



**Millennium  
Group  
Limited**

## **Interim Report 2001-2002**

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The Board of Directors (the "Board") of Millennium Group Limited (the "Company", together with its subsidiaries, the "Group") presents the unaudited condensed consolidated balance sheet as at 30 September 2001 and the unaudited condensed consolidated profit and loss accounts and cash flow statement of the Group for the six months then ended as follows:

The unaudited interim report and the accounting principles and practices adopted by the Group have been reviewed by the Audit Committee of the Group.

#### CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30 September 2001

	Notes	Six months ended	
		30 September 2001 (Unaudited) HK\$'000	30 September 2000 (Unaudited) HK\$'000
Turnover	4	36,253	45,361
Cost of sales		<u>(36,136)</u>	<u>(41,531)</u>
Gross profit		117	3,830
Other revenue		59	0
Administrative expenses		(10,117)	(11,857)
Profit on realisation of unlisted investments		1,116	0
Unrealised losses on listed investments		(297)	(3,340)
Losses on disposal of property interests		(4,569)	0
Amortisation of goodwill		<u>(4,835)</u>	<u>(9,852)</u>
Loss from operating activities	5	(18,526)	(21,219)
Finance costs		0	(624)
Share of results of associates		(14)	362
Share of results of jointly-controlled entities		<u>9,417</u>	<u>2,780</u>
Loss before tax		(9,123)	(18,701)
Tax	6	<u>0</u>	<u>189</u>
Loss after tax		(9,123)	(18,512)
Minority interests		<u>613</u>	<u>11</u>
Net loss from ordinary activities attributable to shareholders		<u><u>(8,510)</u></u>	<u><u>(18,501)</u></u>
Loss per share – Basic (HK cents)	7	<u><u>(0.62)</u></u>	<u><u>(1.45)</u></u>



**CONDENSED CONSOLIDATED BALANCE SHEET**

30 September 2001

	Notes	30 September 2001 (Unaudited) HK\$'000	31 March 2001 (Restated) HK\$'000
<b>Non-current assets</b>			
Goodwill	8	6,040	10,875
Fixed assets		1,761	5,992
Investments in jointly-controlled entities		124,115	115,349
Loan to a jointly-controlled entity		3,507	3,300
Investments in associates		95,988	96,002
Long term investments		9,369	9,369
Pledged bank deposits		0	27,633
		<u>240,780</u>	<u>268,520</u>
<b>Current assets</b>			
Other investments		6,672	14,022
Trade receivables	9	851	429
Deposits, prepayment and other receivables		3,951	5,808
Due from jointly-controlled entities		3,693	4,170
Due from associates		10	60
Cash and bank balances		47,357	33,121
		<u>62,534</u>	<u>57,610</u>
<b>Current liabilities</b>			
Accrued liabilities and other payables		8,943	22,007
Due to associates		447	503
Loans from minority shareholders		22,348	22,348
Tax payable		2,530	2,506
		<u>34,268</u>	<u>47,364</u>
<b>Net current assets</b>		<u>28,266</u>	<u>10,246</u>
<b>Total assets less current liabilities</b>		<u>269,046</u>	<u>278,766</u>
<b>Non-current liabilities</b>			
Loan from an associate		12,617	12,617
Minority interests		203	816
		<u>12,820</u>	<u>13,433</u>
		<u>256,226</u>	<u>265,333</u>
<b>Capital and reserves</b>			
Share capital	10	27,660	27,660
Reserves		1,254,545	1,255,142
Accumulated losses		(1,025,979)	(1,017,469)
		<u>256,226</u>	<u>265,333</u>

**CONDENSED CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES***For the six months ended 30 September 2001*

	Six months ended	
	30 September 2001 (Unaudited) HK\$'000	30 September 2000 (Unaudited) HK\$'000
Exchange differences arising on the translation of the financial statements of overseas entities not recognised in the profit and loss account	(596)	1,166
Net loss for the period	<u>(8,510)</u>	<u>(18,501)</u>
Total recognised gains and losses	<u><b>(9,106)</b></u>	<u><b>(17,335)</b></u>
Prior period adjustments arising from the effects of changes in accounting policies (see Note 3)		
– Increase in accumulated losses at 1 April 2000		(19,836)
– Decrease in goodwill reserve at 1 April 2000		<u>56,834</u>
		<u><b>36,998</b></u>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT***For the six months ended 30 September 2001*

