



Shanghai Merchants Holdings Limited

上海商貿控股有限公司*

(formerly Ying Wing Holdings Limited)
(Incorporated in Bermuda with limited liability)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2002

The board of directors (the “Directors”) of Shanghai Merchants Holdings Limited (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2002 together with comparative figures for the previous year, as follows:

Audited Consolidated Income Statement

	<i>Note</i>	2002 HK\$'000	2001 HK\$'000
Turnover	2	403,749	38,140
Cost of sales		(395,433)	(46,145)
Gross profit (loss)		8,316	(8,005)
Other operating income		3,130	989
Distribution costs		(104)	(7,635)
Administrative expenses		(13,733)	(11,599)
Impairment loss recognised in respect of property, plant and equipment	4	(29,623)	–
Other operating expenses	5	(17,734)	(19,177)
Loss from operations	6	(49,748)	(45,427)
Interest on bank borrowings wholly repayable within five years		(582)	(1,622)
Gain on disposal of subsidiaries		261	–
Loss before taxation		(50,069)	(47,049)
Taxation	7	(24)	52
Loss after taxation		(50,093)	(46,997)
Minority interests		99	1,439
Loss for the year		(49,994)	(45,558)
Loss per share	8	(20.74 cents)	(22.78 cents)

Notes:

1. Adoption of new and revised Statements of Standard Accounting Practice

In the current year, the Group has adopted, for the first time, a number of new and revised Statements of Standard Accounting Practice (SSAPs) issued by the Hong Kong Society of Accountants. The adoption of these Standards has resulted in a change in the format of presentation of the cash flow statement and the statement of changes in equity, and in the adoption of the following new and revised accounting policies. Further details of the effect on the adoption of these SSAPs are as follows:

Foreign currencies

The revisions to SSAP 11 “Foreign Currency Translation” have eliminated the choice of translating the income statements of overseas subsidiaries at the closing rate for the year, the policy previously followed by the Group. They are now required to be translated at an average rate. This change in accounting policy has not had any material effect on the results for the current or prior accounting periods.

Cash flow statements

Under SSAP 15 (Revised) “Cash Flow Statements”, cash flows are classified under three headings – operating, investing and financing, rather than the previous five headings. Interest received, which was previously presented under a separate heading is classified as investing cash flows. Interest paid which was previously presented under a separate heading is classified as operating cash flows, cash flow arising from taxes on income are classified as operating activities unless they can be separately identified with investing or financing activities. In addition, the amounts presented for cash and cash equivalents have been amended to exclude short-term loans that are financing in nature. The re-definition of cash and cash equivalents has resulted in a restatement of the comparative amounts shown in the cash flow statement.

Employee benefits

SSAP 34 “Employee Benefits” introduces measurement rules for employee benefits, including retirement benefit plans. Because the Group participates only in defined contribution retirement benefit schemes, the adoption of SSAP 34 has not had any material impact on the financial statements.

2. Turnover

Turnover represents the amount received and receivable for goods sold to outside customers, less returns and allowances for the year, and is analysed as follows:

	2002 HK\$'000	2001 HK\$'000
Continuing operations:		
Trading – base metals	346,072	–
– fabric	52,567	13,540
Others	3,129	–
	401,768	13,540
Discontinuing operations:		
Fabric processing	1,632	6,164
Manufacture and sale of snack food	349	18,436
	403,749	38,140

3. Business and geographical segments

An analysis of the Group's turnover and results for the year by business segments is as follows:

2002

RESULTS	Continuing operations			Discontinuing operations		Consolidated HK\$'000
	Trading of base metals HK\$'000	Trading of fabric HK\$'000	Others HK\$'000	Processing of fabric HK\$'000	Snack food HK\$'000	
TURNOVER						
External sales	<u>346,072</u>	<u>52,567</u>	<u>3,129</u>	<u>1,632</u>	<u>349</u>	<u>403,749</u>
RESULTS						
Segment profit (loss)	<u>4,505</u>	<u>(11,442)</u>	<u>(2)</u>	<u>(36,095)</u>	<u>(361)</u>	(43,395)
Unallocated corporate expenses						(6,353)
Interest on bank borrowings wholly repayable within five years						(582)
Gain on disposal of subsidiaries						<u>261</u>
Loss before taxation						(50,069)
Taxation						<u>(24)</u>
Loss after taxation						<u>(50,093)</u>

More than 90% of the Group's turnover and operating results were derived from the PRC.

