

Ming Pao Enterprise Corporation Limited

Corporate information

Executive directors

Tan Sri Datuk TIONG Hiew King

(Chairman)

Mr TIONG Kiu King

Dr TIONG Ik King

Mr KOU Yok Liang

Mr TIONG Kiew Chiong

Independent non-executive directors

Mr TANG Ying Yu

Mr David YU Hon To

Company secretary

Ms LAW Yuk Kuen

Registered office

Cedar House

41 Cedar Avenue

Hamilton HM12

Bermuda

Head office and principal place of business

15th Floor, Block A

Ming Pao Industrial Centre

18 Ka Yip Street, Chai Wan

Hong Kong

Principal bankers

The Hongkong and Shanghai Banking Corporation Limited

Hang Seng Bank Limited

Solicitors

Johnson Stokes & Master

Or, Ng & Chan

Auditors

PricewaterhouseCoopers

Principal registrars and transfer office

Butterfield Corporate Services Limited

Rosebank Centre

14 Bermudiana Road

Hamilton

Bermuda

Hong Kong branch registrars and transfer office

Tengis Limited

4th Floor, Hutchison House

10 Harcourt Road

Hong Kong

Ming Pao Enterprise Corporation Limited

The Board of Directors of Ming Pao Enterprise Corporation Limited (“the Company”) announces the unaudited consolidated profit and loss account, condensed consolidated cash flow statement and consolidated statement of recognised gains and losses of the Company and its subsidiaries (“the Group”) for the six months ended 30 September 2000 and the unaudited consolidated balance sheet of the Group as at 30 September 2000, together with the comparative figures in 1999, as set out on pages 8 to 14 of this report.

Management commentary

Results summary

For the six months ended 30 September 2000, the Group’s unaudited consolidated turnover and profit attributable to shareholders amounted to HK\$666,448,000 and HK\$50,227,000, representing increases of 8.6% and 537% respectively over those of the same period last year. Included in the current period’s profit was a gain of HK\$24,495,000 arising from the dilution of shareholdings in the Group’s Internet business, “mingpao.com”. Basic earnings per share was HK12.8 cents, compared with HK2 cents for 1999.

Review of operations

Newspapers

The results of the newspaper sector for the period under review were encouraging. The turnover and net profit of Ming Pao Daily News in Hong Kong recorded growth of 17% and 131% respectively. These results were attributable to the Daily’s consistent high quality news services, and also its well-planned and aggressive marketing strategy. During the period, new features were added to enrich the Daily’s content and broad ranges of innovative and competitive advertising packages were offered for various sections of the Daily. At the same time, continuous circulation drives including free home delivery services and bundled subscription of the Daily with other sister publications of the Group were launched. The Daily’s circulation continued to achieve a healthy growth during the period.

The combined turnover of the Daily’s editions in Toronto and Vancouver rose by 7% during the period. This result was accomplished through good promotional efforts which, coupled with effective controls on the overall expenditure, resulted in a more than twofold increase in the combined operating profit of the two Canadian editions when compared with that in the corresponding period last year. The New York edition continued to expand its local market share. Its advertising and circulation revenues grew by 8% and 16% respectively during the period. The Group will continue to expand its circulation bases in North America and to strengthen its cost controls on the overseas editions with an aim of achieving further growth in revenues and profits.

To further improve the Daily’s operating efficiency and to cater for the increased circulation, the Group plans to enhance its existing printing facilities. Additional advanced printing machines have been purchased and are scheduled to be in operation in the second half of the year in Hong Kong and overseas plants.

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Review of operations (Cont'd)

Magazines

Ming Pao Weekly, another flagship of the Group, actively and continuously strengthened its readers' base by launching various brand promotional campaigns during the period. It benefited from the gradually recovered economic conditions, which improved the advertising market, and achieved a strong growth in its advertising revenue. Its turnover and operating profit for the period increased by 15% and 9% respectively.