	Six months ended	
	30 September 2001 (Unaudited) HK\$'000	30 September 2000 (Unaudited) HK\$'000
Net cash outflow from operating activities	(5,877)	(34,707)
Net cash inflow from returns on investments and servicing of finance	0	8,565
Net cash inflow/(outflow) from investing activities	<u>20,113</u>	<u>(26,469)</u>
Net cash inflow/(outflow) before financing activities	<b>14,236</b>	(52,611)
Net cash inflow from financing activities	<u>0</u>	<u>66,488</u>
Increase in cash and cash equivalents	<b>14,236</b>	13,877
Cash and cash equivalents at beginning of the period	<b>33,121</b>	55,592
Effect of foreign exchange rate changes, net	<u>0</u>	<u>2,443</u>
Cash and cash equivalents at end of the period	<u><b>47,357</b></u>	<u><b>71,912</b></u>
Analysis of the balances of cash and cash equivalents		
– Cash and bank balances	<u><b>47,357</b></u>	<u><b>71,912</b></u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2001

## 1. Basis of preparation

The condensed consolidated interim financial statements are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") 25 *Interim Financial Reporting* and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

## 2. Principal accounting policies

The condensed financial statements have been prepared under the historical cost convention as modified by revaluation of certain investment in securities.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2001, except as described below.

*Goodwill*

In the current period, the Group has adopted SSAP 30 *Business Combinations* and has elected to restate goodwill previously eliminated against reserves. Accordingly, the amount of such goodwill has been remeasured in accordance with the requirements of SSAP 30. Accumulated amortisation and impairment of losses in respect of goodwill between the date of acquisition of the relevant associate, subsidiary or jointly-controlled entity and the date of adoption of SSAP 30 have been recognised retrospectively. The effect of these adjustments is summarised in Note 3. Following restatement, goodwill is presented as an asset in the balance sheet and negative goodwill is presented as a deduction from assets. Goodwill is amortised over its estimated useful life.

*Segment reporting*

In the current period, the Group has changed the basis of identification of reportable segments to that required by SSAP 26 *Segment Reporting*. Segment disclosures for the six months ended 30 September 2000 have been amended so that they are presented on a consistent basis.

## 3. Prior period adjustment

The financial effect of the adoption of the new accounting policies described in Note 2 is summarised below:

	Accumulated losses HK\$'000	Goodwill reserve HK\$'000	Total HK\$'000
At 1 April 2000			
As originally stated	(913,534)	(56,834)	(970,368)
Restatement as an asset of goodwill held in reserves with retrospective recognition of accumulated amortisation and past impairment losses	(19,836)	56,834	36,998
At 1 April 2000 (Restated)	(933,370)	0	(933,370)
Loss for the year			
As originally stated	(75,462)	0	(75,462)
Restatement as an asset of goodwill held in reserves with retrospective recognition of accumulated amortisation and past impairment losses	(8,637)	0	(8,637)
As restated	(84,099)	0	(84,099)
At 31 March 2001 and 1 April 2001 (Restated)	(1,017,469)	0	(1,017,469)
Loss for the period	(8,510)	0	(8,510)
At 30 September 2001	<u>(1,025,979)</u>	<u>0</u>	<u>(1,025,979)</u>

The effect of these changes in accounting policy on the results for the current and prior periods is as follows:

	6 months ended 30 September 2000 HK\$'000	12 months ended 31 March 2001 HK\$'000	6 months ended 30 September 2001 HK\$'000
Amortisation of goodwill	<u>(9,852)</u>	<u>(8,637)</u>	<u>(4,835)</u>

#### 4. Turnover and segment information

Turnover represents the gross proceeds from securities trading, interest income and net rental income. An analysis of the Group's turnover by principal activity and geographical area of operations is as follows:

	Turnover Six months ended		Contribution to profit/(loss) from operating activities Six months ended	
	30 September 2001 (Unaudited) HK\$'000	30 September 2000 (Unaudited) HK\$'000	30 September 2001 (Unaudited) HK\$'000	30 September 2000 (Unaudited) HK\$'000
<b>By activity</b>				
Securities trading and investment holding	33,246	39,402	(8,409)	(9,362)
Interest income	1,231	3,818	1,231	3,818
Net rental income	1,776	2,141	(3,602)	(1,262)
	<u>36,253</u>	<u>45,361</u>	<u>(10,780)</u>	<u>(6,806)</u>
Unallocated corporate expenses			(7,746)	(14,413)
			<u>(18,526)</u>	<u>(21,219)</u>
<b>By geographical area</b>				
Hong Kong	34,477	43,220	(14,924)	(19,957)
United Kingdom	1,776	2,141	(3,602)	(1,262)
	<u>36,253</u>	<u>45,361</u>	<u>(18,526)</u>	<u>(21,219)</u>

#### 5. Loss from operating activities

The Group's loss from operating activities is arrived at after charging:

	Six months ended	
	30 September 2001 (Unaudited) HK\$'000	30 September 2000 (Unaudited) HK\$'000
Depreciation:		
Owned assets	317	443
Assets held under finance leases	<u>0</u>	<u>15</u>

#### 6. Tax

	Six months ended	
	30 September 2001 (Unaudited) HK\$'000	30 September 2000 (Unaudited) HK\$'000
Overseas tax	<u>0</u>	<u>189</u>

Hong Kong profits tax has not been provided as the Group has not generated any assessable profits arising in Hong Kong during the period. Taxes on profit assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

No provision for deferred tax liability has been made for the Group because there were no significant timing differences at the balance sheet date for which deferred tax liabilities arose. The potential deferred tax asset has not been recognised as its future realisation is uncertain.