2001

RESULTS	Continuing operation	Discontinuing operations		Consolidated HK\$'000
	Trading of fabric HK\$'000	Processing of fabric HK\$'000	Snack food HK\$'000	
TURNOVER				
External sales	<u>13,540</u>	<u>6,164</u>	<u>18,436</u>	<u>38,140</u>
Segment loss	<u>(2,642)</u>	<u>(19,505)</u>	<u>(19,802)</u>	(41,949)
Unallocated corporate expenses				(3,478)
Interest on bank borrowings wholly repayable within five years				<u>(1,622)</u>
Loss before taxation				(47,049)
Taxation				<u>52</u>
Loss after taxation				<u>(46,997)</u>

More than 90% of the Group's turnover and operating results were derived from the PRC.

4. Impairment loss recognised in respect of property, plant and equipment

During the year, the directors determined to gradually phase out the Group's fabric processing business. The directors conducted a review of the Group's assets which were used for the fabric processing operations, and determined that a number of those assets were impaired, due to physical damage and technical obsolescence. Accordingly, impairment losses of approximately HK\$26,524,000 and HK\$3,052,000, were recognised in respect of buildings and plant and machinery, respectively, at their net book value.

5. Other Operating Expenses

Other operating expenses comprise the followings:

	2002 HK\$'000	2001 HK\$'000
Loss on disposal of property, plant and equipment	5,363	10,685
Provision for doubtful debts	12,371	8,492
	17,734	19,177

6. Loss from Operations

	2002 HK\$'000	2001 HK\$'000
Loss from operations has been arrived at after charging:		
Amortisation of intangible assets (included within cost of sales)	–	395
Auditors' remuneration	350	440
Staff costs, including directors' emoluments	3,145	8,122
Retirement benefits scheme contributions, net of forfeited contributions	66	137
Depreciation and amortisation of property, plant and equipment	4,765	10,839
Impairment loss recognised on intangible assets (included within cost of sales)	–	1,188
and after crediting:		
Interest income from bank deposits	30	898

7. Taxation

Hong Kong Profits Tax is calculated at 16% of the assessable profit for the year.

In the opinion of the directors, a substantial portion of the Group's income is not subject to taxation in the jurisdiction in which the Group operates.

In 2001, the taxation credit represented the overprovision for Hong Kong Profits Tax in prior year.

Pursuant to the relevant laws and regulations in PRC, the Company's PRC subsidiary is entitled to exemption from PRC enterprise income tax for two years commencing from its first profit-making year of operation, followed by a 50 per cent reduction in PRC enterprise income tax for the next three years. No provision for PRC enterprise income tax has been made in the financial statements as the Company's PRC subsidiary had no assessable profit for the current year.

The Group and the Company had no significant unprovided deferred taxation for the year or at the balance sheet date.

8. Loss per Share

The calculation of the loss per share is based on the loss for the year of HK\$49,994,000 (2001: HK\$45,558,000) and on a weighted average number of 241,014,247 (2001: 200,000,000) shares in issue during the year.

No diluted loss per share for the year ended has been presented as the share options outstanding during the year would have an anti-dilutive effect on the basic loss per share for the year.

RESULTS

Year 2002 has been a year of consolidation. Whilst the world's economy and business environment continue to present great challenges, the Group has been undergoing a revival since its new management took over the office in April 2002. With new opportunities being identified to improve business operations, the Group's turnover had surged substantially from HK\$38.1 million in 2001 to HK\$403.7 million in the year, representing a significant increase of 1,058% over that achieved in the year of 2001.

Loss attributable to shareholders increased 9.70% from HK\$45.6 million to HK\$50.0 million, aggravated by doubtful debt provisions and assets impairment losses recognised mainly for the previous fabric trading and processing business. Loss per share was reduced to 20.74 cents from 22.78 cents in 2001.

CHANGE OF COMPANY NAME

On 7 June 2002, the name of the Company was changed from “Ying Wing Holdings Limited” to “Shanghai Merchants Holdings Limited” which emphasizes the development of international trading and market of consumer products, turns into a competitive international trading group.

CHANGE OF CONTROLLING SHAREHOLDER

On 22 January 2002, a sale and purchase agreement (the “Sale and Purchase Agreement”) was entered into between, amongst others, Feng Lin Holdings Limited (“Feng Lin”) (the former controlling shareholder of the Company) and Angel Field Limited (“Angel Field”) (the existing controlling shareholder of the Company), pursuant to which Feng Lin agreed to sell 148,000,000 shares in the Company, representing 74% of the then issued share capital of the Company, to Angel Field at a consideration of approximately HK\$0.418 per share. Completion of the Sale and Purchase Agreement took place on 12 March 2002.

