

SHANGHAI MING YUAN HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE 2002

INTERIM RESULTS

The Board of Directors of Shanghai Ming Yuan Holdings Limited (the “Company”) announces that the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30th June 2002, together with the comparative figures, are as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30th June 2002

		Unaudited	
		Six months ended	
		30th June	30th September
		2002	2001
	Notes	HK\$'000	HK\$'000
Turnover	3	538,825	648,490
Cost of sales		(332,588)	(423,830)
Gross Profit		<u>206,237</u>	<u>224,660</u>
Other revenue	4	2,180	3,042
Restructuring and relaunch costs	5	(3,935)	(12,823)
Selling and distribution expenses		(77,383)	(89,492)
Administrative expenses		(130,546)	(139,568)
Other operating expenses		(5,133)	(4,480)
Profit on disposal of subsidiaries	6	146,889	–
Profit/(loss) from operating activities	7	138,309	(18,661)
Finance costs	8	(941)	(272)
Provision for amount due from jointly controlled entities		(5,378)	(7,322)
		<u>131,990</u>	<u>(26,255)</u>
Share of profits and losses of:			
Jointly controlled entities		3,779	4,145
Associates		(632)	–
		<u>3,147</u>	<u>4,145</u>
Profit/(loss) before taxation		135,137	(22,110)
Taxation	9	(12,722)	(13,487)
Profit/(loss) after taxation		122,415	(35,597)
Minority interests		–	585
Net profit/(loss) attributable to shareholders		<u>122,415</u>	<u>(35,012)</u>
Dividends		–	–
Earnings/(loss) per share (cents)	10		
– basic		29.17	(8.34)
– diluted		28.89	N/A

NOTES TO THE ACCOUNT

1. BASIS OF PRESENTATION

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice (“SSAP”) No. 25 “Interim Financial Reporting” and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The financial year end date of the Company was changed from 31st March to 31st December with effect from 19th November 2001. These unaudited condensed consolidated interim financial statements cover a period of six months from 1st January 2002 to 30th June 2002. Accordingly, the comparative amounts presented for the condensed consolidated profit and loss account, condensed consolidated statement of changes in equity, condensed consolidated cash flow statement and related notes are not for a comparable time period.

2. ACCOUNTING POLICIES

The accounting policies adopted for the preparation of the unaudited condensed consolidated interim financial statements are consistent with those used in the Group’s annual audited financial statements for the period ended 31st December 2001 except that the Group has changed certain of its accounting policies following its adoption of the following new or revised SSAPs which are effective for accounting periods commencing on or after 1st January 2002, and, accordingly, certain comparative figures have been reclassified to conform with the current period’s presentation:

SSAP 1 (revised):	Presentation of Financial Statements
SSAP 11 (revised):	Foreign Currency Translation
SSAP 15 (revised):	Cash Flow Statements
SSAP 33:	Discontinuing Operations
SSAP 34:	Employee Benefits

The principal impact on the unaudited condensed consolidated interim financial statements after the adoption of the revised SSAPs is summarised as follows:

An unaudited condensed consolidated statement of changes in equity for the current interim period and the comparative figures is included instead of a statement of recognized gains and losses, which was previously presented, after the adoption of the SSAP 1 (revised) “Presentation of financial statements”.

The format of the condensed consolidated cash flow statement for the current and prior period have been revised in accordance with the revised SSAP 15 (revised) “Cash Flow Statements”.

Additional disclosures are set out in the unaudited condensed consolidated interim financial statements after adopting the SSAP 33 “Discontinuing Operations”.

SSAP 34 prescribes the accounting treatment and disclosures for employee benefits. This SSAP has no major impact on the unaudited condensed consolidated interim financial statements.

3. SEGMENTAL INFORMATION

Business segments

The following table presents revenue and profit/(loss) for the Group's business segments.

