SMI Publishing Group Limited
星美出版集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8010)

I. ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2009
II. APPOINTMENT OF COMPLIANCE OFFICER
III. RETIREMENT OF INDEPENDENT NON-EXECUTIVE DIRECTOR

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

This announcement, for which the directors (the "Directors") of SMI Publishing Group Limited (the "Company") collectively and individually accept full responsibility, includes particulars given incompliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this announcement is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this announcement misleading; and (iii) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

I. ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2009

The board of directors (the "Board") of SMI Publishing Group Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2009 together with comparative figures for the year ended 31 March 2008 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
Turnover	6	**31,490**	48,558
Cost of sales		**(51,281)**	(69,022)
Gross loss		**(19,791)**	(20,464)
Other revenue	7	**2,334**	2,522
Other net gains	7	**–**	34,865
Distribution costs		**(518)**	(617)
Administrative and other operating expenses		**(22,791)**	(41,320)
Loss from operations		**(40,766)**	(25,014)
Finance costs	8	**(25,274)**	(26,413)
Share of results of an associate		**–**	(138)
Loss before taxation	9	**(66,040)**	(51,565)
Income tax	10	**1,580**	900
Loss for the year and attributable to equity holders of the Company		**(64,460)**	(50,665)
Dividend		**–**	–
Loss per share	11		
Basic and diluted		**(6.50 cents)**	(5.11 cents)

CONSOLIDATED BALANCE SHEET

As at 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**2,257**	4,545
Leasehold land		**115**	117
Interest in an associate		**–**	–
		2,372	4,662
Current assets			
Inventories		**–**	396
Trade and other receivables	*12*	**7,840**	5,799
Cash and cash equivalents		**235**	565
		8,075	6,760
Current liabilities			
Borrowings	*14(a)*	**60,218**	42,455
Convertible note		**37,131**	–
Trade and other payables	*13*	**26,769**	40,513
Taxation		**12,274**	12,274
		(136,392)	(95,242)
Net current liabilities		**(128,317)**	(88,482)
TOTAL ASSETS LESS CURRENT LIABILITIES		**(125,945)**	(83,820)
Non-current liabilities			
Borrowings	*14(a)*	**237,412**	185,945
Convertible note		**–**	27,552
Deferred tax liabilities		**2,348**	3,928
		(239,760)	(217,425)
NET LIABILITIES		**(365,705)**	(301,245)
CAPITAL AND RESERVES			
Share capital		**49,584**	49,584
Reserves		**(415,289)**	(350,829)
CAPITAL DEFICIENCY		**(365,705)**	(301,245)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2009

	Attributable to equity holders of the Company								
	Share capital	**Share premium**	**Convertible note equity reserve**	**Shareholders' contribution**	**Merger reserve**	**Exchange reserve**	**Distributable reserve**	**Accumulated losses**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2007	49,584	127,764	16,432	72,894	121,914	43	231,340	(872,639)	(252,668)
Adjustment of amortised cost of convertible note	–	–	6,016	–	–	–	–	–	6,016
Recognition of equity component of convertible note	–	–	(3,928)	–	–	–	–	–	(3,928)
Loss for the year	–	–	–	–	–	–	–	(50,665)	(50,665)
At 31 March 2008 and 1 April 2008	49,584	127,764	18,520	72,894	121,914	43	231,340	(923,304)	(301,245)
Deconsolidation of subsidiaries	–	–	–	–	(121,914)	–	–	121,914	–
Loss for the year	–	–	–	–	–	–	–	(64,460)	(64,460)
At 31 March 2009	**49,584**	**127,764**	**18,520**	**72,894**	**–**	**43**	**231,340**	**(865,850)**	**(365,705)**

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2009

1. General information

SMI Publishing Group Limited (the "Company") is a public limited liability company incorporated in the Cayman Islands and its shares are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are Cricket Square Hutchin Drive, P.O. Box 2681, Grand Cayman KY1-111, Cayman Islands and the 3rd Floor, CWG Building, No. 3 A Kung Ngam Village Road, Hong Kong respectively.

The consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

The principal activities of the Group are the publication of newspapers, magazines and books.

