, the net proceeds amounted to approximately HK$37.5 million. The Directors at present intend to apply the net proceeds as follows:–

– as to approximately HK$20 million for the purchase of a piece of land in the PRC and for the construction of a new production facility thereon;

– as to approximately HK$6 million for the purchase of new machinery and equipment for the new production facility;

– as to approximately HK$6 million for marketing activities of PU materials as well as PU foam products produced by the Group; and

– as to the balance of approximately HK$5.5 million as an additional working capital of the Group.

Up to the date of this interim report, approximately HK$200,000 has been utilised for the purpose of participation in household commodities exhibitions by the Group and approximately HK$5.5 million was applied as general working capital. The remaining proceeds are placed on short-term deposits with licensed banks in Hong Kong.

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 rationalization 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 the invaluable experience in its businesses, the Group is confident to face every challenge positively in the future.

DISCLOSURE OF ADDITIONAL INFORMATION

DIRECTORS' INTERESTS IN SHARE CAPITAL

As at 30 September 2001, the interests of the Directors and their associates in the issued share capital of the Company or its associated corporations (as defined in the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")) as recorded in the register maintained by the Company pursuant to section 29 of the SDI Ordinance were as follows:

Name of Directors	*Notes*	**Nature of interest**	**Number of ordinary shares held**
Mr. Kwok Tat Kwong	*(i)*	Corporate	95,200,000
Mr. Liau Leong Pin	*(ii)*	Corporate	40,800,000

Notes:

(i) The 95,200,000 shares are registered in the name of Best Dollar Investments Limited ("Best Dollar"), a company incorporated in the British Virgin Islands ("BVI") and wholly owned by Mr. Kwok Tat Kwong.

(ii) The 40,800,000 shares are registered in the name of Everwonder Investments Limited ("Everwonder"), a company incorporated in the BVI and wholly owned by Mr. Liau Leong Pin.

Save as disclosed above, none of the Directors, chief executives or their respective associates had any interest in the issued share capital of the Company or any of its associated corporations as defined in the SDI Ordinance.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2001, according to the register maintained by the Company pursuant to Section 16(1) of the SDI Ordinance, other than the Directors of the Company, the following persons had an interest in 10% or more of the issued share capital of the Company:

Name	**Number of issued shares held**	**Percentage of holding**
Best Dollar Investments Limited	95,200,000	47.6%
Everwonder Investments Limited	40,800,000	20.4%

Save as disclosed above, the Company had not been notified of any other interests representing 10% or more of the issued share capital of the Company which was required to be recorded under Section 16(1) of the SDI Ordinance as at 30 September 2001.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

At the date of this report, pursuant to the Company's share option scheme (the "Scheme") adopted by the Company on 26 March 2001, the board of directors may, at its discretion, grant options to executive directors of the Company (excluding non-executive directors) and full-time employees of the Group to subscribe for shares in the Company. The Scheme became effective upon the public listing of the Company's shares on the Stock Exchange on 19 April 2001. The Scheme was no longer in compliance with the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") since the amended Chapter 17 of the Listing Rules had come into effect from 1 September 2001. The Company has not granted any options in favour of any directors during the period and up to the date of this report.

Save as disclosed above and other than in connection with the Group reorganisation in preparation for the Company's initial public offering, 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.

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

Other than in connection with the Company's initial public offering and the public listing of the Company's shares on the Stock Exchange on 19 April 2001, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period and up to the date of this report.

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 Company has established an audit committee with written terms of reference in compliance with the Code of Best Practice, as set out in Appendix 14 of the Listing Rules. The Audit Committee had reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the unaudited condensed consolidated interim financial statements for the period ended 30 September 2001.

By Order of the Board
Luen Tai Group Limited
Kwok Tat Kwong
Chairman

Hong Kong, 21 December 2001