

AUDITORS' REPORT

德勤·關黃陳方會計師行

Certified Public Accountants
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**Deloitte
Touche
Tohmatsu**

TO THE SHAREHOLDERS OF MILLENNIUM GROUP LIMITED

豐泰集團國際有限公司

(incorporated in Hong Kong with limited liability)

We have audited the financial statements on pages 13 to 48 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Companies Ordinance requires the directors to prepare financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, in accordance with section 141 of the Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants, except that the scope of our work was limited as explained below.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. However, the evidence available to us was limited as set out below.

Included in investments in securities of the Company and the Group as at 30th June, 2003 is carrying amount of unlisted investment in CMEP Limited ("CMEP") amounting to HK\$137,858,000. As more fully explained in note 17 to the financial statements, we were unable to obtain sufficient reliable financial information relating to CMEP so as to assess whether an impairment loss in respect of the unlisted investment in CMEP should be recognised in the financial statements of the Company and the Group as at 30th June, 2003. There were no practicable alternative auditing procedures that we could adopt to ascertain whether an impairment loss in respect of the unlisted investment in CMEP should be recognised in the financial statements.

Any adjustments to the amount of the investments in securities referred to above would affect the net assets of the Company and the Group as at 30th June, 2003 and the loss of the Group for the year then ended.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

QUALIFIED OPINION ARISING FROM LIMITATION OF AUDIT SCOPE

Except for any adjustments that might have been found to be necessary had we been able to obtain sufficient financial information relating to CMEP, in our opinion the financial statements give a true and fair view of the state of the affairs of the Company and the Group as at 30th June, 2003 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Ordinance.

In respect alone of the limitation on our work relating to the investment in CMEP as mentioned above, we have not obtained all the information and explanation we considered necessary for the purpose of our audit.