



Millennium Group Limited

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2002

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 31 March 2002 and the unaudited condensed consolidated profit and loss account and cash flow statement of the Group for the twelve months then ended as follows.

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

#### CONDENSED CONSOLIDATED INCOME STATEMENT

For the twelve months ended 31 March 2002

		Twelve months ended	
		31 March 2002	31 March 2001
		(Unaudited)	(Restated)
	Notes	HK\$'000	HK\$'000
Turnover	4	131,649	63,341
Cost of sales		(92,881)	(55,689)
Gross profit		38,768	7,652
Other revenue		340	422
Selling and distribution costs		(2,905)	(10)
Administrative expenses		(49,152)	(24,363)
Unrealised gain (loss) on other investments:			
Listed		1,895	(31,621)
Unlisted		(6,712)	(19,422)
Allowance for amounts due from/loans to jointly controlled entities		(1,917)	(16,334)
Loss on disposal of property, plant and equipment		(1,425)	(149)
Amortisation of goodwill		(4,835)	(8,637)
Release of negative goodwill		1,265	–
Impairment loss recognised in respect of goodwill		–	(21,100)
Loss from operations			
Continuing operations	5	(24,678)	(125,652)
Discontinued operations	6	–	12,090
		(24,678)	(113,562)
Finance costs	7	(11)	(624)
Gain on disposal of subsidiaries		1,320	–
Loss on disposal of jointly controlled entities		(444)	–
Share of results of associates		(43,055)	(87)
Share of results of jointly controlled entities		21,181	19,989
Loss before taxation		(45,687)	(94,284)
Taxation	8	1,167	10,172
Loss before minority interests		(44,520)	(84,112)
Minority interests		10,982	13
Net loss for the period		(33,538)	(84,099)
Loss per share – basic (HK cents)	9	(2.42)	(6.32)

## CONDENSED CONSOLIDATED BALANCE SHEET

As at 31 March 2002

	Notes	31 March 2002 (Unaudited) HK\$'000	31 March 2001 (Restated) HK\$'000
<b>Non-current assets</b>			
Goodwill	10	–	10,875
Negative goodwill	11	(11,385)	–
Property, plant and equipment	12	18,668	5,992
Interests in associates		43,508	96,002
Interests in jointly controlled entities		138,938	115,349
Loan to a jointly-controlled entity		–	3,300
Long term investments		3,123	9,369
Pledged bank deposits	13	–	27,633
		<u>192,852</u>	<u>268,520</u>
<b>Current assets</b>			
Other investments		5,861	14,022
Trade receivables	14	16,035	–
Other receivables, deposits and prepayments		8,926	6,237
Amounts due from jointly controlled entities		122	4,170
Amounts due from associates		–	60
Tax recoverable		334	–
Cash and bank balances		57,223	33,121
		<u>88,501</u>	<u>57,610</u>
<b>Current liabilities</b>			
Trade payables	15	21,239	–
Other payables and accrued charges		12,071	22,007
Amounts due to associates		430	503
Loans from minority shareholders		–	22,348
Tax payable		331	2,506
Obligation under finance lease		12	–
		<u>34,083</u>	<u>47,364</u>
<b>Net current assets</b>		<u>54,418</u>	<u>10,246</u>
<b>Total assets less current liabilities</b>		<u>247,270</u>	<u>278,766</u>
<b>Non-current liabilities</b>			
Loan from an associate		–	12,617
Obligation under finance lease		37	–
		<u>37</u>	<u>12,617</u>
<b>Minority interests</b>		<u>14,922</u>	<u>816</u>
		<u>232,311</u>	<u>265,333</u>
<b>Capital and reserves</b>			
Share capital	16	27,660	27,660
Reserves	17	1,255,658	1,255,142
Accumulated losses		(1,051,007)	(1,017,469)
		<u>232,311</u>	<u>265,333</u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the twelve months ended 31 March 2002

	Twelve months ended	
	31 March 2002 (Unaudited) HK\$'000	31 March 2001 (Restated) HK\$'000
Exchange differences arising on the translation of the financial statements of overseas entities not recognised in the income statement	(1,686)	(465)
Net loss for the period	<u>(33,538)</u>	<u>(84,099)</u>
Total recognised losses	<u>(35,224)</u>	<u>(84,564)</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>36,998</u>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the twelve months ended 31 March 2002

