

# SHANGHAI MING YUAN HOLDINGS LIMITED

## 上海銘源控股有限公司\*

(incorporated in Bermuda with limited liability)

### ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2003

#### 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, 2003, together with the comparative figures, are as follows:

#### CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30th June, 2003

		Unaudited	
		Six months ended	
		30th June	30th June
		2003	2002
	Notes	HK\$'000	HK\$'000
Turnover	2	2,797	538,825
Cost of sales		(1,287)	(332,588)
Gross Profit		1,510	206,237
Other operating income	3	2,092	2,180
Restructuring and relaunch costs		–	(3,935)
Selling and distribution expenses		–	(77,383)
Administrative expenses		(3,606)	(130,546)
Other operating expenses		–	(5,133)
Profit on disposal of subsidiaries		–	146,889
(Loss) profit from operations	4	(4)	138,309
Finance costs	5	(111)	(941)
Provision for amount due from jointly controlled entities		–	(5,378)
Share of profits and losses of:			
Jointly controlled entities		–	3,779
Associates		–	(632)
(Loss) profit before taxation		(115)	135,137
Taxation	6	(163)	(12,722)
Net (loss) profit for the period		(278)	122,415
Dividend		–	–
(Loss) earning per share (cents)			
Basic	7	(0.01)	5.83
Diluted		(0.01)	5.78

## NOTES TO THE ACCOUNT

### 1. BASIS OF PRESENTATION

The unaudited condensed consolidated 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 of The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The accounting policies adopted for the preparation of the unaudited consolidated financial statements are consistent with those used in the Group’s annual audited financial statements for the year ended 31st December, 2002 except that the Group has changed its accounting policy for deferred taxation following its adoption of the SSAP 12 (revised) “Income Taxes” which became effective from 1st January, 2003. The adoption of SSAP 12 (revised) has had no significant effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment is required.

### 2. SEGMENTAL INFORMATION

#### Business segments

The following table presents revenue and profit (loss) for the Group’s business segments:

	Discontinued operations				Continuing operations				Eliminations		Consolidated	
	Publishing operations		Commercial printing		Corporate and others		Property investment		Unaudited		Unaudited	
	Unaudited		Unaudited		Unaudited		Unaudited		Unaudited		Unaudited	
	Six months ended 30th June 2003	Six months ended 30th June 2002	Six months ended 30th June 2003	Six months ended 30th June 2002	Six months ended 30th June 2003	Six months ended 30th June 2002	Six months ended 30th June 2003	Six months ended 30th June 2002	Six months ended 30th June 2003	Six months ended 30th June 2002	Six months ended 30th June 2003	Six months ended 30th June 2002
HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	
REVENUE												
External sales	-	407,965	-	101,177	-	29,683	2,797	-	-	-	2,797	538,825
Inter-segment sales	-	5,048	-	2,422	-	3,158	-	-	-	(10,628)	-	-
Total		413,013		103,599		32,841	2,797			(10,628)	2,797	538,825
RESULTS												
Segment results	-	1,627	-	5,356	(2,333)	(13,808)	248	-	-	-	(2,085)	(6,825)
Interest and dividend income											2,081	2,180
Restructuring and relaunch costs											-	(3,935)
Profit on disposal of subsidiaries											-	146,889
(Loss) profit from operations											(4)	138,309
Finance costs											(111)	(941)
Provision for amount due from jointly controlled entities											-	(5,378)
Share of profit (loss) of jointly controlled entities	-	3,779	-	-	-	-	-	-	-	-	-	3,779
associates	-	-	-	-	-	(632)	-	-	-	-	-	(632)
(Loss) profit before taxation											(115)	135,137
Taxation											(163)	(12,722)
Net (loss) profit											(278)	122,415

## Geographical segments

The following table presents turnover for the Group's Geographical segment:

