

Chairman's Statement

TO ALL SHAREHOLDERS

On behalf of the Board of Directors of the Company, I am pleased to present the annual results of Millennium Sense Holdings Limited (the "Company", together with its subsidiaries, described collectively as the "Group") for the year ended 30 June 2002.

RESULTS

For the year ended 30 June 2002, the Group produced a turnover of approximately HK\$122,560,000, a 28.49% reduction from last year's turnover of HK\$171,400,000. The net loss from ordinary activities attributable to shareholders amounted to approximately HK\$9,763,000, a 14.31% increase from last year's net loss of HK\$8,541,000.

DIVIDENDS

The Board does not recommend the payment of a final dividend at the forthcoming Annual General Meeting.

BUSINESS REVIEW AND OUTLOOK

The Group grappled with a host of external and internal challenges and difficulties which adversely affected its business performance during the year under review. The global economy felt the impact of the terrorist attacks in the United States on 11 September 2001. The resulting slowdown in the US economy has affected the trade volume with its trading partners. Companies across Asia, including the Group, have not been spared from this fallout. As the US remains the Group's principal export market, the Group inevitably suffered a drop in orders, just like other Asian companies which trade heavily with the US. Stiff competition in the market also resulted in a reduction in the Group's profit. The Group's operations and performance were disrupted by the transfer of its factory in Dongguan in Guangdong Province (the "Dongguan Factory"), which used to produce the Group's high-profit products, to a new location in Longnan County in Jiangxi Province. The cost incurred by the Group in relocating the Dongguan Factory to Jiangxi is one of the reasons of the loss that the Group suffered during the financial year. The relocation of Dongguan Factory to Jiangxi has been prompted by the decision of the Guangdong provincial government to restrict the manufacture of fireworks and cigarette lighters in the region following an accidental explosion in a fireworks factory in Jiangmen, Guangdong in June 2000.

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PROSPECTS

Suffering from the sluggish global economy and ever-intense competition within every industry, the Group is undertaking a series of measures aimed at improving the operation of the Company, to reduce costs, increase efficiency and enhance competitiveness. As the US economy steams ahead towards a sustained recovery, the Group expects its sales to grow gradually. The Group attributes the reduction in product prices to stay competitive is one of the major reasons for the decline in profit in the past two years. And now, the Group believes that prices will stabilize as its products have already been very competitive, and as it achieves economies of scale with the adoption of stringent cost controls. The strategic partnership forged by the Group with a French company several months ago will help the Group improve its product development, production technical know-how and strengthen sales and marketing. The listed French company is one of the world's largest cigarette lighter designers and manufacturers. The co-operation will also boost production technology and increase the Groups' orders-on-hand and sales. The Group's partner will also benefit from the group's large-scale production capacity, low production cost coupled with a strong managerial and technical team.

APPRECIATION

On behalf of all directors, I sincerely thank all our customers, suppliers and shareholders for their continuing and valued support, and all our staff for their loyalty, commitment and hard work.

SHER Tak Chi

Chairman

Hong Kong
29 October 2002