



# 2002/2003

## INTERIM REPORT

### Sing Pao Media Group Limited

(incorporated in the Cayman Islands with limited liability)



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## **Characteristics of The Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”)**

**GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. 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.**

**The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.**

*The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.*

*This report, for which the directors of Sing Pao Media Group Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to Sing Pao Media Group Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

## HALF-YEARLY RESULTS

The unaudited consolidated results of Sing Pao Media Group Limited (the "Company") and its subsidiaries (together, the "Group") for the three and six months ended 30th September, 2002, together with the comparative unaudited figures for the corresponding periods in 2001 are as follows:

## CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Three months ended 30th September,		Six months ended 30th September,	
		2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Turnover	3	47,106	6,731	91,107	14,818
Cost of sales		<u>(53,136)</u>	<u>(10,773)</u>	<u>(105,301)</u>	<u>(21,239)</u>
Gross loss		(6,030)	(4,042)	(14,194)	(6,421)
Other revenue		1,196	278	2,458	906
Advertising and promotion expenses		(6,652)	(1,598)	(9,681)	(1,790)
Administrative expenses		(20,628)	(8,693)	(40,739)	(21,313)
Impairment loss recognised in respect of investments in securities		(2,049)	–	(4,533)	–
Cost of streamlining operations		<u>–</u>	<u>(2,373)</u>	<u>–</u>	<u>(4,240)</u>
Loss from operations	4	(34,163)	(16,428)	(66,689)	(32,858)
Finance costs	5	(2,704)	(1,366)	(5,084)	(2,841)
Share of results of associates		(322)	–	(499)	(98)
Taxation	6	–	–	–	–
Minority interests		<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Net loss for the period		<u>(37,189)</u>	<u>(17,794)</u>	<u>(72,272)</u>	<u>(35,797)</u>
Loss per share (HK cents)	7	<u>(14.2)</u>	<u>(26.5)</u>	<u>(30.5)</u>	<u>(53.3)</u>

## CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	As at 30th September, 2002 HK\$'000 (unaudited)	As at 31st March, 2002 HK\$'000 (audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	8	108,591	117,075
Goodwill		520	–
Intangible assets		198,499	203,754
Interests in associates		2,482	4,094
Investments in securities		967	5,500
Pledged deposit placed with a finance company		5,000	10,000
		<b>316,059</b>	<b>340,423</b>
<b>CURRENT ASSETS</b>			
Inventories		2,412	2,865
Trade and other receivables	9	29,245	33,012
Prepaid airtime		38,767	41,806
Receivables from related parties		4,391	4,550
Bank balances and cash		88,033	24,163
		<b>162,848</b>	<b>106,396</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	10	37,290	43,210
Payable to an associate		–	45
Payables to related parties		3,869	19,097
Obligations under finance leases – due within one year		7,430	7,360
Payables to shareholders		131,415	–
		<b>180,004</b>	<b>69,712</b>
<b>NET CURRENT (LIABILITIES) ASSETS</b>			
		<b>(17,156)</b>	<b>36,684</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		<b>298,903</b>	<b>377,107</b>
<b>NON-CURRENT LIABILITIES</b>			
Obligations under finance leases – due after one year		13,652	17,408
Payables to shareholders		–	103,543
		<b>13,652</b>	<b>120,951</b>
		<b>285,251</b>	<b>256,156</b>
<b>CAPITAL AND RESERVES</b>			
Share capital	11	23,421	416,377
Reserves		261,830	(160,221)
		<b>285,251</b>	<b>256,156</b>

**CONDENSED STATEMENT OF CHANGES IN EQUITY**

	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Exchange reserve HK\$'000	Distributable reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1st April, 2001	102,550	123,597	121,914	1	-	(254,275)	93,787
Net loss for the period	-	-	-	-	-	(35,797)	(35,797)
At 30th September, 2001	102,550	123,597	121,914	1	-	(290,072)	57,990
Rights issue of shares	153,825	-	-	-	-	-	153,825
Share issue expenses	-	(5,337)	-	-	-	-	(5,337)
Issue of shares to acquire subsidiaries	160,000	-	-	-	-	-	160,000
Exercise of warrants	2	-	-	-	-	-	2
Reserve released on disposal of a subsidiary	-	-	-	(1)	-	-	(1)
Exchange differences arising from translation of accounts of overseas operations	-	-	-	2,773	-	-	2,773
Net loss for the period	-	-	-	-	-	(113,096)	(113,096)
At 31st March, 2002 and 1st April, 2002	416,377	118,260	121,914	2,773	-	(403,168)	256,156
Capital reduction	(405,968)	(110,000)	-	-	93,215	422,753	-
Rights issue of shares	13,012	91,083	-	-	-	-	104,095
Share issue expenses	-	(2,721)	-	-	-	-	(2,721)
Exchange differences arising from translation of accounts of overseas operations	-	-	-	(7)	-	-	(7)
Net loss for the period	-	-	-	-	-	(72,272)	(72,272)
At 30th September, 2002	23,421	96,622	121,914	2,766	93,215	(52,687)	285,251