At 31 March 2009, the directors consider the ultimate holding company of the Company to be Strategic Media International Limited ("Strategic Media"), which is incorporated in the British Virgin Islands. This entity does not produce financial statements available for public use.

2. Basis of presentation

The Group sustained consolidated loss attributable to equity holders of the Company of HK$64,460,000 (2008: HK$50,665,000) for the year ended 31 March 2009. At 31 March 2009, the Group had consolidated net current liabilities and net liabilities of approximately HK$128,317,000 (2008: HK$88,482,000) and HK$365,705,000 (2008: HK$301,245,000), respectively.

During the current and prior years, the Group experienced financial difficulties and was unable to meet the payment obligations. Various parties took legal actions against the Group to recover amounts due to them.

In view of the liquidity problems faced by the Group, the directors planned to adopt the following proposed measures with the view to improve the Group's financial and cash flow position and to maintain the Group as a going concern:

(i) the directors plan to seek financial support from other potential investors to provide adequate funds for the Group to meet its liabilities as they fall due, both present and future;

(ii) the directors have identified and have been negotiating with potential investors for proposed capital injection arrangements; and

(iii) the directors have adopted various cost control measures to reduce general administrative expenses and operating costs.

2. Basis of presentation (Continued)

In the opinion of the directors, upon successful implementation of these measures, the Group will have sufficient cash resources to satisfy its future working capital and other financing requirements. The directors are of the opinion that the above measures will be successfully implemented. Accordingly, the directors are of the view that it is appropriate to prepare the financial statements on a going concern basis.

Should the Group be unable to achieve the above and fail to continue in business as a going concern, adjustments would have to be made to restate the values of the assets to their immediate recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and liabilities as current assets and liabilities respectively. The effects of these adjustments have not been reflected in the financial statements.

3. Application of new and revised standards

In the current year, the Group has adopted all of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), which in collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are relevant to its operations and effective for the current accounting period of the Group and the Company. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting policies.

The adoption of HK(IFRIC) – Int 12 "Service concession arrangements", HK(IFRIC) – Int 14 "HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction" and HKAS 39 & HKFRS 7 (Amendments) "Reclassification of financial assets" has no impact on the financial statements.

At the date of authorisation of the financial statements, the following standards and interpretations were in issue but not yet effective and have not been early adopted by the Group:

		Effective date
HKAS 1 (Revised)	Presentation of financial statements	(i)
HKAS 23 (Revised)	Borrowing costs	(i)
HKAS 32 & HKAS 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation	(i)
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate	(i)
HKFRS 8	Operating segments	(i)
HK(IFRIC) – Int 15	Agreements for the construction of real estates	(i)
HKFRS 2 (Amendment)	Vesting conditions and cancellations	(i)
HKFRS 7 (Amendment)	Improving disclosures about financial instruments	(i)
HKAS 27 (Revised)	Consolidated and separate financial statements	(ii)
HKAS 39 (Amendment)	Eligible hedged items	(ii)
HKFRS 1 (Revised)	First-time adoption of HKFRSs	(ii)
HKFRS 3 (Revised)	Business combinations	(ii)
HKAS 32 (Revised)	Classification of rights issues	(viii)
HKAS 24 (Revised)	Related party disclosures	(ix)
HKFRS 9	Financial instruments	(x)

3. Application of new and revised standards (Continued)

			Effective date
HK(IFRIC) – Int 17	Distribution of non-cash assets to owners	(ii)
HK(IFRIC) – Int 13	Customer loyalty programmes	(iii)
HK(IFRIC) – Int 16	Hedges of a net investment in a foreign operation	(iv)
HK (IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded derivatives	(v)
HK(IFRIC) – Int 18	Transfers of assets from customers	(vi)
HKFRS 2 (Amendments)	Group cash-settled share-based payment transactions	(vii)
2008 Improvements to HKFRSs that may result in accounting changes for presentation, recognition or measurement	– HKAS 1, HKAS 16, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 36, HKAS 38, HKAS 39, HKAS 40 & HKAS 41	(i)
	– HKFRS 5	(ii)
2009 Improvements to HKFRSs that may result in accounting changes for presentation, recognition or measurement	– HKAS 39 (80)	(i)
	– HKAS 38, HKFRS 2, HK(IFRIC) – Int 9, HK(IFRIC) – Int 16	(ii)
	– HKAS 1, HKAS 7, HKAS 17, HKAS 36, HKAS 39, HKFRS 5 & HKFRS 8	(vii)