Yazhou Zhoukan recorded an encouraging 20% increase in its advertising revenue. Together with savings in its operating costs, it reported a reasonable profit margin and made a positive contribution for the Group during the period. Although City Children's Weekly and Ming Pao Publications recorded increases in their turnover of 13% and 2% respectively, their operating profits remained at the same level as those of last year's. Ming Pao Monthly, the Group's prestigious magazine that is popular among global Chinese intellectuals and professionals, maintained a stable readership and a satisfactory operating result.

Travel

As the local economy started to pick up again, consumers' spending in outbound tours increased. The Group's tour operator in Hong Kong, Charming Holidays, recorded a slight increase in the number of tour passengers during the period. However, the competition in the tour and travel related businesses remained intense as customers in general were still cautious in their spending. This led to a general decrease in tour profit margins and as a result, Charming Holidays reported a 7% decrease in its turnover for the period. Nevertheless, its operating profit was maintained at the same level as that of the corresponding period last year by means of the introduction of competitive tour packages and effective overhead controls. The Delta Group, Charming Holidays' subsidiaries in North America, maintained healthy growth in their businesses and combined operating profit. To capitalize on the strong e-commerce potentials, Charming Online Travel was incorporated in August 2000 to embark on on-line retail travel businesses.

Internet

The Group's flagship website "mingpao.com", which was established in 1995, was re-launched in February 2000. Since then, a number of new portals were built to provide a great variety of on-line information to global Chinese readers, including mpinews, mpfinance, mingpaoweekly, goldenet, mingpaohealth, mingpaoschool and charming-online. The website's daily pageviews grew healthily since the re-launch and have currently exceeded the management's initial target of two and a half million. On the revenue side, mingpao.com has generated a steady stream of income through the provision of on-line content, leveraging on the Group's rich archive of information. As for on-line advertising, a cross-media selling scheme was successfully established that enabled advertisers to place advertisements on both printed and on-line publications of the Group in order to maximize the advertising opportunities. Mingpao.com also launched its e-commerce platform for tour business through the operation of Charming Online Travel. A number of other e-commerce business opportunities are currently being considered with an aim

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Review of operations (Cont'd)

of broadening the website's revenue base. Together with stringent cost controls and synergies arising from concerted efforts of the various newsrooms within the Group, it is expected that the on-line business will turn into a profitable unit in the near future.

In September 2000, the Group entered into a subscription agreement with Yahoo! whereby Yahoo! subscribed for a minority stake in mingpao.com. The Group is still in negotiation with Tom.com in relation to Tom.com's participation in the equity of Yazhou Zhoukan for the publication of both its on-line and printed versions.

Outlook

It is expected that the local economy will continue to improve in the second half of the year. With a much-improved financial position and a responsive management team, the Group is well positioned to take advantage of the improved business environment. As a leading publisher in the industry, the Group, with the endeavor of all its employees and advanced information technology, will continue to provide the most in-depth and credible news services in both printed and interactive on-line versions to Chinese readers all over the world. It will also continue to expand the distribution network of its publications and to enhance operating efficiencies in all aspects so as to generate better returns for the shareholders.

In addition, the directors will continue to explore new business and investment opportunities that can complement the Group's existing businesses and lead to future growth of the Group.

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Directors' and chief executives' interests in shares and share options of the Company and associated corporations

At 30 September 2000, the interests of the directors and chief executives in the shares and share options of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance")) as recorded in the register maintained by the Company under Section 29 of the SDI Ordinance or as notified to the Company were as follows:

(A) Shares of HK\$0.1 each

	Number of shares held			
	Personal interests	Family interests	Corporate interests	Total interests
Tan Sri Datuk TIONG Hiew King	150,000	-	252,487,700 (note)	252,637,700
Dr TIONG Ik King	-	-	252,487,700 (note)	252,487,700
Mr TIONG Kiu King	611,000	147,000	-	758,000
Mr KOU Yok Liong	350,000	-	-	350,000
Mr TIONG Kiew Chiong	794,000	-	-	794,000

Note: The corporate interest of Tan Sri Datuk TIONG Hiew King and Dr TIONG Ik King in the Company was jointly held through Conch Company Limited ("Conch") which holds 252,487,700 shares of the Company. 40% of the interest in Conch is held by Seaview Global Company Limited, a company jointly owned by Tan Sri Datuk TIONG Hiew King and Dr TIONG Ik King. In addition, Tan Sri Datuk TIONG Hiew King and Dr TIONG Ik King directly hold 25% and 22% of the interest in Conch respectively.

