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)

ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2010

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.

ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2010

The board of directors (the "Board") of SMI Publishing Group Limited (the "Company") announces the consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2010 together with comparative figures for the year ended 31 March 2009 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
Turnover	6	**35,108**	31,490
Cost of sales		**(55,060)**	(51,281)
Gross loss		**(19,952)**	(19,791)
Other revenue and other net gains	7	**8,401**	2,334
Distribution costs		**(10,788)**	(518)
Administrative and other operating expenses		**(23,022)**	(22,791)
Loss from operations		**(45,361)**	(40,766)
Finance costs	8	**(20,721)**	(25,274)
Loss before income tax	9	**(66,082)**	(66,040)
Income tax	10	**2,339**	1,580
Loss for the year		**(63,743)**	(64,460)
Other comprehensive income		**–**	–
Total comprehensive income for the year		**(63,743)**	(64,460)
Loss for the year and total comprehensive income for the year attributable to owners of the Company		**(63,743)**	(64,460)
Dividend		**–**	–
Loss per share	11		
Basic and diluted		**(5.03 cents)**	(6.50 cents)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**3,162**	2,257
Leasehold land		**112**	115
Interest in an associate		**–**	–
		3,274	2,372
Current assets			
Inventories		**–**	–
Trade and other receivables	*12*	**8,623**	7,840
Cash and cash equivalents		**5,627**	235
		14,250	8,075
Current liabilities			
Borrowings	*14(a)*	**71,736**	60,218
Convertible note		**1,914**	37,131
Trade and other payables	*13*	**22,098**	26,769
Taxation		**12,090**	12,274
		(107,838)	(136,392)
Net current liabilities		**(93,588)**	(128,317)
TOTAL ASSETS LESS CURRENT LIABILITIES		**(90,314)**	(125,945)
Non-current liabilities			
Borrowings	*14(a)*	**296,095**	237,412
Deferred tax liabilities		**9**	2,348
		(296,104)	(239,760)
NET LIABILITIES		**(386,418)**	(365,705)
CAPITAL AND RESERVES			
Share capital		**97,584**	49,584
Reserves		**(484,002)**	(415,289)
CAPITAL DEFICIENCY		**(386,418)**	(365,705)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2010

	Attributable to owners 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 31 March 2008 and at 1 April 2008	49,584	127,764	18,520	72,894	121,914	43	231,340	(923,304)	(301,245)
Total comprehensive income for the year	–	–	–	–	–	–	–	(64,460)	(64,460)
Deconsolidation of subsidiaries	–	–	–	–	(121,914)	–	–	121,914	–
At 31 March 2009 and at 1 April 2009	49,584	127,764	18,520	72,894	–	43	231,340	(865,850)	(365,705)
Total comprehensive income for the year	–	–	–	–	–	–	–	(63,743)	(63,743)
Conversion of convertible note	48,000	12,809	(17,779)	–	–	–	–	–	43,030
At 31 March 2010	97,584	140,573	741	72,894	–	43	231,340	(929,593)	(386,418)

NOTES:

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

The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") are the publication of newspapers, magazines and books.

At 31 March 2010, the directors consider Strategic Media International Limited ("Strategic Media"), which is incorporated in the British Virgin Islands is the ultimate holding company and a substantial shareholder of the Company.

2. Basis of presentation

The Group sustained consolidated loss for the year and total comprehensive income for the year attributable to owners of the Company of approximately HK$63,743,000 (2009: approximately HK$64,460,000) for the year ended 31 March 2010. At 31 March 2010, the Group had consolidated net current liabilities and net liabilities of approximately HK$93,588,000 (2009: approximately HK$128,317,000) and approximately HK$386,418,000 (2009: approximately HK$365,705,000), 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:

(a) the directors plan to seek financial support from Billion Wealth (as defined in Note 14(a)(iii)) to provide adequate funds for the Group to meet its liabilities as they fall due, both present and future;

(b) the directors have identified and have been negotiating with Billion Wealth for proposed capital injection arrangements; and

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

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. Adoption of Hong Kong Financial Reporting Standards ("HKFRSs")

The Group has adopted the following new/revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are effective for the current accounting period:

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 and 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC)-Interpretation 9 and HKAS 39 (Amendments)	Embedded derivatives
HK(IFRIC) – Interpretation 13	Customer Loyalty Programmes
HK(IFRIC) – Interpretation 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Interpretation 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Interpretation 18	Transfers of Assets from Customers

The adoption of the above new/revised HKFRSs had no material effect on the reported results or financial position of the Group for both the current and prior reporting periods, except for certain presentational change as a result of adopting HKAS 1 (Revised). Comparative figures have been restated or included in these financial statements in order to achieve a consistent presentation. The statements of financial position, previously known as balance sheets, at the beginning of the year ended 31 March 2009 have not been presented as there were no changes to the originally published statements.