Effective date:

(i) Annual periods beginning on or after 1 January 2009
(ii) Annual periods beginning on or after 1 July 2009
(iii) Annual periods beginning on or after 1 July 2008
(iv) Annual periods beginning on or after 1 October 2008
(v) Annual periods ending on or after 30 June 2009
(vi) Transfers of assets from customers received on or after 1 July 2009
(vii) Annual periods beginning on or after 1 January 2010
(viii) Annual periods beginning on or after 1 February 2010
(ix) Annual periods beginning on or after 1 January 2011
(x) Annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of what the impact of these new or revised standards or interpretations is expected to be in the period of their initial application.

4. Significant accounting policies

The consolidated financial statements have been prepared on the historical cost convention.

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs issued by HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

5. Segment information

(a) Business segments

No separate analysis of financial information by business segments is presented as the Group's revenue, results, assets and liabilities were all derived from its principal activities of publication of newspapers, magazines and books.

(b) Geographical segments

All of the activities of the Group are based in Hong Kong and all Group's turnover and loss before taxation are derived from Hong Kong. Accordingly, no geographical segment information is presented.

6. Turnover

Turnover, which is also revenue, represents the gross proceeds received and receivable derived from the sales of newspapers, magazines, books and advertising income and are summarised as follows:

	2009	2008
	HK$'000	*HK$'000*
Sale of newspapers, magazine and books	**21,054**	33,956
Newspapers and magazine advertising income	**10,436**	14,602
	31,490	48,558

Included in newspapers and magazine advertising income is an amount of approximately HK$1,152,000 (2008: HK$537,000) in respect of barter transactions entered into during the year.

7. Other revenue and other net gains

	2009	2008
	HK$'000	*HK$'000*
Other revenue:		
Bank interest income	**–**	4
Reversal of other payables	**1,068**	–
Reversal of impairment loss on trade receivables	**574**	–
Sundry income	**692**	2,518
	2,334	2,522
Other net gains:		
Gain on disposal of property, plant and equipment	**–**	547
Gain on adjustment of amortised cost of convertible note upon extension	**–**	26,638
Reversal of provision for employee benefits	**–**	7,680
	–	34,865

8. Finance costs

	2009	2008
	HK$'000	*HK$'000*
Interest on bank borrowings wholly repayable within five years	**1**	14
Interest on other borrowings wholly repayable within five years	**12,696**	11,022
Interest on other borrowings wholly repayable after five years	**2,998**	4,174
Effective interest expenses on convertible note	**9,579**	11,201
Finance charges on obligations under finance leases	**–**	2
	25,274	26,413

9. Loss before taxation

Loss before taxation is arrived at after charging/(crediting):

	2009	2008
	HK$'000	*HK$'000*
Auditors' remuneration	**800**	900
Depreciation	**1,468**	12,525
Amortisation of land lease premium	**2**	3
(Reversal of)/provision for impairment loss on trade receivables	**(574)**	850
Write-off of property, plant and equipment	**–**	2,094
Gain on disposal of property, plant and equipment	**–**	(547)
Impairment loss on property, plant and equipment	**1,140**	–
Employee benefit expenses (including directors' emoluments		
– salaries, wages and other benefits	**26,909**	28,439
– contributions to defined contribution retirement scheme	**933**	1,621
Minimum lease payments under operating leases on		
– machinery	**418**	299
– leasehold land and buildings	**5,134**	7,114
– motor vehicles	**202**	216
Cost of inventories (including write-down of inventories)	**1,074**	7,313

10. Income tax

Income tax charge/(credit) in the consolidated income statement represents:

	2009	2008
	HK$'000	*HK$'000*
Current tax:		
Hong Kong	**–**	591
Under-provision in respect of prior years:		
Hong Kong	**–**	723
Deferred tax:		
Current year	**(1,580)**	(2,214)
	(1,580)	(900)

Provision for Hong Kong profits tax is calculated at 16.5% (2008: 17.5%) on the estimated assessable profits for the year.

