

Chairman's Statement

I have pleasure in presenting to shareholders the annual report of Millennium Group Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 March 2001.

Dr. Lincoln Chee Wang Jin
Chairman



FINANCIAL RESULTS

For the financial year ended 31 March 2001, the Group reported a turnover of HK\$63.3 million and a net loss attributable to shareholders of HK\$75.5 million as compared to HK\$129.5 million and HK\$897.5 million respectively for the year ended 31 March 2000.

BUSINESS REVIEW

The year 2000 marked the end of the Internet bubble and a severe correction in the technology sector.

Since assuming executive duties in July 2000, I have instituted the following directives:

1. Cost reduction with down sizing of personnel;
2. Focusing of resources internally to accelerate cash flow breakeven within portfolio companies;
3. Termination and provision for ventures with no short term visibility in revenue growth or profitability; and

Chairman's Statement (cont'd)

4. Establishing a core business that will provide for recurrent income.

I am pleased that administrative costs were reduced by almost HK\$9.1 million from HK\$33.5 million for the year ended 31 March 2000 to HK\$24.4 million for the year ended 31 March 2001.

Management will continue to be prudent with expenditure by remaining lean.

By reducing direct investments in new projects since September 2000, resources were directed to consolidate and strengthen portfolio companies.

Jilian (Jilin) Petrochemicals Limited ("Jilian") reported a market turnaround with operating profit before tax of HK\$58.3 million of which the Group's share is HK\$20.4 million.

This is almost a fifteen-fold rise compared with the previous year. We expect the performance of Jilian to further improve in the coming year.

AsiaIP (Malaysia) Sdn. Bhd., a voice telephony company based in Malaysia, will achieve breakeven and revenue growth this year and we will explore exit options via consolidation with other players in this arena.

Powernet Company Limited, a leading network infrastructure and solutions provider will launch a new state of the art Data center in Wanchai by the end of July 2001 to further cement it's position in the market place. Sustainability is the key in this down cycle and management is working hard to achieve it end of the year.

CyberCash Asia Pacific Limited, an e-payment provider started in 1999 was terminated in September 2000 as profitability was not visible. It's parent company in the US subsequently filed for bankruptcy six months later. Other ventures were all marked to market and provided for to the sum of HK\$88.5 million (including write-off of goodwill reserve of HK\$21.1 million) for the year ended 31 March 2001.

Efforts are underway to find a core business with recurrent income for the Group. Cash flow and a North Asia focus and growth strategy are key concerns. Areas of core competencies include healthcare, life sciences, financial services and information technology.

Chairman's Statement (cont'd)**DIVIDEND**

The Board of Directors does not recommend the payment of a dividend for the year ended 31 March 2001. The Company did not declare a dividend for the year ended 31 March 2000. The Annual General Meeting will be held on 5 September 2001.

BOARD OF DIRECTORS

Mr. Ngai Wah Sang, formerly an Executive Director of the Company, was redesignated as a Non-Executive Director of the Company in December 2000.

I would also like to extend my warm welcome to Mr. Roger Tong Shun Hong to our management. He had contributing more than a decade of experience in operations in telecommunication and technology sector. I believe he will be of great assistance to the Group with his expertise and experience.

FUTURE PROSPECTS

It is believed that the imminent entry of the People's Republic of China (the "PRC") to the World Trade Organization ("WTO") and Beijing's successful bid to host the 2008 Olympic Games, social and economic reforms will take place.

We will focus our investment strategy towards businesses with high growth potential and fitting our core competencies. To achieve this, we will strengthen the management team and continue to divest our non-core assets.

Finally, I would like to thank the Chief Executive Officer and staff of the Group for their contributions and understanding of the transitional process that the Company is undertaking.

I would also like to thank our shareholders for their patience and support in a most difficult year.

Lincoln Chee Wang Jin (Dr.)

Chairman

Hong Kong, 26 July 2001