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Directors' and chief executives' interests in shares and share options of the Company and associated corporations (Cont'd)

(B) Share options

	Date of grant	Exercise price per share	Number of shares involved in share options			
			Balance at 1 April 2000	Granted during the period	Exercised during the period	Balance at 30 September 2000
Tan Sri Datuk TIONG Hiew King	1 June 2000	HK\$2.219	-	150,000	-	150,000
Mr TIONG Kiu King	1 June 1998	HK\$1.386	150,000	-	-	150,000
	1 June 2000	HK\$2.219	-	150,000	-	150,000
Dr TIONG Ik King	1 June 1998	HK\$1.386	150,000	-	-	150,000
	1 June 2000	HK\$2.219	-	150,000	-	150,000
Mr TIONG Kiew Chiong	1 June 2000	HK\$2.219	-	139,000	-	139,000

The above share options were granted in pursuant to a Share Option Scheme (the "Scheme") approved at a special general meeting of the Company held on 21 February 1991 under which the directors of the Company may at their discretion invite full time employees of the Group, including directors of the Company, to take up options to subscribe for shares in the Company subject to the terms and conditions stipulated therein.

Save as disclosed above, none of the directors, chief executives or any of their associates had any interests in the shares or rights to subscribe for shares of the Company or any of its associated corporations within the meaning of the SDI Ordinance at 30 September 2000.

Substantial shareholders

At 30 September 2000, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that China Internet Global Alliance Limited (formerly known as China Strategic Holdings Limited), which is controlled by Mr OEI Hong Leong and his associates, is beneficially interested in 39,248,000 shares of the Company, representing approximately 10.01% of the issued share capital of the Company.

Save as disclosed above and those interests disclosed under "Directors' and chief executives' interests in shares and share options of the Company and associated corporations", the Company had not been notified of any other interests representing 10% or more of the issued share capital of the Company at 30 September 2000.

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Purchase, sale or redemption of the Company's shares

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the period.

Closure of the register of members

The register of members will be closed from Tuesday, 2 January 2001, to Friday, 5 January 2001, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed interim dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar and transfer office, Tengis Limited, at 4th Floor, Hutchison House, 10 Harcourt Road, Hong Kong for registration no later than 4:00 p.m. on Friday, 29 December 2000.

Employees

The Group has approximately 1,480 employees, the majority of whom are employed in Hong Kong. The Group remunerates its employees largely based on industry practice. The Group also adopts a share option scheme for its staff of senior grade with awards determined annually based upon the performance of the Group and individual employees.

Compliance with the Code of Best Practice of the Listing Rules

None of the directors of the Company is aware of any information which would indicate that the Group is not, or was not, at any time during the six months ended 30 September 2000, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited, except that independent non-executive directors were not appointed for a specific term as recommended therein. According to the Company's bye-law 182(iv), directors, including independent non-executive directors, shall retire by rotation at the annual general meeting and, being eligible, offer themselves for re-election where their re-appointments are reviewed. In the opinion of the directors, this meets the same objective of the Code of Best Practice.

Audit committee

The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the unaudited interim accounts for the six months ended 30 September 2000.