11. Loss per share

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity holders of the Company of HK$64,460,000 (2008: HK$50,665,000) and the weighted average number of 991,685,971 (2008: 991,685,971) ordinary shares in issue during the year.

(b) Diluted loss per share

Diluted loss per share for the current and prior years is the same as the basic loss per share as the potential ordinary shares outstanding during both years had an anti-dilutive effect on the basic loss per share for the current and prior years.

12. Trade and other receivables

	2009	2008
	HK$'000	*HK$'000*
Trade receivables	**4,232**	7,770
Less: allowance for doubtful debts	**(2,437)**	(4,111)
	1,795	3,659
Other receivables	**349**	122
Deposits and prepayments	**5,696**	2,011
Amount due from a related company	**–**	7
	7,840	5,799

Included in trade and other receivables are trade receivables, net of allowance for doubtful debts of HK$2,437,000 (2008: HK$4,111,000), with the following ageing analysis at the balance sheet date:

	2009	2008
	HK$'000	*HK$'000*
0-30 days	**1,592**	3,180
31-90 days	**203**	333
Over 90 days	**–**	146
	1,795	3,659

Trade receivables are usually due within 30 to 60 days (2008: 30 to 60 days) from the date of billing.

13. Trade and other payables

	2009	2008
	HK$'000	*HK$'000*
Trade payables	**10,878**	10,453
Other payables	**15,891**	25,397
Amount due to a shareholder	**–**	4,663
	26,769	40,513

The following is the ageing analysis of trade payables at the balance sheet date:

	2009	2008
	HK$'000	*HK$'000*
0-30 days	**5,151**	2,032
31-90 days	**201**	1,380
Over 90 days	**5,526**	7,041
	10,878	10,453

The average credit period in respect of the Group's trade payables is 30 to 60 days (2008: 30 to 60 days).

14. Borrowings

(a) Borrowings

	2009	2008
	HK$'000	*HK$'000*
Loans from a shareholder, unsecured *(Note (i))*	**909**	103,164
Loans from related companies, unsecured *(Note (ii))*	**7,464**	7,186
Loans from third parties *(Note (iii))*	**289,257**	118,050
	297,630	228,400
Analysed as:		
Current	**60,218**	42,455
Non-current	**237,412**	185,945
	297,630	228,400

14. Borrowings (Continued)

(a) Borrowings (Continued)

Notes:

(i) The amount represents loans granted by Strategic Media, a shareholder. The amount is unsecured, interest-free and repayable on demand. As at the balance sheet date, the balance was in dispute with the shareholder. *(Note 14(b))*.

(ii) The amounts represent the loans granted by companies owned by Strategic Media. The amounts are unsecured, bearing interest at Hong Kong prime interest rate per annum and are repayable on the expiry of 30 calendar months after the year end of the first profitable financial year of the Company since 24 January 2003 but no later than the twentieth anniversary of 24 January 2003. The loans were classified under non-current liabilities as at 31 March 2008 and 31 March 2009. As at the balance sheet date, the balance was in dispute with the related companies. *(Note 14(b))*.

(iii) On 23 April 2008, the Company, Strategic Media and Billion Wealth Group Limited ("Billion Wealth"), an independent third party, entered into a loan agreement to provide to the Company by Billion Wealth a loan facility of not exceeding HK$60,000,000. As at the balance sheet date, the Group utilised the loan facility to the amount of HK$45,250,000 granted by Billion Wealth. The loan was interest-free and repayable on the expiry of 24 months from the date on which the loan is made or any other later date as may be mutually agreed in writing by the Company and Billion Wealth.

The loan facility granted by Billion Wealth is pledged by assets of Strategic Media as follows:

- the 261,473,945 ordinary shares of the Company held by Strategic Media;
- the assignment by Strategic Media to Billion Wealth of all of the rights, title and benefits in the shareholder's loan of HK$91,190,000 due to Strategic Media by the Company; and
- the assignment by Strategic Media to Billion Wealth of all of the rights, title and benefits in the convertible note issued by the Company to Strategic Media.