	Twelve months ended	
	31 March 2002 (Unaudited) HK\$'000	31 March 2001 (Audited) HK\$'000
Net cash outflow from operating activities	(164)	(69,050)
Net cash outflow from returns on investments and servicing of finance	(750)	(624)
Tax paid	(1,341)	(225)
Net cash inflow (outflow) from investing activities	<u>22,847</u>	<u>(21,800)</u>
Net cash inflow (outflow) before financing activities	20,592	(91,699)
Net cash inflow from financing	<u>3,484</u>	<u>66,488</u>
Increase (decrease) in cash and cash equivalents	24,076	(25,211)
Cash and cash equivalents at beginning of the period	33,121	55,592
Effect of foreign exchange rate changes	26	2,740
Cash and cash equivalents at end of the period	<u>57,223</u>	<u>33,121</u>
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	<u>57,223</u>	<u>33,121</u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the twelve months ended 31 March 2002

### 1. Basis of preparation

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Statement of Standard Accounting Practice (“SSAP”) 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants.

### 2. Principal accounting policies

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

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

In the current period, the Group has adopted, for the first time, the following new SSAPs issued by the Hong Kong Society of Accountants.

#### *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 twelve months ended 31 March 2001 have been amended so that they are presented on a consistent basis.

#### *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 subsidiary, associate, or jointly controlled entity and the date of adoption of SSAP 30 have been recognised retrospectively. Negative goodwill which would have been recognized as income between the date of acquisition of the relevant subsidiary, associate 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. Negative goodwill is released to income based on an analysis of the circumstances from which the balance resulted.

### 3. Prior period adjustment

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

	Accumulated losses <i>HK\$'000</i>	Goodwill reserve <i>HK\$'000</i>	Total <i>HK\$'000</i>
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	<u>(19,836)</u>	<u>56,834</u>	<u>36,998</u>
At 1 April 2000 (Restated)	<u>(933,370)</u>	<u>–</u>	<u>(933,370)</u>
Loss for the year			
As originally stated	(75,462)	–	(75,462)
Restatement as an asset of goodwill held in reserves with retrospective recognition of accumulated amortisation and past impairment losses	<u>(8,637)</u>	<u>–</u>	<u>(8,637)</u>
As restated	<u>(84,099)</u>	<u>–</u>	<u>(84,099)</u>
At 31 March 2001 and 1 April 2001 (Restated)	(1,017,469)	–	(1,017,469)
Loss for the period	<u>(33,538)</u>	<u>–</u>	<u>(33,538)</u>
At 31 March 2002	<u>(1,051,007)</u>	<u>–</u>	<u>(1,051,007)</u>

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

	Twelve months ended	
	31 March 2002 (Unaudited) <i>HK\$'000</i>	31 March 2001 (Restated) <i>HK\$'000</i>
Amortisation of goodwill	<u>(4,835)</u>	<u>(8,637)</u>

#### 4. Turnover and segment information

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

	Turnover		Contribution to profit (loss) from operations	
	Twelve months ended		Twelve months ended	
	31 March 2002	31 March 2001	31 March 2002	31 March 2001
	(Unaudited) HK\$'000	(Audited) HK\$'000	(Unaudited) HK\$'000	(Restated) HK\$'000
<b>By principal activity</b>				
Securities trading and investment holding	41,089	52,597	(7,679)	(108,122)
Interest income	1,694	6,222	1,694	6,222
Net rental income	1,776	4,522	(5,252)	9,535
Telecommunication service income	87,090	–	8,363	–
	<u>131,649</u>	<u>63,341</u>	<u>(2,874)</u>	<u>(92,365)</u>
Unallocated corporate expenses			<u>(21,804)</u>	<u>(21,197)</u>
Loss from operations			<u>(24,678)</u>	<u>(113,562)</u>
<b>By geographical area</b>				
Hong Kong	129,873	58,819	(19,426)	(123,097)
United Kingdom	1,776	4,522	(5,252)	9,535
	<u>131,649</u>	<u>63,341</u>	<u>(24,678)</u>	<u>(113,562)</u>

#### 5. Loss from operations

Loss from operations has been arrived at after charging:

	Twelve months ended	
	31 March 2002	31 March 2001
	(Unaudited) HK\$'000	(Audited) HK\$'000
Depreciation:		
Owned assets	4,405	1,095
Assets held under finance leases	7	–
	<u>4,412</u>	<u>1,095</u>



6. **Discontinued operations**

During the year ended 31 March 2000, the Group discontinued its operations in respect of the contract manufacture and sales of tobacco in Singapore. The discontinuance was accomplished upon the termination of certain relevant agreements in December 1999.