The following new/revised HKFRSs, potentially relevant to the Group's operations, have been issued but are not yet effective and have not been early adopted by the Group.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs [1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009 [2]
HKFRSs (Amendments)	Improvements to HKFRSs 2010 [3]
Amendments to HKFRS 2	Share-based Payment – Group Cash-settled Share-based Payment Transactions [4]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements [1]
HKFRS 3 (Revised)	Business Combinations [1]
HK(IFRIC) – Interpretation 17	Distributions of Non-cash Assets to Owners [1]
HK(IFRIC) – Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments [5]
HKAS 24 (Revised)	Related Party Disclosures [6]
HKFRS 9	Financial Instruments [7]

Effective date:

[1] *Effective for annual periods beginning on or after 1 July 2009*

[2] *Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.*

[3] *Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.*

[4] *Effective for annual periods beginning on or after 1 January 2010*

[5] *Effective for annual periods beginning on or after 1 July 2010*

[6] *Effective for annual periods beginning on or after 1 January 2011*

[7] *Effective for annual periods beginning on or after 1 January 2013*

The Group is in the process of making an assessment of the potential impact of these new/revised HKFRSs and the directors so far concluded that the application of these new/revised HKFRSs will have no material impact on the results and the financial position of the Group.

4. Significant accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable HKFRSs, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the GEM Listing Rules.

(b) Basis of preparation of financial statements

These financial statements have been prepared under the historical cost convention.

(c) Basis of consolidation

These financial statements incorporate the financial statements of the Company and its subsidiaries.

The results of subsidiaries acquired and disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All intercompany transactions, balances and unrealised gains on transactions between group enterprises are eliminated in full on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment on the asset transferred.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

5. Segment information

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions.

The Group operates one business segment, which is the publication of newspaper, magazines and books and therefore, no further business segment analysis is presented.

All operating assets and operations of the Group during the years ended 31 March 2010 and 2009 were substantially located and carried out in Hong Kong.

The Group's revenue from external customers is principally derived from its operation in Hong Kong. The Group's customer base is diversified and there was no customer with whom transactions have exceeded 10% of the Group's revenue.

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:

	2010	2009
	HK$'000	*HK$'000*
Sale of newspapers, magazine and books	**18,753**	21,054
Newspapers and magazine advertising income	**16,355**	10,436
	35,108	31,490

Included in newspapers and magazine advertising income is an amount of approximately HK$3,500,000 (2009: approximately HK$1,152,000) in respect of barter transactions entered into during the year.

7. Other revenue and other net gains

	2010	2009
	HK$'000	*HK$'000*
Other revenue:		
Reversal of other payables	**850**	1,068
Reversal of impairment loss on trade receivables	**–**	574
Imputed interest income on other borrowings *(Note 14(a)(iii))*	**6,000**	–
Sundry income	**1,545**	692
	8,395	2,334
Other net gains:		
Gain on disposal of property, plant and equipment	**6**	–
	8,401	2,334

8. Finance costs

	2010	2009
	HK$'000	*HK$'000*
Interest on bank borrowings wholly repayable within five years	**1**	1
Interest on other borrowings wholly repayable:		
within five years	**9,998**	12,696
after five years	**2,909**	2,998
Effective interest expenses on convertible note	**7,813**	9,579
	20,721	25,274

9. Loss before income tax

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

	2010	2009
	HK$'000	*HK$'000*
Auditor's remuneration	**850**	800
Depreciation	**1,202**	1,468
Amortisation of land lease premium	**3**	2
Provision for/(reversal of) impairment loss on trade receivables	**278**	(574)
Impairment loss on property, plant and equipment	**–**	1,140
Employee benefit expenses (including directors' emoluments)		
– salaries, wages and other benefits	**32,997**	26,909
– contributions to defined contribution retirement scheme	**1,260**	933
Minimum lease payments under operating leases on		
– machinery	**947**	418
– leasehold land and buildings	**5,065**	5,134
– motor vehicles	**465**	202
Cost of inventories (including write-down of inventories)	**–**	1,074