	Publishing operations		Commercial printing (Discontinued operation)		Corporate and others		Eliminations		Consolidated	
	Unaudited		Unaudited		Unaudited		Unaudited		Unaudited	
	Six months ended		Six months ended		Six months ended		Six months ended		Six months ended	
	30th June 2002 HK\$'000	30th September 2001 HK\$'000	30th June 2002 HK\$'000	30th September 2001 HK\$'000	30th June 2002 HK\$'000	30th September 2001 HK\$'000	30th June 2002 HK\$'000	30th September 2001 HK\$'000	30th June 2002 HK\$'000	30th September 2001 HK\$'000
Segment revenue										
Sales to external customers	407,965	393,953	101,177	247,536	29,683	7,001	-	-	538,825	648,490
Inter-segment sales	5,048	5,670	2,422	1,661	3,158	1,368	(10,628)	(8,699)	-	-
Total	413,013	399,623	103,599	249,197	32,841	8,369	(10,628)	(8,699)	538,825	648,490
Segment results	1,627	(35,133)	5,356	40,180	(13,808)	(13,927)	-	-	(6,825)	(8,880)
Interest and dividend income									2,180	3,042
Restructuring and relaunch costs									(3,935)	(12,823)
Profit on disposal of subsidiaries									146,889	-
Profit/(loss) from operation activities									138,309	(18,661)
Finance costs									(941)	(272)
Provision for amount due from jointly controlled entities									(5,378)	(7,322)
									131,990	(26,255)
Share of profits and losses of:										
Jointly controlled entities	3,779	2,663	-	-	-	1,482	-	-	3,779	4,145
Associates	-	-	-	-	(632)	-	-	-	(632)	-
Profit/(loss) before taxation									135,137	(22,110)
Taxation									(12,722)	(13,487)
Profit/(loss) after taxation									122,415	(35,597)
Minority interests									-	585
Net profit/(loss) attributable to shareholders									122,415	(35,012)

Geographical segments

The following table presents revenue and profit/(loss) for the Group's geographical segment.

	Hong Kong		North America		Australia & New Zealand		Europe		Eliminations		Consolidated	
	Unaudited		Unaudited		Unaudited		Unaudited		Unaudited		Unaudited	
	Six months ended		Six months ended		Six months ended		Six months ended		Six months ended		Six months ended	
	30th June	30th September	30th June	30th September	30th June	30th September	30th June	30th September	30th June	30th September	30th June	30th September
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:												
Sales to external customers	<u>300,258</u>	<u>311,531</u>	<u>181,359</u>	<u>254,810</u>	<u>17,699</u>	<u>20,730</u>	<u>39,509</u>	<u>61,419</u>	-	-	<u>538,825</u>	<u>648,490</u>
Segment results	<u>(5,069)</u>	<u>(7,741)</u>	<u>(3,881)</u>	<u>(2,990)</u>	<u>(874)</u>	<u>(195)</u>	<u>2,999</u>	<u>2,046</u>	-	-	<u>(6,825)</u>	<u>(8,880)</u>

4. OTHER REVENUE

	Unaudited	
	Six months ended	
	30th June	30th September
	2002	2001
	HK\$'000	HK\$'000
Interest income	<u>2,135</u>	2,997
Dividend income	<u>45</u>	45
	<u>2,180</u>	<u>3,042</u>

5. RESTRUCTURING AND RELAUNCH COSTS

The Group incurred a total costs of HK\$3,935,000 in the six months ended 30th June 2002 (six months ended 30th September 2001: HK\$12,823,000) for a series of restructuring exercises, including ex-gratia payments to executives resulting from the disposal of the Printing Business in April 2002 as well as costs associated with the relaunch of The Standard which was a further step in strengthening the positioning of the publication as a business newspaper for the Greater China region.

6. PROFIT ON DISPOSAL OF SUBSIDIARIES

The Group entered into a sale and purchase agreement with an independent third party to dispose of its commercial printing operations on 25th January 2002 which was subsequently completed on 19th April 2002.