The Group reached an agreement with a supplier of its tobacco products for the final settlement of the amount outstanding to the supplier. Pursuant to the agreement, an amount of HK\$12,090,000 included in the accrued liabilities and other payables at 31 March 2000 was written back during the year end 31 March 2001 and was included in the cost of sales.

7. **Finance costs**

	Twelve months ended	
	31 March 2002 (Unaudited) HK\$'000	31 March 2001 (Audited) HK\$'000
Interest on:		
Convertible notes	–	602
Finance leases	11	22
	<u>11</u>	<u>624</u>

8. **Taxation**

	Twelve months ended	
	31 March 2002 (Unaudited) HK\$'000	31 March 2001 (Audited) HK\$'000
The credit comprises:		
Hong Kong Profits Tax overprovision in prior years	1,172	10,220
Overseas taxation	–	(48)
	<u>1,172</u>	<u>10,172</u>
Share of taxation attributable to jointly controlled entities	(5)	–
	<u>1,167</u>	<u>10,172</u>

Hong Kong Profits Tax has not been provided as the Group has not generated any assessable profits arising in Hong Kong for both periods. Overseas taxation is calculated at the rates prevailing in the respective jurisdictions.

Deferred taxation has not been provided as the amount involved was insignificant.



9. Loss per share

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

	Twelve months ended	
	31 March 2002 (Unaudited)	31 March 2001 (Restated)
Net loss for the year (HK\$'000)	<u>(33,538)</u>	<u>(84,099)</u>
Weighted average number of shares for the purposes of basic loss per share	<u>1,383,011,170</u>	<u>1,330,375,554</u>

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 twelve months ended 31 March 2001:	
Basic loss per share as originally stated	(5.67)
Prior period adjustment arising from the change in accounting policies	<u>(0.65)</u>
As restated	<u><u>(6.32)</u></u>

10. Goodwill

	THE GROUP (Restated) HK\$'000
<b>Gross amount</b>	
At 1 April 2001	<u>60,449</u>
<b>Amortisation</b>	
At 1 April 2001	(49,574)
Amortised for the period	(4,835)
Released upon disposals of subsidiaries and jointly controlled entities	<u>(6,040)</u>
At 31 March 2002	<u>(60,449)</u>
<b>Carrying amount</b>	
At 31 March 2002	<u><u>-</u></u>
At 31 March 2001	<u><u>10,875</u></u>

Goodwill is amortised using the straight-line method over its estimated useful life of 3 years.

11. Negative goodwill

	THE GROUP (Restated) HK\$'000
<b>Gross amount</b>	
At 1 April 2001	–
Additions	12,650
	<hr/>
At 31 March 2002	12,650
	<hr/>
<b>Amortisation</b>	
At 1 April 2001	–
Released during the period	1,265
	<hr/>
At 31 March 2002	1,265
	<hr/>
<b>Carrying amount</b>	
At 31 March 2002	11,385
	<hr/> <hr/>
At 31 March 2001	–
	<hr/> <hr/>

The negative goodwill is released to income on a straight-line basis over the weighted average useful life of the depreciable assets acquired of five years.

12. Property, plant and equipment

During the period, the Group acquired approximately HK\$20 million on property, plant and equipment through the acquisition of subsidiaries and disposed of properties under development amounted to HK\$3.6 million.

13. Pledged bank deposits

As at 31 March 2001, deposits in the amount of GBP 2,500,000 (equivalent to HK\$27,633,000) were pledged to a financial institution for executing a rent guarantee in favour of the landlord in respect of the rental agreements for a building in London, the United Kingdom entered into between a subsidiary of the Company and the landlord.

No bank deposit was pledged by the Company and the Group as at 31 March 2002.

14. Trade receivables

The Group allows an average credit period of 60 days to its trade customers. The ageing analysis of trade receivables is as follows:

	31 March 2002 (Unaudited) HK\$'000	31 March 2001 (Audited) HK\$'000
0 – 60 days	16,035	–
	<hr/>	<hr/>
	16,035	–
	<hr/> <hr/>	<hr/> <hr/>

15. Trade payables

The ageing analysis of trade payables is as follows:

	31 March 2002 (Unaudited) HK\$'000	31 March 2001 (Audited) HK\$'000
0 – 60 days	20,946	–
60 – 90 days	293	–
	<u>21,239</u>	<u>–</u>

16. Share capital

*Shares*

There were no movements in the authorized and issued share capital of the Company for the twelve months ended 31 March 2001 and 2002.

