

The directors of Ming Pao Enterprise Corporation Limited (“the Company”) announce that 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 30th September 2001 and the unaudited consolidated balance sheet of the Group as at 30th September 2001 are set out on pages 10 to 22 of this report.

MANAGEMENT COMMENTARY

Results summary

The consolidated turnover for the six months ended 30th September 2001 was HK\$573,323,000, down 14% from the HK\$665,920,000 reported in the same period last year. Loss attributable to shareholders for the period was HK\$13,992,000, compared with a profit of HK\$49,102,000 for last year.

Last year’s turnover included revenue from Yazhou Zhoukan Limited, a former wholly-owned subsidiary, which has since March 2001 become an associated company of the Group, as such, its revenue for the current period was not incorporated in these accounts. In addition, included in last year’s profit was an exceptional gain of HK\$24,495,000 derived from the dilution of shareholdings in the Group’s Internet business.

Business review

Newspapers

Turnover for the Group’s newspaper business declined by 8% during the period, mainly attributed to the drop in advertising revenue. The current economic downturn in both the territory and in North America, where the Group operates its overseas newspaper editions, has resulted in advertisers trimming down their advertising spending. Revenue for all media companies dropped significantly and the Group’s business was also inevitably affected. Worthy of mention is that the advertising volume in Ming Pao Daily News actually increased by about 5% during the period. However, because of ferocious competition, more discounts were offered to the advertisers, resulting in a net decrease in advertising revenue of about 12%. Despite the difficult operating environment, the Daily upheld its high quality news services and continued to enrich its content by the introduction of new columns and features. In a recent survey on media credibility carried out by The School of Journalism and Communication of the Chinese University of Hong

Kong, Ming Pao Daily News was regarded by the general public as the most credible media in Hong Kong. Together with effective promotional activities, the Daily has recorded increases in its circulation revenue in Hong Kong and in North America of 17% and 5% respectively during the period. To weather through this economic downturn, the Daily will continue its effort to achieve greater operating efficiency and to improve its advertising revenue by offering broad ranges of innovative and competitive advertising packages that cater for the needs of different advertisers.

Magazines

Ming Pao Weekly, a leading weekly magazine about entertainment and pop culture, has always been well supported by premium advertisers, especially those of high-end and trendy products. Through the concerted efforts of the editorial team which continually enhanced the magazine's content and the highly dedicated sales team, the Weekly managed to maintain its advertising revenue at the same level as that of last year despite the worsening economic environment.

Hi-TECH Weekly, a magazine that provides information on the latest news and developments in the computer world, was well received by its readers since it was revamped and sold as an independent magazine instead of a free supplement of the Daily in March 2001. Since then its circulation income and number of copies sold have shown a healthy and steady growth.

Ming Pao Monthly, City Children's Weekly and Ming Pao Publications all achieved satisfactory results during the six months' period.

Travel

The travel industry, which is already adversely affected by the economic slowdown, suffers even greater setback after the September-11 terrorist attacks on the US. Charming Holidays, the Group's tour operator in Hong Kong, reported a 19% decrease in the number of tour passengers during the period. Profit margins on the tour packages offered were also reduced due to the intense competition in the tour and travel related businesses. In order to remain competitive, Charming has been innovative and promoting new tourist attractions and offering new competitive tour packages to its customers. In addition to its traditionally strong long-haul tours, Charming also diversified its business to provide

short-haul tour packages in the South East Asia region. The business generated from this new endeavor was encouraging. To capture on the business opportunities that might come after China's accession to WTO, Charming has also planned to seek opportunities of cooperating with local travel agents in the Mainland China in order to operate travel related businesses there.

The Delta Group, Charming Holidays' subsidiaries in North America, also experienced a 14% drop in revenue for the period. Nevertheless, Delta Group's operating profit for the period only decreased by about 4% as a result of the introduction of competitive tour packages and the continuous effective cost controls.

Internet

The Group's flagship website, "mingpao.com", continued to generate a steady stream of income through the provision of advertising space and a variety of on-line content. The website was widely acclaimed by its viewers for its rich and updated content. The number of page views and time spent per user on the website continued to grow healthily during the period. The cross-media selling scheme initiated last year which enabled advertisers to place advertisements both on-line and in the Group's other printed publications has proved to be well accepted and has since increased the website's on-line advertising income. In view of the downturn in the advertising market, the management continues to find ways to expand the business model for the website that would decrease its reliance on Internet advertising and content provision revenues. During the period, the website has successfully generated income through membership subscriptions and e-commerce transactions, both of which show signs of further growth. At the same time, stringent cost-savings measures have been taken to improve the operating efficiency of the various portals.