#### 7. Loss per share

The calculation of basic loss per share is based on the following data:

	Six months ended	
	30 September 2001 (Unaudited) HK\$'000	30 September 2000 (Unaudited) HK\$'000
Net loss for the year (HK\$'000)	<u>(8,510)</u>	<u>(18,501)</u>
Weighted average number of shares for the purposes of basic loss per share	<u>1,383,011,170</u>	<u>1,278,027,563</u>

Diluted earnings per share has not been presented for either period as the exercise of the Company's outstanding options would result in a decrease in the loss per share in both periods.

The adjustment to comparative basic loss per share arising from the change in accounting policies described in Note 2 is as follows:

	HK cents
Reconciliation of basic loss per share for the period ended 30 September 2000:	
Reported figure before adjustment	(0.68)
Adjustment arising from the adoption of SSAP 30	<u>(0.77)</u>
Restated	<u>(1.45)</u>

8. Goodwill

	<b>Goodwill (Restated) HK\$'000</b>
<b>The Group</b>	
<b>Gross amount</b>	
At 1 April 2001 and 30 September 2001	60,449
<b>Amortisation</b>	
At 1 April 2001	(49,574)
Amortised for the period	(4,835)
At 30 September 2001	(54,409)
<b>Carrying amount</b>	
At 1 April 2001	<u>10,875</u>
At 30 September 2001	<u>6,040</u>

Goodwill is amortised using the straight-line method over its estimated useful life, which ranges from 3 to 5 years.

9. Trade receivables

The Group maintains a defined credit policy. The ageing analysis of trade receivables was as follows:

	<b>30 September 2001 (Unaudited) HK\$'000</b>	31 March 2001 (Audited) HK\$'000
1-3 months	437	429
4-6 months	414	0
	<u>851</u>	<u>429</u>

10. Share capital

There were no movements in the share capital of the Company for the six months ended 30 September 2001.

11. Comparative amounts

SSAP 26 and 30 have been adopted for the first time in the preparation of this interim report. Due to the adoption of these new SSAPs during the current period, the presentation of the condensed consolidated profit and loss account, condensed balance sheet and certain supporting notes have been revised accordingly.

**INTERIM DIVIDEND**

The directors have decided not to declare an interim dividend.

For the six months ended 30 September 2000, the Company did not declare an interim dividend.

**DIRECTORS' INTERESTS IN SHARES**

As at 30 September 2001, the following beneficial interests in the share capital of the Company, within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), were held by the Directors and their associates as recorded in the register kept by the Company pursuant to Section 29 of the SDI Ordinance:

<b>Names</b>	<b>Type of interest</b>	<b>Number of ordinary shares held</b>
Liu Cho Chit	Corporate ( <i>Note 1</i> )	5,507,000
Liu Cho Chit	Corporate ( <i>Note 2</i> )	1,075,000
Savio Kwong Chi Shing	Personal	6,140,000
Michael Kan Yuet Yun	Personal	750,000
Michael Kan Yuet Yun	Family	100,000

*Notes:*

- (1) These shares are owned by Lorong Chuan Development Pte. Limited, a company owned as to 61% by Dr. Liu Cho Chit.
- (2) These shares are owned by Wen Ming Investments Pte. Limited, a company owned as to 38% by Dr. Liu Cho Chit.

Save as disclosed above, no interests were held or deemed or taken (under the SDI Ordinance) to be held by any Directors or former Directors and their associates in any equity or debt securities of the Company or any of its associated corporations (within the meaning of the SDI Ordinance) as at 30 September 2001.



**DIRECTORS' RIGHTS TO ACQUIRE SHARES**

As at 30 September 2001, the following Directors had the personal interests in share options to subscribe for shares in the Company granted under the Share Option Scheme of the Company:

Name	Number of option shares	Date granted	Exercisable period	Exercise price per share HK\$	Consideration paid for the option granted HK\$
Lincoln Chee Wang Jin	13,000,000	04/09/2000	04/10/2000 to 04/01/2003	0.189	1.00
Savio Kwong Chi Shing	8,750,000	16/06/1997	08/08/1997 to 07/08/2002	5.650	1.00
Savio Kwong Chi Shing	9,000,000	24/02/2000	24/03/2000 to 04/01/2003	0.422	1.00
Savio Kwong Chi Shing	8,000,000	04/09/2000	04/10/2000 to 04/01/2003	0.189	1.00
Fung See Man	12,500,000	24/02/2000	24/08/2000 to 24/01/2003	0.422	1.00
Fung See Man	2,000,000	04/09/2000	04/10/2000 to 03/10/2002	0.189	1.00

No share option was exercised by the Directors or former Directors during the period.