*Share options*

Pursuant to the Company's Share Option Scheme (the "Scheme") adopted on 5 January 1993, the directors may, at their discretion, invite employees of the Company and its subsidiaries, including executive directors, to take up options to subscribe for shares of the Company, at a price not less than 80% if the average of the closing price of the shares on The Stock Exchange of Hong Kong Limited on the five trading days immediately preceding the date of offer of the option granted to a grantee, or the nominal value of the Company's share, whichever is the higher amount. The maximum number of shares in respect of which options may be granted under the Scheme may not exceed 10% of the issued capital of the Company, excluding any shares issued pursuant to the Scheme from time to time. An option may be exercised at any time during a period not exceeding five years commencing one month after the date the option is accepted and expiring on the last day of such period or ten years from 5 January 1993, whichever is the earlier.

17. Reserves

	Share premium HK\$'000	Special capital reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Capital redemption reserve HK\$'000	Capital reserve HK\$'000	Goodwill reserve HK\$'000	Total HK\$'000
<b>Group</b>							
At 1 April 2000							
– as previously stated	321,111	828,646	8,818	2,107	3,865	(56,834)	1,107,713
– prior year adjustment (see note 3)	–	–	–	–	–	56,834	56,834
– as restated	321,111	828,646	8,818	2,107	3,865	–	1,164,547
Bonus issue of shares	(16,480)	–	–	–	–	–	(16,480)
New issue of shares	107,930	–	–	–	–	–	107,930
Share issue expenses	(390)	–	–	–	–	–	(390)
Exchange differences arising from the translation of overseas entities	–	–	(465)	–	–	–	(465)
At 31 March 2001	412,171	828,646	8,353	2,107	3,865	–	1,255,142
Exchange differences arising from the translation of overseas entities	–	–	1,686	–	–	–	1,686
Released upon disposal of subsidiaries	–	–	(1,157)	–	–	–	(1,157)
Released upon disposal of jointly controlled entities	–	–	(13)	–	–	–	(13)
At 31 March 2002	<u>412,171</u>	<u>828,646</u>	<u>8,869</u>	<u>2,107</u>	<u>3,865</u>	<u>–</u>	<u>1,255,658</u>

**18. Acquisition of subsidiaries**

The following summarises the effect of the acquisition:

	<i>HK\$'000</i>
Net assets acquired	28,484
Negative goodwill arising on acquisition	<u>(12,650)</u>
Cash consideration	<u>15,834</u>
Net cash outflow arising on acquisition:	
Cash consideration	(15,834)
Cash and cash equivalents acquired	<u>6,966</u>
	<u>(8,868)</u>

The subsidiaries acquired during the period contributed HK\$87,090,000 and HK\$8,383,000 to the Group's turnover and operating profit respectively.

**19. Disposal of subsidiaries**

During the period, the Group disposed of several subsidiaries at a gain of HK\$1,320,000 with sales proceeds of HK\$253,000. These subsidiaries did not make any significant contribution to the results of the Group during the period.

#### CHANGE OF FINANCIAL YEAR END DATE

The Company's financial year end date has been changed from 31 March to 30 June as announced on 28 March 2002. As such, this second interim report covers the twelve months period from 1 April 2001 to 31 March 2002.

#### INTERIM DIVIDEND

The Board has decided not to declare an interim dividend.

For the twelve months ended 31 March 2001, the Company did not declare an interim dividend.

#### DIRECTORS' INTERESTS IN SHARES

As at 31 March 2002, 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:

Name	Type of interest	Number of ordinary shares held
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	8,768,000
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 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 31 March 2002.

#### DIRECTORS' RIGHTS TO ACQUIRE SHARES

As at 31 March 2002, 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 04/01/2003	0.422	1.00
Fung See Man	2,000,000	04/09/2000	04/10/2000 to 03/10/2002	0.189	1.00
Bruce Cheung Kang Tong	8,000,000	04/09/2000	07/10/2000 to 04/01/2003	0.189	1.00

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

Save as disclosed above, there was no right held as at 31 March 2002 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 31 March 2002, 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")	304,638,000	(2)	22.03
Besford International Limited ("Besford")	304,638,000	(2)	22.03
China Online (Bermuda) Limited ("China Online")	304,638,000	(2)	22.03
China Sci-Tech Holdings Limited ("China Sci-Tech")	304,638,000	(2)	22.03
Vigor Online Offshore Limited ("Vigor")	304,638,000	(2)	22.03

### 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 34.3% 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 purchased, sold or redeemed any of the Company's shares during the twelve months ended 31 March 2002.