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Consolidated profit and loss account

		Unaudited Six months ended 30 September	
	Notes	2000 HK\$'000	1999 HK\$'000
Turnover	2	666,448	613,943
Cost of sales		(340,306)	(328,252)
Gross profit		326,142	285,691
Other revenues		9,616	5,801
Selling and distribution expenses		(94,861)	(82,387)
Administration expenses		(174,266)	(162,947)
Other operating expenses		(26,359)	(25,844)
Gain on dilution of shareholdings in a subsidiary		24,495	–
Operating profit before finance costs	3	64,767	20,314
Finance costs		(7,269)	(7,138)
Profit before taxation		57,498	13,176
Taxation	4	(7,271)	(4,640)
Profit after taxation		50,227	8,536
Minority interests		–	(648)
Profit attributable to shareholders		50,227	7,888
Interim dividend	5	(11,767)	–
Profit for the period retained		38,460	7,888
Basic earnings per share	6	12.8 cents	2.0 cents

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Consolidated balance sheet

		Unaudited 30 September 2000 HK\$'000	Audited 31 March 2000 HK\$'000
	Notes		
Intangible assets		645,000	645,000
Fixed assets		422,031	424,446
Current assets			
Inventories		46,822	43,262
Other trading investments		577	577
Trade receivables	7	175,691	164,711
Other receivables, deposits and prepayments		36,959	37,021
Tax recoverable		173	3,159
Cash and bank balances		305,065	250,646
		565,287	499,376
Current liabilities			
Trade payables	8	67,169	51,640
Other payables and accrued charges		99,060	86,835
Taxation		9,409	2,070
Proposed dividend		11,767	11,762
Bank loans and overdrafts – secured	9	198,608	185,392
		386,013	337,699
Net current assets		179,274	161,677
		1,246,305	1,231,123
Financed by:			
Share capital	10	39,225	39,197
Reserves		1,173,737	1,135,558
		1,212,962	1,174,755
Minority interests		103	103
Non-current portion of secured bank loans	9	33,240	56,265
		1,246,305	1,231,123

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Condensed consolidated cash flow statement

	Unaudited Six months ended 30 September 2000 HK\$'000
Net cash inflow from operating activities	62,687
Net cash outflow from returns on investments and servicing of finance	(10,673)
Tax refund	3,053
Net cash inflow from investing activities	8,482
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Net cash inflow before financing	63,549
Net cash outflow from financing	(13,399)
	<hr/>
Increase in cash and cash equivalents	50,150
Cash and cash equivalents at 1 April	133,642
Effect of foreign exchange rate changes	167
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Cash and cash equivalents at 30 September	<u>183,959</u>
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Analysis of the balances of cash and cash equivalents	
Cash and bank balances	305,065
Bank loans and overdrafts	(121,106)
	<hr/>
	<u>183,959</u>
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Consolidated statement of recognised gains and losses

	Unaudited Six months ended 30 September	
	2000 HK\$'000	1999 HK\$'000
Exchange differences arising on translation of subsidiaries' accounts - net losses not recognised in the consolidated profit and loss account	(767)	(925)
Profit attributable to shareholders	50,227	7,888
Total recognised gains	<u>49,460</u>	<u>6,963</u>

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Notes to the accounts

1 Accounting policies

These unaudited consolidated interim accounts ("interim accounts") are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") No. 25, "Interim Financial Reporting", issued by the Hong Kong Society of Accountants, and Appendix 16 of the Listing Rules of The Stock Exchange of Hong Kong Limited.

The comparative figures for the condensed consolidated cash flow statement are not shown by taking advantage of paragraph (37)(5)(37.3) of Appendix 16 of the Listing Rules of The Stock Exchange of Hong Kong Limited.

The accounting policies and methods of computation used in the preparation of these interim accounts are consistent with those used in the annual accounts for the year ended 31 March 2000.

2 Principal activities and geographical analysis of operations

The Company is an investment holding company. The subsidiaries are engaged in the publication of Chinese newspapers, periodicals and books, provision of travel and travel related services, and property investment.