The carrying amounts of the total assets and liabilities relating to the discontinued operations as at 19th April 2002 (date of disposal) and at 31st December 2001 are as follows:

	Unaudited	
	At 19th	At 31st
	April 2002	December 2001
	HK\$'000	HK\$'000
Total assets	<u>303,831</u>	305,468
Total liabilities	<u>(65,326)</u>	(76,059)
	<u>238,505</u>	<u>229,409</u>

The turnover, other revenue, expenses and results from the ordinary operations of the discontinued operations for the period from 1st January 2002 to 19th April 2002 (date of disposal) and for the six months ended 30th September 2001 are as follows:

	Unaudited	
	Period from	Six months from
	1st January to	1st April to
	19th April	30th September
	2002	2001
	HK\$'000	HK\$'000
Turnover	101,177	247,536
Intra-group sales	2,422	1,661
	103,599	249,197
Cost of sales	(64,442)	(144,552)
Gross Profit	39,157	104,645
Other revenue	138	537
Selling and distribution expenses	(10,456)	(24,510)
Administrative expenses	(13,198)	(29,651)
Other operating expenses	(254)	(214)
Intra-group charges	(5,663)	(9,832)
Profit on disposal of subsidiaries	146,889	–
Profit from operating activities	156,613	40,975
Finance costs	(132)	(272)
Profit before taxation	156,481	40,703
Taxation	(496)	(4,540)
Profit after taxation	155,985	36,163

The net cash flows attributable to the discontinued operations are as follows:

	Unaudited	
	Period from	Six months from
	1st January to	1st April to
	19th April	30th September
	2002	2001
	HK\$'000	HK\$'000
Operating activities	36,858	15,765
Investing activities	(17,399)	(46,600)
Financing activities	(10,250)	11,000
Net cash inflow/(outflow)	9,209	(19,835)

7. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

	Unaudited	
	Six months ended	
	30th June	30th September
	2002	2001
	HK\$'000	HK\$'000
Profit/(loss) from operating activities was arrived at after crediting/charging the following:		
Crediting		
Gain on disposal of property, plant and equipment	<u>2,322</u>	<u>111</u>
Charging		
Depreciation	18,167	19,264
Amortisation of goodwill	875	40
Operating leases in respect of:		
land and buildings	3,159	3,106
other equipment	132	198
Staff costs	<u>215,190</u>	<u>256,366</u>

8. FINANCE COSTS

	Unaudited	
	Six months ended	
	30th June	30th September
	2002	2001
	HK\$'000	HK\$'000
Bank interest expense	<u>941</u>	<u>272</u>

9. TAXATION

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profits for the period. Overseas taxation has been calculated on the estimated assessable profits at the rates of taxation prevailing in the respective jurisdictions in which the Group operates.

The amount of taxation charged to the consolidated profit and loss account represents:

	Unaudited	
	Six months ended	
	30th June	30th September
	2002	2001
	HK\$'000	HK\$'000
Company and subsidiaries:		
Hong Kong profits tax	519	5,257
Hong Kong deferred taxation	(10)	(564)
Overseas taxation	9,147	8,507
Overseas deferred taxation	–	(19)
	<u>9,656</u>	<u>13,181</u>
Share of taxation attributable to:		
Jointly controlled entities	<u>3,066</u>	<u>306</u>
	<u>12,722</u>	<u>13,487</u>

10. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the Group's net profit attributable to shareholders for the period of HK\$122,415,000 (2001: loss of HK\$35,012,000) and 419,619,246 (2001: 419,619,246) shares in issue during the period.

(b) Diluted earnings/(loss) per share

The calculation of diluted earnings per share is based on the Group's net profit attributable to shareholders for the period of HK\$122,415,000 and 423,737,581 shares which is the number of shares in issue during the period plus the weighted average of 4,118,335 shares deemed to be issued at no consideration if all outstanding options had been exercised.

No diluted loss per share has been presented for the period ended 30th September 2001 as the exercise of the Company's outstanding share options would have an anti-dilutive effect.

DISCUSSION AND ANALYSIS FOR THE GROUP'S PERFORMANCE

The consolidated turnover of the Group for the six months ended 30th June 2002 ("Period") amounted to HK\$538.8 million as compared to HK\$648.5 million for the six months ended 30th September 2001 ("Previous Period") while operating losses narrowed substantially from HK\$18.7 million to HK\$8.6 million (excluding gain on disposal of commercial printing operations). The Group recorded an exceptional gain of HK\$146.9 million from the disposal of its commercial printing operations. Profit attributable to shareholders was HK\$122.4 million for the Period.