10. Income tax

Income tax credit in the consolidated statement of comprehensive income represents:

	2010	2009
	HK$'000	*HK$'000*
Deferred tax	**(2,339)**	(1,580)

No provision for Hong Kong profits tax (2009: HK$Nil) has been provided as the Group has no assessable profit generated during 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 owners of the Company of approximately HK$63,743,000 (2009: approximately HK$64,460,000) and the weighted average number of 1,266,644,875 (2009: 991,685,971) ordinary shares in issue during the year.

(b) Diluted loss per share

Diluted loss per share for the current and prior year 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 year.

12. Trade and other receivables

Included in trade and other receivables are trade receivables, net of allowance for doubtful debts of approximately HK$2,695,000 (2009: approximately HK$2,437,000), with the following aging analysis as of the end of reporting period:

	The Group	
	2010	2009
	HK$'000	*HK$'000*
0 to 30 days	**1,294**	1,592
31 to 60 days	**643**	203
61 to 120 days	**907**	–
Over 120 days	**1,166**	–
Trade receivables	**4,010**	1,795
Other receivables	**434**	349
Deposits and prepayments	**4,179**	5,696
	8,623	7,840

The average credit period on sale of goods is 30 days from the invoice date.

13. Trade and other payables

The following is the aging analysis of trade payables at the end of the reporting period:

	The Group	
	2010	2009
	HK$'000	*HK$'000*
0 – 30 days	**1,582**	5,151
31 – 90 days	**358**	201
Over 90 days	**5,698**	5,526
Trade payables	**7,638**	10,878
Other payables	**14,460**	15,891
	22,098	26,769

14. Borrowings

(a) Borrowings

	The Group	
	2010	2009
	HK$'000	*HK$'000*
Loans from a substantial shareholder, unsecured *(Note (i))*	**909**	909
Loans from related companies, unsecured *(Note (ii))*	**6,266**	7,464
Loans from third parties, unsecured *(Note (iii))*	**360,656**	289,257
	367,831	297,630
Analysed as:		
Current	**71,736**	60,218
Non-current	**296,095**	237,412
	367,831	297,630

Notes:

(i) The amount represents loans granted by Strategic Media, a substantial shareholder. The amount is unsecured, interest-free and repayable on demand. As at the end of the reporting period, 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 2010. As at the end of the reporting period, the balances were 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 which was fully utilised (2009: utilised in the amount of approximately HK$45,250,000) by the Group as at the end of the reporting period. 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:

– 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 approximately HK$91,190,000 due to Strategic Media by the Company (the "Assigned Loan"); 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.

As at 31 March 2010, the Assigned Loan with its interests generated, in aggregate, amounted to approximately HK$117,532,000 (2009: approximately HK$112,060,000) for the Group. As at the end of the reporting period, the Assigned Loan, which is unsecured, interest bearing at Hong Kong prime rate plus 1% per annum and is not repayable within one year was assigned from Strategic Media to Billion Wealth.

On 20 May 2009, Billion Wealth further entered into a loan agreement to provide the Company a loan facility of HK$50,000,000. As at the end of the reporting period, the loan facility in the amount of approximately HK$41,551,000 was utilised by the Group. The loan is interest-free and repayable on the date falling upon the resumption in the shares of the Company. The loan was classified under non-current liabilities as at 31 March 2010.

Resulting in the initial recognition of the interest-free borrowing facilities of HK$60,000,000 and approximately HK$41,551,000, an imputed interest income of approximately HK$6,000,000 was credited to the consolidated statement of comprehensive income of the Group on the interest-free loan facilities granted by Billion Wealth for the year ended 31 March 2010.

The amount also comprises loans granted by the former shareholders and their subsidiaries of approximately HK$76,746,000 (2009: approximately HK$72,638,000) to the Group. The loans 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. During the year, an amount of approximately HK$57,185,000 out of the above loans due by the Group was assigned to Billion Wealth. The loans were classified under non-current liabilities as at 31 March 2010.