An analysis of the Group's turnover and contribution to profit after taxation by principal activities and markets is as follows:

	Turnover Six months ended 30 September		Contribution to profit after taxation Six months ended 30 September	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Principal activities:				
Publishing	418,911	366,787	25,771	11,678
Travel and travel related services	247,009	244,597	5,316	4,592
Property investment	528	2,559	(5,355)	(7,734)
Gain on dilution of shareholdings in a subsidiary	—	—	24,495	—
	<u>666,448</u>	<u>613,943</u>	<u>50,227</u>	<u>8,536</u>

	Turnover Six months ended 30 September		Contribution to profit after taxation Six months ended 30 September	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Principal markets:				
Hong Kong	463,012	426,028	24,808	18,706
North America	187,859	171,926	2,085	(4,767)
The Mainland China	15,577	15,989	(1,161)	(5,403)
Gain on dilution of shareholdings in a subsidiary	—	—	24,495	—
	<u>666,448</u>	<u>613,943</u>	<u>50,227</u>	<u>8,536</u>

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Notes to the accounts (Cont'd)

3 Operating profit before finance costs

Operating profit before finance costs is stated after charging depreciation amounted to HK\$16,977,000 (1999: HK\$17,135,000).

4 Taxation

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

	Six months ended 30 September	
	2000 HK\$'000	1999 HK\$'000
Hong Kong profits tax		
– current period	3,417	4,836
– under/(over) provision in previous years	3,854	(196)
Overseas taxation	–	–
	<u>7,271</u>	<u>4,640</u>

Hong Kong profits tax has been provided at the rate of 16% (1999: 16%) on the estimated assessable profits of the companies within the Group operating in Hong Kong for the period. Overseas taxation is provided at the relevant rates on the estimated assessable profits of the companies within the Group operating overseas for the period.

5 Interim dividend

	Six months ended 30 September	
	2000 HK\$'000	1999 HK\$'000
Interim, proposed, of HK3 cents (1999: Nil) per share	<u>11,767</u>	<u>–</u>

6 Earnings per share

The calculation of basic earnings per share is based on the unaudited profit attributable to shareholders for the period of HK\$50,227,000 (1999: HK\$7,888,000) and the weighted average of 392,059,000 shares (1999: 390,345,000 shares) in issue during the period.

Diluted earnings per share is not shown as there is no dilution effect arising from the share options granted by the Company.

7 Trade receivables

	Current to 60 days HK\$'000	61 to 120 days HK\$'000	121 to 180 days HK\$'000	Over 180 days HK\$'000	Total HK\$'000
Balance at 30 September 2000	<u>113,243</u>	<u>49,316</u>	<u>9,735</u>	<u>3,397</u>	<u>175,691</u>
Balance at 31 March 2000	<u>100,611</u>	<u>44,803</u>	<u>16,794</u>	<u>2,503</u>	<u>164,711</u>

The majority of the Group's sales are with credit terms of up to 90 days.

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Notes to the accounts (Cont'd)

8 Trade payables

	Current to 60 days HK\$'000	61 to 120 days HK\$'000	121 to 180 days HK\$'000	Over 180 days HK\$'000	Total HK\$'000
Balance at 30 September 2000	<u>61,894</u>	<u>3,132</u>	<u>336</u>	<u>1,807</u>	<u>67,169</u>
Balance at 31 March 2000	<u>45,387</u>	<u>3,226</u>	<u>1,446</u>	<u>1,581</u>	<u>51,640</u>

9 Bank loans and overdrafts – secured

	30 September 2000 HK\$'000	31 March 2000 HK\$'000
Secured		
Bank overdrafts	19,706	15,220
Trust receipt loans	33,593	31,574
Bank loans	178,549	194,863
	<u>231,848</u>	<u>241,657</u>
Amounts repayable		
– within one year	198,608	185,392
– in the second year	28,415	51,043
– in the third to fifth year inclusive	1,321	1,367
– over five years	3,504	3,855
	<u>33,240</u>	<u>56,265</u>
	<u>231,848</u>	<u>241,657</u>

10 Share capital

	Authorised shares of HK\$0.10 each	
	No. of shares	HK\$'000
At 1 April and 30 September 2000	<u>500,000,000</u>	<u>50,000</u>
	Issued and fully paid shares of HK\$0.10 each	
	No. of shares	HK\$'000
At 1 April 2000	391,972,000	39,197
Exercise of share options during the period	273,000	28
At 30 September 2000	<u>392,245,000</u>	<u>39,225</u>

11 Comparative figures

Certain comparative figures have been reclassified to conform with current period's presentation.