The decline in turnover was mainly attributable to the sale of the Group's commercial printing operations during the Period.

Publishing operations

Revenue for the publishing operations for the Period, which included contribution from the newly set up magazine division, amounted to HK\$413.0 million as compared to HK\$399.6 for the Previous Period. Although the local economy had yet to show signs of recovery, the Group managed to mitigate the effects on advertising income by launching new publications and improving existing products.

During the Period, the publishing operations recorded operating profit of HK\$1.6 million as compared to operating loss of HK\$35.1 million for the Previous Period. The marked improvement was a result of continuous cost cutting efforts with improving gross margin.

Commercial printing operations

The Group entered into a sale and purchase agreement with an independent third party to dispose of its commercial printing operations on 25th January 2002 which was subsequently completed on 19th April 2002. Revenue for the commercial printing operations from 1st January 2002 to 19th April 2002 was HK\$103.6 million while operating profit was HK\$5.4 million.

Profit shared from jointly controlled entities and associates

Share of profits from jointly controlled entities and associates for the Period was HK\$3.1 million. Increased contribution from the Canadian newspaper operations was offset by a non-recurrent provision for one of the Group's investment and higher losses sustained by the Colony Hotel in Toronto.

INTERIM DIVIDEND

A distribution by the Company of a dividend in specie to its shareholders of its entire shareholdings in Sing Tao Media Holdings Limited was completed on 21st August 2002.

The directors have resolved that apart from the above dividend in specie, no further interim dividend be declared in respect of the Period (Previous Period: Nil).

CHANGE OF COMPANY NAME

On 4th September 2002, the name of the Company has changed to Shanghai Ming Yuan Holdings Limited. The Chinese name adopted by the Company for identification purpose only is “上海銘源控股有限公司”.

PROSPECTS

After the completion of the distribution in specie of its entire shareholdings in Sing Tao Media Holdings Limited (“STM”) by the Company to shareholders of the Company in the proportion of one STM share for every share in the Company held by the shareholders on 21st August 2002, the principal assets of the Company consist of properties investment in Hong Kong, the PRC, and Canada. The principal business of the Company will continue to be property investment.

With the new chairman and directors on board, management will take a proactive but cautious approach towards consolidating its existing business. The management will continue to seize investment opportunities arising in the PRC from the admission of the PRC to the World Trade Organization. The Board believes that with the extensive management and investment experience in the PRC, and in particular in Shanghai, of the new management, the Company’s interest together with the interest of all shareholders will be maximized.

LIQUIDITY AND FINANCING

The Group adopts a prudent approach in managing its liquidity and treasury function and sets our guidelines over the Group’s debt profile, financing horizon and currency exposure as well as interest rate risks management.

The Group’s bank borrowings were denominated in US Dollars and Hong Kong Dollars for the Period. The annual interest rate of the borrowings as at 30th June 2002 was about 3.15%.

The Group’s gearing ratio as at 30th June 2002 was 0.024 (31st December 2001: 0.048), based on bank borrowings of HK\$21.2 million (31st December 2001: HK\$36.5 million) and shareholder’s funds of HK\$872.2 (31st December 2001: HK\$755.0 million).

The cash and bank balances increase significantly from HK\$174.2 million as at 31st December 2001 to HK\$500.5 million as at 30th June 2002 which include the bank deposits pledged in favour of the banks as at the respective dates. Bank borrowings in total of HK\$21.2 million were outstanding which were in part secured by pledged time deposits with a carrying value of HK\$30.0 million.

The Group has very limited exposure to movements in exchange rates. The majority of purchases were denominated in Hong Kong dollars and US dollars.

EMPLOYEES

At 30th June 2002, the Group had a total of 1,589 employees (30th September 2001: 2,842), of which 1,107 were based in Hong Kong, 129 in China, and 353 overseas. The substantial reduction in the number of employees of the Group during the period under review largely reflected the completion of disposal of certain of its printing business, details of which were shown in the Circular of the Company dated 8th March 2002.

In addition to competitive remuneration packages updated on a periodic basis and the mandatory provident fund scheme, the Group has provided its staff with various fringe benefits, such as contributory retirement schemes, long service awards, free medical insurance cover and subsidized meals.