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30th June</b>	<b>30th June</b>
	<b>2003</b>	<b>2002</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Revenue</b>		
Hong Kong	153	300,258
The People's Republic of China	1,960	–
North America	684	181,359
Australia & New Zealand	–	17,699
Europe	–	39,509
	<u>2,797</u>	<u>538,825</u>
<b>3. OTHER OPERATING INCOME</b>		
	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30th June</b>	<b>30th June</b>
	<b>2003</b>	<b>2002</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Interest income	2,081	2,135
Realized gain on investment in securities	11	–
Dividend income	–	45
	<u>2,092</u>	<u>2,180</u>
<b>4. (LOSS) PROFIT FROM OPERATIONS</b>		
	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30th June</b>	<b>30th June</b>
	<b>2003</b>	<b>2002</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
(Loss) profit from operations has been arrived at after charging:		
Depreciation	413	18,167
Amortisation of goodwill	–	875
Auditors' remuneration	200	–
Staff costs		
– directors' remuneration	–	–
– other staff costs	981	215,190
– retirement benefits scheme contributions, excluding directors	30	–
	<u>1,011</u>	<u>215,190</u>
Total staff costs		
and after crediting:		
Gain on disposal of property, plant and equipment	<u>–</u>	<u>2,322</u>

## 5. FINANCE COSTS

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30th June</b>	30th June
	<b>2003</b>	2002
	<b>HK\$'000</b>	<b>HK\$'000</b>
Interest on bank borrowings	<b>109</b>	941
Interest on margin loan payable	<b>2</b>	–
	<b>111</b>	<b>941</b>

## 6. TAXATION

Hong Kong Profits tax is calculated at 16% of the estimated assessable profits arising in Hong Kong during the period. Taxes on profits 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.

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

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30th June</b>	30th June
	<b>2003</b>	2002
	<b>HK\$'000</b>	<b>HK\$'000</b>
Hong Kong profits tax	<b>29</b>	519
Hong Kong deferred taxation	–	(10)
Overseas taxation	<b>134</b>	9,147
	<b>163</b>	9,656
Share of taxation attributable to Jointly controlled entities	–	3,066
	<b>163</b>	<b>12,722</b>

## 7. EARNINGS (LOSS) PER SHARE

### (a) Basic (loss) earnings per share

The calculation of basic loss per share is based on the Group's net loss for the period of HK\$278,000 and 2,185,333,799 shares, the weighted average number of shares, in issued during the period.

The calculation of the basic earnings per share for the six months ended 30th June, 2002 is based on the Group's net profit of HK\$122,415,000 and 2,098,096,230 shares (adjusted to reflect share subdivision made by the Company on 2nd April, 2003), in issued during the period.

### (b) Diluted (loss) earnings per share

The calculation of diluted loss per share is based on the Group's net loss for the period of HK\$278,000 and 2,185,333,799 shares, the weighted average number of shares, in issued during the period.

The calculation of diluted earnings per share for the six months ended 30th June, 2002 is based on the Group's net profit of HK\$122,415,000 and 2,118,687,905 shares (adjusted to reflect share subdivision made by the Company on 2nd April, 2003) which was the number of shares in issue during the period plus the weighted average of 20,591,675 shares (adjusted to reflect share subdivision made by the Company on 2nd April, 2003) deemed to be issued at no consideration if all outstanding options had been exercised.

## **DISCUSSION AND ANALYSIS FOR THE GROUP'S PERFORMANCE**

The consolidated turnover of the Group amounted to HK\$2.8 million (2002: HK\$538.8 million). The net loss for the period was HK\$278,000 (2002: profit of HK\$122.4 million). Loss per share was HK\$0.01 cents (2002: earning per share of HK\$5.83 cents).

The decline in turnover was mainly attributable to the disposal of the Group's commercial printing operations on 19th April, 2002 and publishing operations on 21st August, 2002. Subsequent to the disposal of the Group's commercial printing operations and publishing operations, the Group has been principally engaged in property investments in Hong Kong, the People's Republic of China, and Canada.

### **Property Investments**

With the admission of the People's Republic of China into the World Trade Organization and the successful bid for the 2008 Olympics and the 2010 World Expo, Shanghai, being the prime commercial and financial city of the Mainland, is now enjoying the fastest growth. The Group has proactively taken this opportunity to expand its rental portfolio by investing into the Shanghai property market.

- In February, 2003, the Group acquired Fieldcrown Investments Limited which holds the entire equity interest in the 2nd and 3rd level of the East Phase of New Century Plaza in Shanghai; and
- In May, 2003, the Group acquired Giant Power International Limited which holds the entire equity interest in Heng King International Commercial Tower in Shanghai.

Both investments have generated a steady stream of rental income for the Group. The Group will continue to enhance its quality portfolio of investment properties to strengthen its solid base of recurrent earnings.

### **Publishing Operations**

The publishing operations was disposed by the Group by way of a distribution in specie of its entire shareholding in Sing Tao Media Holdings Limited ("STM") to the 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.