Included in the balance as at 31 March 2009 was the shareholder's loan of HK$112,060,000 originally due to Strategic Media by the Company which has been assigned to Billion Wealth since 23 April 2008. The loan is unsecured, interest bearing at Hong Kong prime rate plus 1% per annum and is not repayable within one year.

The amount also comprises the loans of HK$72,638,000 (2008: HK$69,925,000) granted by the former shareholders and their subsidiaries, which are unsecured, bear interest at Hong Kong prime interest rate per annum and are repayable on the expiry of 30 calendar months after the year end of the first profitable financial year since 24 January 2003 but no later than the twentieth anniversary of 24 January 2003.

14. Borrowings (Continued)

(a) Borrowings (Continued)

Notes: (Continued)

In prior year, the Group had other loan amounted to HK$14,928,000 which bore a fixed interest of HK$2,500,000 and were secured by pledge of certain assets of a substantial shareholder. The loan was fully repaid during the year ended 31 March 2009.

The remaining amounts of HK$59,309,000 (2008: HK$33,197,000) are unsecured, interest-free and repayable within one year from the balance sheet date or on demand except for amounts of HK$35,353,000 (2008: HK$5,395,000) which bear interest at the rates ranging from 1% to 3% per month (2008: ranging from 1% to 3% per month).

As at the balance sheet date, certain of the above balances were in dispute with the respective third parties. *(Note 14(b))*.

(b) Borrowings under dispute

Included in the borrowings as at the balance sheet date were loan balances under dispute by the Group with various parties. The directors are of the opinion that several transactions with the counterparties did not have formal agreements nor were there evidence of such arrangement. Further, even when there were formal agreements, the services to be provided by those counterparties under those arrangements were never provided. The Company has instructed a legal advisor to handle the legal aspect of the dispute.

An analysis of the borrowings under dispute is as follows:

	2009 ***HK$'000***
Loans from a substantial shareholder, unsecured	**909**
Loans from related companies, unsecured	**7,464**
Loans from third parties, unsecured	**69,625**
	77,998
Analysed as:	
Current	**15,349**
Non-current	**62,649**
	77,998

AN EXTRACT OF AUDITORS' REPORT

"Basis for disclaimer of opinion

(1) Scope limitation – borrowings under dispute

Included in the borrowings of the Group and of the Company as at 31 March 2009 are borrowings of approximately HK$77,998,000 and HK$39,082,000 respectively due to several parties. During the year, the Group and the Company accrued an interest expense of approximately HK$2,346,000 and HK$1,182,000 respectively based on the amounts due and the applicable interest rates. However, as detailed in Note 24(b) to the financial statements, the Group is in dispute with these parties over these balances. We were unable either to obtain direct confirmations from these parties or other supporting evidence to satisfy ourselves as to whether the borrowings, accrued interests and interest expenses are free from material misstatement. There were no other satisfactory audit procedures that we could adopt to satisfy ourselves as to whether the borrowings, accrued interests and interest expenses were fairly stated, which would have a consequential significant effects on net liabilities of the Group and the Company as at 31 March 2009, their losses for the year then ended and the related disclosures in the financial statements.

(2) Scope limitation – Prior year audit scope limitation affecting opening balances

The financial statements of the Group for the year ended 31 March 2008 were audited by another firm of independent auditors whose report dated 5 February 2009 was qualified in respect of scope limitation of insufficient appropriate evidences for verifying the correctness and fairness of certain legal and professional fees of approximately HK$952,000 and transportation charges of HK$1,159,000 recognised for the year ended 31 March 2008.

During the audit, we were not able to obtain sufficient reliable evidence to enable us to assess the correctness and fairness of the above expenditures made for the year ended 31 March 2008. Therefore the comparative amounts may not be comparable and any adjustment to these amounts may have a consequential effect on the opening balance of accumulated losses of the Group at 1 April 2008, its loss for the year ended 31 March 2008 and related disclosures in the financial statements.

(3) Material uncertainties relating to going concern basis

As explained in Note 2 to the financial statements, the directors planned to adopt certain proposed measures (the "Measures") with the view to improve the Group's financial and cash flow position and to maintain the Group as a going concern. The directors are of the opinion that the Measures will be successfully implemented.