The remaining amounts of approximately HK$70,827,000 (2009: approximately HK$59,309,000) due by the Group are unsecured, interest-free and repayable within one year from the end of reporting period or on demand except for amounts of approximately HK$47,120,000 (2009: approximately HK$35,353,000) due by the Group which bear interest at the rates ranging from 0.5% to 24.0% per annum (2009: ranging from 12.0% to 36.0% per annum) borrowed from independent third parties.

As at the end of reporting period, certain of the above balances were in dispute with the respective parties *(Note 14(b))*.

(b) Borrowings under dispute

Included in the borrowings as at the end of the reporting period were certain 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.

The Group had accrued interest expenses of approximately HK$277,000 (2009: approximately HK$2,346,000) included in the finance costs of the Group for the year ended 31 March 2010. Despite the borrowings from above are under dispute as at the reporting date, interest expenses were charged based on the amounts due and the applicable interest rates.

An analysis of the borrowings under dispute is as follows:

	The Group	
	2010	2009
	HK$'000	*HK$'000*
Loans from a substantial shareholder, unsecured	**909**	909
Loans from related companies, unsecured	**6,266**	7,464
Loans from third parties, unsecured	**15,915**	69,625
	23,090	77,998
Analysed as:		
Current	**15,349**	15,349
Non-current	**7,741**	62,649
	23,090	77,998

During the year, a disputed loan from a former shareholder of approximately HK$57,185,000 was assigned to Billion Wealth as further detailed in Note 14(a)(iii).

AN EXTRACT OF AUDITOR'S 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 2010 are borrowings of approximately HK$23,090,000 and HK$13,691,000 respectively due to several parties. Included in the finance costs in the statements of comprehensive income of the Group and the Company for the year ended 31 March 2010 are accrued interest expenses of approximately HK$277,000 and HK$219,000, respectively based on the amounts due and the applicable interest rates. However, as further 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 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 and interest expenses were fairly stated, which would have a consequential significant effect on net current liabilities and net liabilities of the Group and the Company as at 31 March 2010, their losses for the year then ended and the related disclosures in the financial statements.

(2) Material uncertainties relating to going concern basis

As further 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 approximately HK$93,588,000 and net liabilities of approximately HK$386,418,000 as at 31 March 2010, 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 approximately HK$71,026,000 and net liabilities of approximately HK$323,925,000 as at 31 March 2010, 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 end of reporting date.

The material uncertainty with regard to whether or not the Measures are successfully implemented is so fundamental that it casts significant doubt about the ability of the Group to continue as a going concern. Our opinion is qualified in this respect.

Should the going concern assumption be inappropriate, 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.

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 2010 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 GEM of 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. With an effective cost containment plan, the Group's administrative expense was under controlled. Major expenses were used to promote the Company in way of placing advertisement in other media such as Roadshow, Metro Broadcast and other magazine. In May 2009, we had a series of celebrating activities for our 70th anniversary.

Under such intensive campaigns, the Group's turnover regains growth by approximately 11.5% after a five-consecutive-years dropping trend. The net loss for the year also recorded a gentle decrease of approximately 1.1% comparing with the previous year.

FINANCIAL REVIEW

Review of Results

The Group's turnover for the year ended 31 March 2010 was approximately HK$35,108,000, an increase of approximately HK$3,618,000 or 11.5% as compared with approximately HK$31,490,000 for the previous year. The increase in turnover was due to the increase in advertising income by approximately 56.7% as compared to the previous year.

Loss attributable to the Company's shareholders for the year ended 31 March 2010 was approximately HK$63,743,000, a decrease in loss of approximately HK$717,000 or 1.1% as compared with loss of approximately HK$64,460,000 for the previous year. The decrease in losses was attributable to i) the increase in cost incured for marketing campaigns carried out during the year; ii) the decrease in finance costs and iii) the increase in other revenue arising from the imputed interest income on interest-free borrowings.

Financial Resources and Liquidity

As at 31 March 2010, the Group did not maintain sufficient liquid funds and had net current liabilities of approximately HK$93,588,000 (2009: approximately HK$128,317,000). As at 31 March 2010, cash and bank balances were approximately HK$5,627,000 (2009: approximately HK$235,000).

As at 31 March 2010, the Group's total loans and borrowings amounted to approximately HK$369,745,000 (2009: approximately HK$334,761,000). Among the total amounts of such loan and borrowings, approximately HK$73,650,000 (2009: approximately HK$97,349,000) was payable within one year and approximately HK$296,095,000 (2009: approximately HK$237,412,000) payable after one year.