Following completion of the Sale and Purchase Agreement, there was a mandatory general offer (the “General Offer”) made by Kingsway SW Securities Limited on behalf of Angel Field to acquire all the issued shares of Ying Wing Holdings Limited (former name of the Company) other than those already held by Angel Field or parties acting in concert with it at the offer price of HK\$0.418 per share. Upon closing of the General Offer on 12 April 2002, Angel Field has received valid acceptances in respect of 5,104,000 shares under the General Offer which made Angel Field and parties acting in concert with it interested in 153,104,000 shares, representing approximately 76.55% of the issued share capital of the Company as at the closing date. Details of the General Offer were set out in the Offeror Document dated 14 March 2002.

DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2002 (2001: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

Disposal of Snack Food Business

Pursuant to a disposal agreement (the “Disposal Agreement”), the Group has conditionally agreed to dispose of its entire interest in certain of its indirect subsidiaries, namely Vastco (H.K.) Limited, Cai Yi Trading Limited, Transfit Garments Limited and Hanover VCL Trading Limited, which are principally engaged in the snack food business, to Feng Lin, a then substantial shareholder of the Company which was beneficially interested in approximately 74.48% of the issued share capital of the Company, for a consideration of HK\$24,600,000. As settlement of the consideration, Feng Lin would assume and repay certain liabilities and obligations, which were in aggregate of HK\$24,600,000, in respect of certain subsidiaries to be remained in the Group upon completion of the Disposal Agreement. Details of the Disposal Agreement were set out in the circular of the Company dated 22 February 2002. The resolution in relation to the Disposal Agreement was unanimously passed by way of a poll at the special general meeting of the Company held on 11 March 2002. Completion of the Disposal Agreement took place on 12 March 2002.

Following the disposal of its loss sustaining snack food business in the year, the Group will continue to take advantage of emerging opportunities and actively explore into new and quality food and beverage related manufacturing investment opportunities with good potential in profitability.

Fabric business

Despite the difficulties the Group has faced last year, the new management has made efforts to pursue active new business opportunities in the year.

The Group’s fabric trading business had achieved a favourable result, with its turnover increased by 288.00% to HK\$52.6 million when compared with HK\$13.5 million attained in the whole of 2001. Operating profit for the year before provision for doubtful debts was HK\$0.9 million, against a loss of HK\$2.6 million in 2001.

During the year, the Group is committed to implementing measures on stringent credit control and operating efficiency. Collection of trade receivable has been under well control for new trades generated during the year, though HK\$12.4 million provision for doubtful debt was nonetheless considered necessary for receivables built up a year ago.

Given the intense competition from state-owned enterprises in the PRC and the harsher business environment, the Group had gradually scaled down its raw fabric processing operation during the year so as to redirect resources to other more promising business. Loss attributable to the raw fabric processing business had surged. to HK\$36.2 million in the year from HK\$19.5 million in last year, due mainly to HK\$29.6 million impairment losses being recognised on a number of impaired and technical obsolescence assets following a review of the Group's fabric processing operation.

While the Group is actively exploring new business opportunities, it will continue with its prudence policies. In assessing new business opportunities, the management will exercise a prudent and cautious approach while maintaining flexibility in granting credit terms in capturing opportunities.

Trading of base metals

Eyeing the great potential of the PRC market in the consumption of base metals and looking forward to benefiting from the opening up of untapped markets arising from the accessing of the PRC into the World Trade Organization, the Group is very optimistic of its business opportunities in the trading of base metals. As such, the Group had started to develop its business to the trading of copper cathodes.

Turnover achieved in the year was HK\$346.1 million and operating profits generated from such business had amounted to HK\$4.5 million in the year.

Business Outlook

China's foreign trade has witnessed continuous growth in 2002, with total external trade increasing by 19.7% to US\$500 billion in the first ten months. As the main gate for import and export and the largest economic and trading center in China, Shanghai's imports and exports accounted for over 10% of the national total.

While global growth is expected to remain modest in 2003, the expansion in world trade is expected to be more inspiring, as structural developments are underway to reinforce the growth in world trade. Leveraging on the robust economic growth of the PRC market and with Shanghai as its strategic base, the Group is very optimistic of its future development in the PRC market. This coupled with the new management's unrivaled expertise and experience in the PRC trading business environment, the Directors believed that the Group is very well positioned to secure a leadership role in the PRC market and to further expand its network in international business and trading.