The Group had net current liabilities of HK$128,317,000 and net liabilities of HK$365,705,000 as at 31 March 2009, which indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. The Company had net current liabilities of HK$92,250,000 and net liabilities of HK$290,323,000 as at 31 March 2009, which indicate the existence of a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern. These financial statements have been prepared on a going concern basis, the validity of which is dependent on the successful implementation of the Measures.

In the opinion of the directors, if the Measures are not successfully implemented, the Group and the Company would not be a going concern as at the balance sheet date. If that is the case, adjustments might have to be made to reduce the value of assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively. We consider that appropriate disclosures have been made. However, the uncertainties surrounding the outcome of the Measures raise significant doubt about the ability of the Group and the Company to continue as a going concern, we have disclaimed our opinion.

Disclaimer of opinion: Disclaimer on view given by financial statements

Because of the significance of the matters described in the basis for disclaimer of opinion paragraph, we do not express an opinion on the financial statements as to whether they give a true and fair view of the state of affairs of the Group and of the Company as at 31 March 2009 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards, and as to whether these financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Company is a limited company incorporated in the Cayman Islands and its shares are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company is an investment holding company. The principal activities of its principal subsidiaries are newspaper and book publication as well as property holding.

The year under review is inevitably another tough year for the Group. The Group suffered from the global economic turmoil resulted from the Financial Tsunami occurred in August last year, Both the publishing and advertising income of the Group dropped significantly as compared with those in the previous year.

The management has put much efforts to streamline the Group's operations by taking various measures to reduce cost and to improve effectiveness and efficiency in all respects of the operations. Administrative and operating costs have been reduced by approximately 45% as compared with the previous year. However, the gross loss margin arising from the operation results in the loss of the Group recorded for the year under review.

As mentioned in previous year's annual reports, the Group also had to face quite a number of court cases against the Group for various debts owed including outstanding salary payment, mandatory provident fund contributions owed to related authority and compensations to vendors for goods and services provided in the previous years. Most of these claims were settled during the year upon the successful granting of loan facilities to the Group from third parties.

FINANCIAL REVIEW

Review of Results

The Group's turnover for the year ended 31 March 2009 was approximately HK$31,490,000, a decrease of approximately HK$17,068,000 or 35% compared with approximately HK$48,558,000 for the previous year.

Loss attributable to the Company's shareholders for the year ended 31 March 2009 was approximately HK$64,460,000, an increase in losses of approximately HK$13,795,000 or 27% compared with approximately HK$50,665,000 for the previous year. The increase in losses was attributable to the combination of decrease in turnover, other net gains, and decrease in administrative and other operating expenses as compared with the results in the previous year.

Financial Resources and Liquidity

As at 31 March 2009, the Group did not maintain sufficient liquid funds and had net current liabilities of approximately HK$128,317,000 (2008: approximately HK$88,482,000). As at 31 March 2009, cash and bank balances were approximately HK$235,000 (2008: approximately HK$565,000).

As at 31 March 2009, the Group's total loans and borrowings amounted to approximately HK$334,761,000 (2008: approximately HK$255,952,000). Among the total amounts of such loan and borrowings, approximately HK$97,349,000 (2008: approximately HK$42,455,000) was payable within one year and approximately HK$237,412,000 (2008: approximately HK$213,497,000) payable after one year.

As at 31 March 2009, total unutilised loan facilities from a substantial shareholder and a third party amounted to approximately HK$40,000,000 (2008: approximately HK$16,836,000) and HK$14,750,000 (2008: Nil) respectively. Subsequent to the balance sheet date, on 20 May 2009, the Company entered into a loan agreement with a third party for an additional loan facility of HK$50,000,000 granted by it to the Company.

As at 31 March 2009, the Group recorded a total deficiency in capital of approximately HK$365,705,000 (2008: approximately HK$301,245,000).

Pledge of Assets

At 31 March 2009, no assets of the Company were pledged for loan facilities granted to the Group (2008: Nil).

Exposure to Fluctuation in Exchange Rates and Any Related Hedges

The Group's transactional currency is Hong Kong dollars. As substantially all the turnover is in Hong Kong dollar, the Group's transactional foreign exchange exposure is insignificant. Also, there is no hedging policy with respect to the foreign exchange exposure.