### **Commercial Printing Operations**

The Group disposed off the commercial printing operations on 19th April, 2002.

## **PROSPECTS**

The global economic downturn, have been further hit by the fallout from the outbreak of Severe Acute Respiratory Syndrome ("SARS") which swept across Hong Kong and Mainland early this year. Despite the short-term psychological impact of the SARS outbreak in the property market, the Group still enjoy stable and high level of occupancy for the investment properties. The Group is optimistic to expanding its quality portfolio of investment properties to strengthen its solid base of steady recurrent earnings.

In addition, the Group is also reviewing new business opportunities in the area of value added logistical arrangements for technological products to take advantage of the bilateral trades currently exist between the Pearl River Delta region and the Yangtze Delta region, the two most important trading hubs in the Mainland. The Group believes that this will provide steady cash flows and thus further enhance the liquidity of the Group.

The Group is also seeking opportunities to invest in high-return business, such as medical sector in the Mainland, to diversify its income generating capacity and to enhance the shareholders' wealth. In July 2003, the Group had acquired HD Global group, a leading bio-technology group which is engaged in the research, development and distribution of world-class medical diagnostic equipment and proteomic products namely Protein Chip System to effectively detect complex diseases including cancer and diseases caused by immunological disorder at an early stage. The Group believes that both intellectual property and technological dominance in these products are keys of providing sustainable profit growth and maintaining attractive margins.

The Group believes that the diversification into medical services, bio-technology products distribution, and value-added logistical businesses will present a niche market for the Group and allow the Group to implement a business model that is based on sustainable cash flows, profitability and high-growth rate.

#### **INTERIM DIVIDEND**

The directors do not recommend the payment of an interim dividend (2002: Nil)

#### **PLEDGE OF ASSETS**

As at 30th June, 2003, properties in Hong Kong with carrying value of HK\$15,100,000 (31st December, 2002: Nil) were pledged in favour of the bank to secure general banking facilities granted to the Group.

The Group did not have any investments in securities pledged as at 30th June, 2003 (31st December, 2002: HK\$5,408,000) to secure general credit facilities granted to the Group.

#### **LIQUIDITY AND FINANCING**

The Group adopts a prudent approach in managing its liquidity and treasury function and sets out guidelines to achieve these objectives. These guidelines cover the Group's debt profile, financing horizon and interest rate risks management.

As at 30th June, 2003 the Group had cash and bank balances of HK\$16.3 million (31st December, 2002: HK\$41.6 million). The Group's gearing ratio as at 30th June, 2003 was 0.072 (31st December, 2002: 0.003), based on bank borrowings of HK\$11.2 million (31st December, 2002: HK\$308,000) and shareholders' fund of HK\$155.2 million (31st December, 2002: HK\$102.3 million)

The Group's bank borrowings were denominated in Hong Kong Dollars. Bank borrowings totaling HK\$11.2 million were outstanding as at 30th June, 2003. Annual interest rate of the borrowings as at 30th June, 2003 was 3.09% approximately.

The Group had very limited exposure to movements in exchange rates in connection to translation of net assets of overseas subsidiaries.

## **CONTINGENT LIABILITIES**

The Group did not have any significant contingent liabilities as at 30th June, 2003.

## **EMPLOYEES**

At 30th June, 2003, the Group had a total of 7 employees (30th June, 2002: 1,589 employees). The substantial reduction in the number of employees of the Group reflected the completion of disposal of its printing business and publishing business. The Group ensures that the pay levels of its employees are competitive and employees are rewarded on a performance related basis within the general framework of the Group's salary and bonus system.

## **DEALINGS IN THE COMPANY'S LISTED SECURITIES**

The Company has not redeemed any of its shares during the six months ended 30th June, 2003. Neither the Company nor any of its subsidiaries had purchased or sold the shares in the Company during the six months ended 30th June, 2003.

## **CORPORATE GOVERNANCE**

### **Code of Best practice**

In the opinion of the directors, the Company had compiled with the Code of Best Practice as set out in Appendix 14 to the Listing Rules throughout the six months ended 30th June, 2003 except that described under the heading "Non-executive Directors" below.

### **Non-executive Directors**

During the six months ended 30th June, 2003, 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 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, 2003, a non-executive director will serve on the board for a term of about two 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 of directors to monitor the Group's overall financial position and to protect its assets.

## **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  
**Chien Hoe Yong, Henry**  
*Executive Director*

10th September, 2003

*\* for identification purposes only*

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