The Group will consolidate the result-oriented management philosophy and will continue to adjust its business model to take advantage of emerging opportunities. It will also expedite the adjustments of both business structure and product mix. As such, the Group intends to maintain its profit-making copper cathodes and fabric trading business and at the same time, actively explore new business opportunities with new strategic partners to extend its business reach to the trading of general commodities and consumer products and etc.

With future emphasis being placed in business rationalization and diversification, it is anticipated that these efforts would offer a route to business growth and help to restore a profit growth for the Group in the long run. The Group would then be in a better position to enhance the shareholder value going forward.

Given the healthy financial position of the Group, the Directors believe that the Group is able to leverage the available opportunities to maximize returns for its shareholders and its business is expected to continue strengthening in the year ahead.

CAPITAL STRUCTURE

Pursuant to the subscription agreements dated 16 April 2002, 29 July 2002 and 6 March 2003 all entered into between the Company and Angel Field, Angel Field had subscribed for 33,800,000, 48,000,000 and 125,000,000 new shares respectively in the capital of the Company.

Pursuant to a subscription agreement dated 7 May 2002 entered into between the Company and the placing agent, 6,200,000 new shares were issued to independent investors.

LIQUIDITY AND FINANCIAL RESOURCES

The financial position of the Group has improved substantially during the year.

During the year, the Group collected HK\$26.4 million from the sale proceeds of the disposal of certain subsidiaries principally engaged in the snack food business. The proceeds have wholly been applied in repaying certain of the then outstanding bank borrowings and other liabilities of the Group.

To enlarge the capital base of the Company and to strengthen the financial resources of the Group, additional funding of approximately HK\$41.2 million. was obtained by the Company through placements of new shares in the year.

As at 31 December 2002, the Group had total outstanding bank borrowings of HK\$12.9 million (2001: HK\$20 million), all of which were due within one year and were mainly utilized as working capital for the Group's business operations. Moreover, the Group operated with improved current ratio and debt-equity ratio of 1.8 (2001: 0.47) and 0.22 (2001: 0.3) respectively.

The Group has maintained a cash reserve of over HK\$23.0 million. Whilst managing the Group's finances very conservatively, the Directors will ensure that there will be sufficient cash to satisfy the Group's working capital needs for continuous business developments.

FOREIGN EXCHANGE EXPOSURE

Since most business transactions conducted by the Group and payment made to suppliers are either made in Hong Kong Dollars, US Dollars or Renminbi, no use of financial instruments for hedging purposes is considered necessary.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2002, the Group had sixty full time managerial, administrative and production staff in Hong Kong and the PRC.

The Group recruits and promotes individuals based on their competencies, merit and development potential and remunerates its employees largely based on the prevailing industry practice with rent-free quarters being provided to most of its employees in the PRC. Remuneration packages are structured to reward and motivate individual performance and contribution to the Group. Review of remuneration policies are conducted on a regular basis.

CODE OF BEST PRACTICE

None of the Directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the year ended 31 December 2002, in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") (the "Stock Exchange"), except that the independent non-executive Directors of the Company are not appointed for a specific term as they are subject to retirement by rotation and re-election at the Company's annual general meetings in accordance with the Bye-laws of the Company.

PUBLICATION OF RESULTS ON THE STOCK EXCHANGE WEBSITE

The Company's annual report containing all the information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules will be published on the website of the Stock Exchange in due course.

APPRECIATION

I would like to take this opportunity to express my thanks to the Directors and all staff for their contributions to the Group and shareholders for their support of the Company. All your unwavering support will remain the principal propelling force in the growth of the Group.

On behalf of the Board
Mo Yuk Ping
Chairman

Hong Kong, 7 April 2003

* *for identification purposes only*



Shanghai Merchants Holdings Limited

上海商貿控股有限公司*

(formerly Ying Wing Holdings Limited)
(Incorporated in Bermuda with limited liability)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Shanghai Merchants Holdings Limited (the "Company") will be held at 67th Floor, The Center, 99 Queen's Road Central, Hong Kong on 18 June 2003 at 10:00 a.m. for the following purposes:

1. To receive and consider the financial statements and the reports of the directors and auditors for the year ended 31 December 2002;
2. To re-elect directors and to fix the remuneration of directors;
3. To re-appoint auditors and to authorize the directors to fix their remuneration;
4. To consider and, if thought fit, passing with or without modification, the following resolution as an ordinary resolution of the Company:

