

MANAGEMENT DISCUSSION AND ANALYSIS

PERFORMANCE

The consolidated turnover of the Group amounted to HK\$538.9 million (period ended 31st December, 2001: HK\$932.9 million). The net profit attributable to shareholders was HK\$118.9 million (period ended 31st December, 2001: loss of HK\$65.8 million). Earning per share was 28.3 cents (period ended 31st December, 2001: loss per share of HK\$15.7 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.

Based on the interim report prepared by the previous management for the six months ended 30th June, 2002 (the "Period"), the Group recorded an exceptional gain of HK\$146.9 million from the disposal of its commercial printing operations.

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 (the "Distribution"). Based on the interim report prepared by the previous management, during the Period, the publishing operations recorded an operating profit of HK\$1.6 million (period ended 31st December, 2001: loss of HK\$57.9 million) on a turnover of HK\$408.0 million (period ended 31st December, 2001: HK\$578.3 million). The marked improvement was a result of continuous cost cutting efforts with improving gross margin.

COMMERCIAL PRINTING OPERATIONS

The Group disposed off the commercial printing operations on 19th April, 2002. Based on the interim report prepared by the previous management, commercial printing operations recorded a turnover and operating profit from 1st January, 2002 to 19th April, 2002 of HK\$101.2 million (period ended 31st December, 2001: HK\$347.4 million) and HK\$5.4 million (period ended 31st December, 2001: HK\$43.6 million) respectively.

RESULTS SHARED FROM JOINTLY CONTROLLED ENTITIES AND ASSOCIATES

Based on the interim report prepared by the previous management, share of profits from jointly controlled entities for the Period was HK\$3.8 million (period ended 31st December, 2001: loss of HK\$1.6 million). Increased contribution from the Canadian newspaper operations was offset by a non-recurrent provision for one of the Group's investment and losses sustained by the Colony Hotel in Toronto.

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OUTLOOK

On 3rd July, 2002, Ming Yuan Investments Group Limited ("Ming Yuan") entered into an agreement with Global China Group Holdings Limited to purchase 312,624,443 shares in the Company. The completion of purchase took place on 23rd August, 2002 whereby Ming Yuan held approximately 74.5% interest in the Company.

Subsequently, the Company changed its name to Shanghai Ming Yuan Holdings Limited in September 2002. The Chinese name adopted by the Company for identification purpose only is 上海銘源控股有限公司.

Following the change of the substantial shareholder and after the Distribution, the principal assets of the Group consist of investment properties in Hong Kong, the PRC, and Canada. The Group will continue to take a proactive but cautious approach towards consolidating its existing business. The Group will continue to seize investment opportunities arising both locally and in the PRC. The Group believes that with its extensive management and investment experience in the PRC, and in particular in Shanghai, the Group's interest together with the interest of all shareholders will be maximized.

On 24th February, 2003, the Group successfully increased its rental property portfolio by acquiring the entire shareholding of Fieldcrown Investment Limited ("Fieldcrown"). Fieldcrown is the beneficial owner of the level 2 and level 3, East Phase, New Century Plaza in Shanghai. The increased portfolio will generate a steady stream of rental revenue, boosting the Group's medium and long term capacity for earnings growth. Revenue from property rental is expected to rise significantly in the year 2003, following the acquisition of various quality rental properties.

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.

The Group did not have any borrowings as at 31st December, 2002 (period ended 31st December, 2001: HK\$36.5 million). The group maintained a bank balance of HK\$41.6 million as at 31st December, 2002 (2001: HK\$128.3 million). The directors consider the financial position of the Group healthy and solid in view of the above financial indicators.