As at 31 March 2010, total unutilized loan facilities from a third party amounted to approximately HK$8,449,000 (2009: approximately HK$14,750,000).

As at 31 March 2010, the Group recorded a total deficiency in capital of approximately HK$386,418,000 (2009: approximately HK$365,705,000).

Pledge of Assets

At 31 March 2010, no assets of the Company were pledged for loan facilities granted to the Group (2009: 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 court 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 crystallise 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 plaintiff's claims and the cost of the action or contribution in respect of the plaintiff's claims. A defense was filed by the Group in March 2009 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 crystallise and no provision had therefore been made in respect of the claim.

Operating Lease Commitments

As at 31 March 2010, the total future minimum lease payments under operating leases are payable as follows:

	2010	2009
	HK$'000	*HK$'000*
Within one year	**4,975**	6,145
In the second to fifth year inclusive	**4,571**	2,966
	9,546	9,111

Operating lease payments represent rentals payable by the Group for certain of its workshop, 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 management of the Company has a view to continue to focus on driving its core business forward. The Company has worked with other parties (including famous writers) to broaden its distribution network and to extend its market coverage. Pamphlets for special events (such as World Expo and World Cup), topics as well as extra editions for Friday Entertainment news have been launched since May of 2010.

Pursuant to an agreement signed between the Group and China National Publications Import & Export Corporation, Shenzhen Branch ("CN Publication") on 17 May 2010, the Group would distribute and CN Publication agreed to import, transport and promote Sing Pao Daily in certain provinces in PRC, including Yunnan, Jianxi, Hunan and Fujian, etc with effect from May 2010, for a term of one year at the initial stage. Such move will help the Group to explore the enormous media market in PRC in the coming years.

On the other hand, to save the printing cost of newspapers and to capture the opportunities arising from the possible increasing in circulation and the demand for printing of other free newspapers, the Group is re-establishing its printing factory and will re-operate its printing machines from the third quarter of this year.

The Group has cautiously and continuously studied diversification opportunities to enable the highest possible leverage on its business. This will further enable the Group to maintain its operation efficiencies and to control its production costs, in order to sustain its financial conditions.

In all the time, the Group will continue to monitor and control its costs carefully in the coming year. Even so, the Group will never falter in its missions, to deliver truth and fair information with the highest standards of quality and professionalism to their readers and advertisers.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2010, the Group employed 187 (2009: 198) staffs who are normally situated in Hong Kong. Employee remuneration, including directors' remuneration, for the year ended 31 March 2010 was approximately HK$34,257,000 (2009: approximately HK$27,842,000). 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 2010 (2009: HK$Nil).

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the year ended 31 March 2010. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year ended 31 March 2010 (2009: Nil).

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

During the year ended 31 March 2010, the Company was in compliance with the code provisions as set out in Appendix 15: "The Code on Corporate Governance Practices" (the "CG Code") of the GEM Listing Rules, except for the following:

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

2. The Board has engaged an independent consultant 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 were subject to retirement at the first general meeting after their appointment 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, in the opinion of the Directors, the Company has met with the code provisions as set out in the CG Code during the year ended 31 March 2010.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Ms. YIP Rossetti was appointed as the chief executive officer of the Company upon Mr. YU Wai Ying, Sammy's resignation on 29 September 2009.

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 report.

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 four independent non-executive directors, namely Mr. KONG Tze Wing, Mr. HUNG Yat Ming, Mr. WONG Ka Chun, Carson and Mr. PAN Chik. Mr. WONG Ka Chun, Carson and Mr. PAN Chik were appointed on 4 September 2009. Mr. JIANG Jin Sheng was removed on 4 September 2009. Mr. WONG Ching Yip was re-designated to executive director on 13 May 2010.

The Group's audited annual results for the year ended 31 March 2010 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.

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
MA Shui Cheong
Executive Director

Hong Kong, 21 June 2010

As at the date of this announcement, the board of directors of the Company comprises eleven directors, of which five are executive directors, namely, Messrs. WONG Yue Kwan, Alan, YU Wai Ying, Sammy, LAU Henry, WONG Ching Yip and MA Shui Cheong; two are non-executive directors, namely Messrs. IP Wing Lun and WONG Chi Fai, Theodore and four are independent non-executive directors, namely Messrs. KONG Tze Wing, 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*