Contingent Liabilities

There were several cases brought forward from prior years related to defamation and infringement of copyright that remained unresolved. All of them were brought against Sing Pao Newspaper Company Limited ("SPNCL"), a wholly-owned subsidiary of the Group. Court judgments have not been stated and the amounts claimed were in aggregate totaling to approximately HK$517,000. In the directors' opinion, the liabilities are unlikely to crystallize and no provision had therefore been made in respect of these claims.

In July 2007, a licensee of SPNCL who acted as the defendant in a legal claim in relation to an action for copyright infringement, issued a third party notice to SPNCL. The defendant claimed against SPNCL for indemnity against the plantiff's claims and the cost of the action or contribution in respect of the plantiff's claims. A defence was filed by the Group in March 2008 denying all allegations against the Group. Judgments have not been stated up to the date of this report. In the directors' opinion, the liabilities are unlikely to crystallize and no provision had therefore been made in respect of the claim.

On 17 November 2009, a winding-up petition was filed by Mr. Leung Chi Man, Kenny to the High Court in relation to an alleged sum of approximately HK1,694,000 due to him by the Company. Such amount has been properly provided for in the financial statements for the year ended 31 March 2009.

Operating Lease Commitments

As at 31 March 2009, the total future minimum lease payments under operating leases are payable as follows:

	2009	2008
	HK$'000	*HK$'000*
Within one year	**6,145**	4,433
In the second to fifth year inclusive	**2,966**	3,351
	9,111	7,784

Operating lease payments represent rentals payable by the Group for certain of its office premises, motor vehicles and machinery. Leases are negotiated for an average term of three years and rentals are fixed throughout the respective lease periods.

BUSINESS OUTLOOK

The outlook for 2010 is uncertain. The knock-on effects of the financial storm are still coming to light and the common view is that the worst is not yet over. The management of the Company has taken prompt measures to address the challenges that we face. However, a general improvement on Hong Kong's economic situation towards 2010 can be expected, if according to a most recent report issued by the HKSAR Government, in which a 5% growth in GDP is forecasted in the forthcoming year.

Expansion of readership segments is difficult due to the existence of free-of-charge newspapers in circulation, the management of the Company will continue to exploring the business of being a subcontractor of other publishers as well as other business opportunity beyond Hong Kong to draw new source of income.

The management of the Company will continue its cost-saving policy to streamline all aspects of their workflow and optimize their use of resources to ensure that their operation base is as efficient as possible to help us weather the tough times.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2009, the Group employed 198 (2008: 124) staffs who are normally situated in Hong Kong. Employee remuneration, excluding directors' remuneration, for the year ended 31 March 2009 is approximately HK$27,072,000 (2008: approximately HK$29,843,000). The remuneration packages of the Group's employees are rewarded on individual performance-related basis and by reference to the market conditions.

DIVIDEND

The Directors do not recommend the payment of final dividend for the year ended 31 March 2009 (2008: Nil).

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the year ended 31 March 2009. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year ended 31 March 2009 (2008: Nil).

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

For the financial year ended 31 March 2009, the Company was in compliance with the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 15 to the GEM Listing Rules, which came into effect on 1 January 2005, except for the following:

1. Due to the practical reasons, 14 days' advance notifications have not been given to all meetings of the Board. Reason notifications have been given in respect of those meetings of the Board where it is not practical to give 14 days' advance notification. The Board will use its best endeavors to give 14 days' advance notification of board meeting to the extent practicable. (Code Provisions A.1.3);

2. The Board has engaged an independent consultancy to conduct a review of the internal control system of the Group and to assist the Group to design appropriate Internal Control Policies and Procedures with a view to ensure compliance of the GEM Listing Rules as well as the Principles and Code Provision. (Code Provision C.2.1);

3. Non-executive directors were not appointed for a specific term but are subject to retirement at the first general meeting after their appointments and thereafter to retirement by rotation at least once every three years and in accordance with the articles of association of the Company. (Code Provision A.4.1); and

4. No nomination committee was established to review the structure, size and composition of the Board on a regular basis. (Code Provision A.4.4).