Charming Online Travel, a company incorporated in August 2000 to embark on on-line retail travel businesses, has generated a steady stream of income through its on-line ticketing and tour packaging businesses.

Financial position

The Group's total shareholders' funds were HK\$590 million as at 30th September 2001 (31st March 2001: HK\$647 million). When compared to the Group's long-term liabilities of HK\$11.7 million (31st March 2001: HK\$10.5 million), the gearing ratio at the balance sheet date was 1.98% (31st March 2001: 1.62%).

Outlook

The already weak local economy faces a further setback from the September-11 incident. Consumers' confidence in spending has been deterred, particularly on air travel and tourism, which affected the Group's travel related businesses. Moreover, the Group's various publications' advertising revenue will continue to be affected by the downturn in the advertising market which is unlikely to ease in the short term because of the current weakness in consumption demand. Nevertheless, with a raft of economic initiatives recently announced by the local government, we expect the local economy to begin recovering in the second half of next year. In the meantime, we will continue to exercise stringent cost controls and to enhance efficiencies in all operating units. With a healthy financial position and a dedicated management team, the Group is prepared to face the challenges in the current difficult operating environment.

DIRECTORS' AND CHIEF EXECUTIVES' BENEFITS FROM RIGHTS TO ACQUIRE SHARES

Pursuant to a Share Option Scheme (the "Scheme") approved at a special general meeting of the Company held on 21st August 2001, the directors of the Company may at their discretion invite full time employees including executive directors of the Company and its subsidiaries to take up options to subscribe for shares in the Company subject to the terms and conditions stipulated therein. Movements of the share options granted to the directors of the Company during the period were as follows:

Name of director	Date of grant	Exercise price per share HK\$	Number of shares involved in share options			
			Balance at 1st April 2001	Granted during the period	Exercised during the period	Balance at 30th September 2001
Tan Sri Datuk TIONG Hiew King	31st August 2001	1.592	-	300,000	-	300,000
Mr TIONG Kiu King	31st August 2001	1.592	-	300,000	-	300,000
Dr TIONG Ik King	31st August 2001	1.592	-	300,000	-	300,000
Mr TIONG Kiew Chiong	31st August 2001	1.592	-	300,000	-	300,000
			-	1,200,000	-	1,200,000

The above options were granted at an aggregate consideration of HK\$4 and are exercisable on or before 20th August 2011.

Save as disclosed above, at no time during the period was the Company, its subsidiaries, its holding company or its fellow subsidiaries a party to any arrangements to enable the Company's directors, chief executives or their spouses or children under 18 years of age to acquire benefits by means of acquisition of shares in the Company or any other body corporate.

PARTICULARS OF SHARES HELD BY DIRECTORS, CHIEF EXECUTIVES AND THEIR ASSOCIATES

At 30th September 2001, the directors, chief executives and their associates had the following interests in the shares of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"):

Name of director	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
Mr TIONG Kiu King	611,000	147,000	–	758,000
Dr TIONG Ik King	–	–	252,487,700 (Note)	252,487,700
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.

Save as disclosed above and those interests in respect of the Share Option Scheme disclosed under "Directors' and chief executives' benefits from rights to acquire shares", none of the directors, chief executives and their associates had any beneficial or non-beneficial interests in the share capital of the Company, any of its subsidiaries or its associated corporations at 30th September 2001 which is required to be disclosed pursuant to the SDI Ordinance.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

At 30th September 2001, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that China Strategic Holdings Limited was beneficially interested in 39,248,000 shares of the Company, representing approximately 10% of the issued share capital of the Company.

Save as disclosed above and those interests disclosed under "Particulars of shares held by directors, chief executives and their associates", the Company had not been notified of any other interests representing 10% or more of the issued share capital of the Company at 30th September 2001.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

The Company has not redeemed any of its shares during the period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members will be closed from Wednesday, 2nd January 2002, to Friday, 4th January 2002, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed interim dividend of HK2 cents per ordinary share, 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 Monday, 31st December 2001. The interim dividend will be paid on Friday, 18th January 2002.

EMPLOYEES

The Group has approximately 1,450 employees, the majority of whom are employed in Hong Kong. The Group remunerates its employees based on industry practice and performance of individual employees. The Group also adopts a share option scheme for its staff of senior grade.

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 30th September 2001, 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 internal controls and financial reporting matters including a review of the unaudited interim accounts for the six months ended 30th September 2001 with the directors.