EXECUTIVE SHARE OPTIONS SCHEME

On 3rd September 1999, the shareholders of the Company approved the executive share option scheme (the "Scheme"), under which the directors of the Company may, at their discretion, grant options at a consideration of HK\$1.00 each to any employees of the Group, including executive directors of any subsidiary of the Group to subscribe for shares in the Company. The Scheme will remain in force for the period from 3rd September 1999 to 2nd September 2009. No option can be exercised within 3 months from the date of grant.

The maximum number of shares in the Company in respect of which options may be granted under the Scheme may not exceed 10% of the issued share capital of the Company from time to time. The subscription price of shares in respect of which options are granted under the Scheme will be a price determined by the board of the directors of the Company and notified to each grantee and will not be less than 80%, of the average of the closing prices of the shares in the Company on The Stock Exchange of Hong Kong Limited on the five trading days immediately preceding the date of offer of the grant of the options or the nominal value of a share, whichever is higher.

No option may be granted to any employees which if exercised in full would result in such employee becoming entitled to subscribe for such number of shares which, when aggregated with the total number of shares already issued and issuable to him or her under the Scheme, would exceed 25% of the aggregate number of shares for the time being issued and issuable under the Scheme.

The shares allotted upon the exercise of an option will be subject to all provisions of the Bye-laws of the Company for the time being in force and will rank pari passu in all respects with the fully paid shares in issue on the date of exercise of the option and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of exercise of the option other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefore shall be before the date of exercise of the option.

As at 30th June 2002, there were outstanding options to subscribe for 21,000,000 shares in the Company exercisable from 1st December 2001 to 2nd September 2009 at a subscription price of HK\$0.845 per share (at the adjusted subscription price of HK\$0.344 per share after the completion of the distribution by the Company of a dividend in specie) in the Company.

During the Period, no options were exercised by the above grantees to subscribe for shares in the Company. On 9th September 2002, all the above grantees accepted the general offer made by Ming Yuan Investments Group Limited to renounce their respective rights to subscribe for shares in the Company for a consideration of HK\$0.18 for each option share.

DEALINGS IN THE COMPANY'S LISTED SECURITIES

The Company has not redeemed any of its shares during the Period. Neither the Company nor any of its subsidiaries has purchased or sold the shares in the Company during the Period.

CORPORATE GOVERNANCE

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 to the Listing Rules throughout the Period except that described under the heading "Non-executive Directors" below.

Non-executive Directors

During the period under review, the non-executive directors have not been appointed for a specific term and they are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Bye-laws.

Bye-law 109 of the Bye-laws of the Company provides that at each annual general meeting of the Company, with the exception of the executive chairman, one-third of the directors of the Company (or if their number is not three or a multiple of three, the then number nearest to but not exceeding one-third) who have been longest in office since their last election shall retire from office and the retiring directors shall be eligible for re-election.

Based on the number of directors as at 30th June 2002, a non-executive director will serve on the board for a term of about three years until he/she becomes due to retire from the board by rotation. In the opinion of the directors, this arrangement meets the same objective as the Code of Best Practice.

AUDIT COMMITTEE

The audit committee meets regularly to review the completeness, accuracy and fairness of the Company's financial statement. They consider the nature and scope of internal and external audit reviews. They also assess the effectiveness of the systems of internal control the Company has established to allow the Board to monitor the Group's overall financial position and to protect its assets. On 25th September 2002, the audit committee made a review on the unaudited consolidated accounts of the Group for the Period.

The audit committee Chairman prepares report to the Board covering its activities for the Period and highlighting any significant issues. The members of the audit committee are Mr. Stephen FAN Sheung Tak (chairman), Mr. YAO Kang and Dr. Paul TONG Yuk Lun, all of whom are independent non-executive directors.

PUBLICATION OF RESULT ON THE STOCK EXCHANGE

Information required by paragraphs 46(1) – 46(6) of Appendix 16 of the Listing Rules will be published on the website of the Stock Exchange in due course.

On behalf of the Board
YAO Yuan
Chairman

Hong Kong, 27th September 2002

Please also refer to the published version of this announcement in The Standard.