Save as disclosed above, there was no right held as at 30 September 2001 by any Directors or former Directors or any of their spouses or children under eighteen years of age to subscribe for equity or debt securities of the Company or any of its associated corporations (within the meaning of the SDI Ordinance).

**SUBSTANTIAL SHAREHOLDERS' INTERESTS**

As at 30 September 2001, according to the register required to be kept by the Company under Section 16(1) of the SDI Ordinance, the following persons were interested in 10% or more of the issued share capital of the Company.

Name	Number of shares held	Notes	%
Edmund Cheung	150,000,000	(1)	10.85
Lalebell Limited	150,000,000	(1)	10.85
Natural Flair Limited ("Natural Flair")	292,034,000	(2)	21.12
Besford International Limited ("Besford")	292,034,000	(2)	21.12
China Online (Bermuda) Limited ("China Online")	292,034,000	(2)	21.12
China Sci-Tech Holdings Limited ("China Sci-Tech")	292,034,000	(2)	21.12
Vigor Online Offshore Limited ("Vigor")	292,034,000	(2)	21.12

Notes:

- (1) Edmund Cheung is interested by virtue of his beneficial interest in Lalebell Limited.
- (2) Natural Flair is a wholly-owned subsidiary of Besford. Besford is a wholly-owned subsidiary of China Online. China Sci-Tech, through its wholly owned subsidiaries, Vigor and Harbour Fair Overseas Limited held 34% interest in China Online.

Save as disclosed above, no other party was recorded in the register as having an interest in 10% or more of the issued capital of the Company.



**PURCHASE, SALE OR REDEMPTION OF SHARES**

Neither the Company nor any of its subsidiaries has repurchased, sold or redeemed any of the Company's shares during the six months ended 30 September 2001.

**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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the period.

**MANAGEMENT DISCUSSION AND ANALYSIS****Financial review**

Turnover of the Group for the six months ended 30 September 2001 was HK\$36.3 million and gross profit for the same period was HK\$117,000. In the current period, the Group has adopted the new accounting standard for business combination and has elected to restate goodwill previously eliminated against reserves. The restated goodwill is amortised over its estimated useful life. As a result, goodwill amortisation charges of HK\$4.8 million and HK\$9.9 million were recorded for the six months period ended 30 September 2001 and 2000 respectively. Loss from operating activities of the current period was HK\$18.5 million compared to HK\$21.2 million of the previous period. The net loss attributable to shareholders amounted to HK\$8.5 million for the period ended 30 September 2001 as compared to HK\$18.5 million of the period ended 30 September 2000.

**Business review**

The Group's chemical operation, Jilian (Jilin) Petrochemicals Limited ("Jilian") has reported an increase in profitability. For the six months ended 30 September 2001, Jilian has recorded an operating profit before taxation of HK\$29.3 million, of which the Group's share is HK\$10.3 million as compared to HK\$5.6 million for the six months ended 30 September 2000. The Group's share of profit from Jilian is included as the share of results of jointly-controlled entities on the consolidated profit and loss accounts. Possible divestment options will be considered as this is non core to the Group's strategy.

During the period, the Group had divested its remaining property in Hong Kong and its property interest in United Kingdom. A loss of disposal of property interests of HK\$4.6 million was recorded for the current period. This explains the higher loss on the rental segment in the current period. The Group also intends to divest its remaining property investment in Beijing when the appropriate opportunity arises.

The Group has also implemented measures to tighten cost control and reduce fixed overheads resulting in lower administrative cost. The administration expenses for the current period was HK\$10.1 million, a 15% drop as compared to HK\$11.9 million of the previous period.

**BUSINESS OUTLOOK**

The Group will continue the strategy of developing our business in technology related business and healthcare services. Subsequent to the balance sheet date, the Group had acquired a profitable telecommunication business, One.Tel Limited, in Hong Kong. The business offers the Group revenue and a platform to build upon.

The Group has a strong balance sheet, the Group together with its 60% owned jointly-controlled entity in the PRC have net cash of about HK\$70 million. We will continue to be conservative and focus on income yielding investments in the short term.

**APPROVAL OF INTERIM REPORT**

The interim report was approved by the Board on 12 December 2001.

By Order of the Board  
**Shing Mei Fong**  
Company Secretary

Hong Kong, 12 December 2001