"THAT:

- (a) subject to paragraph (c) below, the exercise by the directors of the Company ("**Directors**") during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and otherwise deal with additional shares of the Company ("**Shares**") or securities convertible into Shares, or options, warrants or similar rights to subscribe for any Shares, and to make or grant offers, agreements and options which might require the exercise of such power be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) above shall be in addition to any other authorizations given to the Directors and shall authorize the Directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such power after the end of the Relevant Period;
- (c) the aggregate nominal amount of the share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors pursuant to the approval in paragraph (a) above, otherwise than pursuant to:
 - (i) a Rights Issue (as hereinafter defined);
 - (ii) the exercise of rights of subscription or conversion under terms of any warrants issued by the Company or any securities which are convertible into Shares;

(iii) the exercise of any option scheme or similar arrangements for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of Shares or right to acquire Shares;

(iv) any scrip dividend or similar arrangements providing for the allotment of shares in lieu of the whole or part of a dividend on Shares in accordance with the bye-laws of the Company;

shall not exceed 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of passing of this Resolution and the said approval shall be limited accordingly;

(d) subject to the passing of each of the paragraphs (a), (b) and (c) of this Resolution, any prior approvals of the kind referred to in paragraphs (a), (b) and (c) of this Resolution which had been granted to the Directors and which are still in effect be and are hereby revoked; and

(e) for the purpose of this Resolution:

“Relevant Period” means the period from the passing of this Resolution until whichever is the earlier of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by law or the bye-laws of the Company to be held; or

(iii) the revocation or variation of the authority given under this Resolution by ordinary resolution of the shareholders of the Company in general meeting;

“Rights Issue” means the allotment, issue or grant of Shares pursuant to an offer of Shares open for a period fixed by the Directors to holders of Shares or any class thereof on the register on a fixed record date in proportion to their then holdings of such Shares or class thereof (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of, any recognized regulatory body or any stock exchange in any territory outside Hong Kong).”

5. To consider and, if thought fit, passing with or without modification, the following resolution as an ordinary resolution of the Company:

“**THAT:**

(a) subject to paragraph (b) below, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase the shares of the Company (“**Shares**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) or on any other stock exchange on which the Shares may be listed and recognized for this purpose by the Securities and Futures Commission and the Stock Exchange under the Hong Kong Code on Share Repurchases, and subject to and in accordance with all applicable laws and the Rules Governing the Listing of Securities on the Stock Exchange, be and is hereby generally and unconditionally approved;

(b) the aggregate nominal amount of Shares which may be repurchased pursuant to the approval in paragraph (a) above shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of this Resolution and the said approval shall be limited accordingly;

(c) subject to the passing of each of the paragraphs (a) and (b) of this Resolution, any prior approvals of the kind referred to in paragraphs (a) and (b) of this Resolution which had been granted to the Directors and which are still in effect be and are hereby revoked; and

(d) for the purpose of this Resolution, “Relevant Period” means the period from the passing of this Resolution until whichever is the earlier of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by law or the bye-laws of the Company to be held; or

(iii) the revocation or variation of the authority given under this Resolution by ordinary resolution of the shareholders of the Company in general meeting.”

6. To consider and, if thought fit, passing with or without modification, the following resolution shall be passed as an ordinary resolution of the Company:

“**THAT** conditional upon the passing of the Resolutions 4 and 5 as set out in the notice of this meeting, the general mandate granted to the Directors to exercise the powers of the Company to allot, issue and otherwise deal with shares of the Company pursuant to Resolution 4 above be and is hereby extended by the addition to the aggregate nominal amount of the share capital of the Company which may be allotted by the Directors pursuant to such general mandate an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the authority granted pursuant to Resolution 5 above, provided that such amount shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of passing of this Resolution.”

By order of the Board
Mo Yuk Ping
Chairman

Hong Kong, 7 April 2003

Notes:

1. A shareholder entitled to attend and vote at the above meeting may appoint one or more than one proxy to attend and to vote in his stead. A proxy need not be a shareholder of the Company.
2. Where there are joint registered holders of any Share, any one such persons may vote at the meeting, either personally or by proxy, in respect of such Share as if he were solely entitled thereto; but if more than one of such joint holders be present at the meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such Shares shall alone be entitled to vote in respect thereof.
3. In order to be valid, the form of proxy duly completed and signed in accordance with the instructions printed thereon together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof must be delivered to the Company's Hong Kong branch share registrar, Secretaries Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

* *for identification purposes only*

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