Save as those mentioned above and in the opinion of the Directors, the Company has met the code provisions set out in the CG Code during the year ended 31 March 2009.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. YU Wai Ying, Sammy ("Mr. Yu") replaced Mr. WANG Fei as chief executive officer of the Company on 3 September 2008. On 28 September 2009, Ms. YIP Rossetti was appointed as the new chief executive officer of the Company upon Mr. Yu's resignation on the same date.

Mr. QIN Hong had been the chairman of the Company till 4 September 2009, the date on which he was removed by the Board. No other individual has been appointed as chairman of the Company to take up the vacancy up to the date of this announcement.

AUDIT COMMITTEE

The Company has established an audit committee ("Audit Committee") with written terms of reference in compliance with Rule 5.28 and 5.33 of the GEM Listing Rules. The duties of the Audit Committee include reviewing the Company's annual reports and quarterly financial reports and providing advice and comments thereon to the Board. The Audit Committee is also responsible for reviewing and supervising the Company's financial reporting and internal control procedures.

The Audit Committee comprises five independent non-executive directors, namely Mr. KONG Tze Wing, Mr. WONG Ching Yip, Mr. HUNG Yat Ming, WONG Ka Chun, Carson and Mr. PAN Chik. Mr. YAN Chun retired on 25 April 2008 at 2007 Annual General Meeting of the Company. Mr. JIANG Jin Sheng was removed on 4 September 2009. Both Mr. WONG Ching Yip and Mr. HUNG Yat Ming were appointed on 3 September 2008. Mr. WONG Ka Chun, Carson and Mr. PAN Chik were appointed on 4 September 2009.

The Group's audited annual results for the year ended 31 March 2009 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that the adequate disclosure have been made.

PUBLICATION OF FURTHER INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

This announcement is available for viewing on the Stock Exchange's website.

II. APPOINTMENT OF COMPLIANCE OFFICER

The Board also announces that with effect from 7 December 2009 Mr. WONG Yue Kwan, Alan, an executive director of the Company has been appointed as compliance officer of the Company to fill the vacancy as Mr. WANG Fei has been removed by the Board since 4 September 2009 (Reference is made to the announcement of the Company on 9 September 2009).

III. RETIREMENT OF INDEPENDENT NON-EXECUTIVE DIRECTOR

The Board also announces that Mr. YAN Chun ("**Mr. Yan**"), an independent non-executive director, retired by rotation at the 2007 Annual General Meeting (the "**2007 AGM**") which was held on 25 April 2008 and did not offer himself for re-election as an independent non-executive director due to his personal business development. Mr. Yan also ceased to be a member of audit committee and remuneration committee of the Company upon his retirement as an independent non-executive director.

Accordingly, Mr. Yan retired as an independent non-executive director at the conclusion of the 2007 AGM with effect from 25 April 2008.

Mr. Yan confirmed that he had no claims whatsoever against the Company for fees, compensation for loss of office, remuneration, severance payments, pension, expenses or otherwise and there was no disagreement with the Board and there were no matters relating to his retirement that need to be brought to the attention of the shareholders of the Company or the Stock Exchange.

The Board expresses its sincere gratitude to Mr. Yan for his contributions to the Company during the past years and offers its best wishes to Mr. Yan.

SUSPENSION OF TRADING

At the request of the Company, trading in the shares of the Company was suspended from 11:04 a.m. on 28 April 2005 and will remain suspended until further notice.

By Order of the Board
SMI Publishing Group Limited
WONG Yue Kwan, Alan
Executive Director

Hong Kong, 7 December 2009

As at the date of this announcement, the board of directors of the Company comprises ten directors, of which three are executive directors, namely, Messrs. WONG Yue Kwan, Alan, YU Wai Ying, Sammy and LAU Henry; two are non-executive directors, namely Messrs. IP Wing Lun and WONG Chi Fai, Theodore and five are independent non-executive directors, namely Messrs. KONG Tze Wing, WONG Ching Yip, HUNG Yat Ming, WONG Ka Chun, Carson and PAN Chik.

This announcement will remain on the "Latest Company Announcements" page of the Growth Enterprise Market website at www.hkgem.com for at least 7 days from the date of its posting.

* *For identification purpose only*