## 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 twelve months ended 31 March 2002 was HK\$131.6 million, an increase of 108% as compared to turnover of HK\$63.3 million for the twelve months ended 31 March 2001. Gross profit for the twelve months ended 31 March 2002 was HK\$38.8 million. This represents a five-time improvement on gross profit of HK\$7.7 million for the prior twelve months ended 31 March 2001.

The increase in turnover and gross profit was a result of the acquisition of One.Tel telecommunication business in Hong Kong. The acquisition was completed during the period; six months turnover and result of the One.Tel business were consolidated in the Group profit and loss account for the twelve months ended 31 March 2002.

The Group recorded a loss from operations of HK\$24.7 million for the twelve months ended 31 March 2002 as compared to loss of HK\$113.6 million for the prior twelve months ended 31 March 2001. The losses were mainly attributable to non-cash items such as one-time provisions, depreciation and amortization.

Net loss for the twelve months ended 31 March 2002 was HK\$33.5 million as compared to HK\$84.1 million for the prior twelve months ended 31 March 2001.



#### **Business review**

During the period, the Group has acquired 80% equity interest in One.Tel telecommunication business in Hong Kong. Since acquisition, the Group re-articulated the strategies on the marketing, sales and customer services. As a result, the numbers of active customers as well as business volume have been doubled. For the six months after acquisition, the telecommunication business contributed HK\$87.1 million and HK\$8.4 million to the Group's turnover and operating profit respectively.

The Group's chemical operation, Jilian (Jilin) Petrochemicals Limited ("Jilian") has reported an increase in profitability. For the twelve months ended 31 March 2002, the Group's share of Jilian's result was HK\$21.6 million as compared to HK\$19.8 million for the prior twelve months ended 31 March 2001. 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 property in Hong Kong and its property interest in United Kingdom. These property interests had recorded a loss of HK\$5.2 million for the twelve months period ended 31 March 2002. The Group also intends to divest its remaining property investment in Beijing when the appropriate opportunity arises. The Group has reviewed the value of this property investment and made a provision of HK\$38.4 million as included in the share of results of associates for the twelve months ended 31 March 2002.

#### **STAFF BENEFIT**

The Company reviews remuneration packages on an annual basis. Apart from salary, other benefits include contribution to the Employee Provident Fund or Mandatory Provident Fund, medical subsidies and a discretionary bonus. Company share options are also available to certain staff as an incentive.

#### **BUSINESS OUTLOOK**

The Group will continue the strategy of developing our business in technology related business and healthcare services. The newly acquired One.Tel business offers the Group revenue and cash flow as well as a platform to build upon the Group core business.

The Group has a strong balance sheet and cash resources. The Group has a current ratio of 2.60 as at 31 March 2002 compared to that of 1.22 as at 31 March 2001 and the gearing ratio is zero as the Group is debt free. We will continue to be conservative in investing our cash resources and focus on income yielding investments.

#### **APPROVAL OF SECOND INTERIM REPORT**

The second interim report was approved by the Board on 18 June 2002.

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

Hong Kong, 18 June 2002

## 德勤·關黃陳方會計師行

Certified Public Accountants  
26/F, Wing On Centre  
111 Connaught Road Central  
Hong Kong

香港中環干諾道中111號  
永安中心26樓

**Deloitte  
Touche  
Tohmatsu**

### INDEPENDENT REVIEW REPORT TO THE BOARD OF DIRECTORS OF MILLENNIUM GROUP LIMITED

#### Introduction

We have been instructed by the Company to review the interim financial report set out on pages 1 to 15.

#### Directors' responsibilities

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with Statement of Standard Accounting Practice 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

#### Review work performed

We conducted our review in accordance with Statement of Auditing Standards 700 "Engagements to Review Interim Financial Reports" issued by the Hong Kong Society of Accountants. A review consists principally of making enquiries of group management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

#### Review conclusion

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the twelve months ended 31 March 2002.

Deloitte Touche Tohmatsu  
Hong Kong  
18 June 2002