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended	
	2002	2001
	HK\$'000	HK\$'000
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(43,588)	(26,072)
NET CASH (OUTFLOW)/INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	(864)	683
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	<u>(1,366)</u>	<u>(1,438)</u>
NET CASH OUTFLOW BEFORE FINANCING ACTIVITIES	(45,818)	(26,827)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	<u>109,688</u>	<u>(363)</u>
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	63,870	(27,190)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	<u>24,163</u>	<u>57,476</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u><u>88,033</u></u>	<u><u>30,286</u></u>

Notes:

## 1. Basis of preparation and accounting policies

The unaudited condensed financial statements have been prepared in accordance with the Statement of Standard Accounting Practice (“SSAP”) 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants and with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the Growth Enterprise Market (“GEM Listing Rules”).

The accounting policies and methods of computation adopted are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31st March, 2002.

## 2. Business and geographical segments

### Business segment

For management purposes, the Group is currently organised into the following divisions. These divisions are the basis on which the Group reports its primary segment information.

An analysis of the Group’s revenue and contribution to operating results and assets and liabilities by business segment is as follows:

*For the six months ended 30th September, 2002*

	Newspaper and magazine business HK\$'000	Website business HK\$'000	Others HK\$'000	Consolidated HK\$'000
Revenue, excluding interest income	91,082	2,061	–	93,143
Segment result	(55,759)	(4,857)	(6,495)	(67,111)
Interest income	196	226	–	422
Finance costs	(2,866)	(2,218)	–	(5,084)
Share of results of associates	–	(499)	–	(499)
Loss before minority interests	(58,429)	(7,348)	(6,495)	(72,272)
<b>ASSETS</b>				
Segment assets	386,055	70,259	19,144	475,458
Interests in associates	–	2,482	–	2,482
Investments in securities	–	–	967	967
Consolidated total assets	386,055	72,741	20,111	478,907
<b>LIABILITIES</b>				
Segment liabilities	107,969	83,179	2,508	193,656
	278,086	(10,438)	17,603	285,251

## 2. Business and geographical segments (Continued)

### Business segment (Continued)

For the six months ended 30th September, 2002

	Newspaper and magazine business HK\$'000	Website business HK\$'000	Others HK\$'000	Consolidated HK\$'000
OTHER INFORMATION				
Capital expenditure				
property, plant and equipment	3,158	-	-	3,158
Depreciation and amortisation	15,037	1,684	-	16,721
Impairment loss recognised in respect of investments in securities	-	-	4,533	4,533
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

More than 90% of the Group's turnover and operating results are derived from Hong Kong during this period. Accordingly, no segmental analysis by geographical market is presented for this period.

## 3. Turnover

Turnover represents the aggregate of the net amounts received and receivables from third parties in respect of goods sold and services rendered and is summarised as follows:

	Three months ended 30th September,		Six months ended 30th September,	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Newspapers and magazines advertising income	24,414	-	45,565	-
Sales of newspapers and magazines	22,250	-	44,286	-
Advertising and sponsorship	-	4,655	-	8,811
Consultancy services	30	1,270	159	4,216
Internet website content sales	380	702	1,056	1,657
Sales of goods, net of discounts and allowances	32	104	41	134
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	<u>47,106</u>	<u>6,731</u>	<u>91,107</u>	<u>14,818</u>



**4. Loss from operations**

	Three months ended		Six months ended	
	30th September,		30th September,	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss from operations has been arrived at after charging:				
Amortisation of intangible assets included in administrative expenses	2,633	750	5,267	750
Depreciation of property, plant and equipment	5,738	4,596	11,454	9,606
	<u>5,738</u>	<u>4,596</u>	<u>11,454</u>	<u>9,606</u>

**5. Finance costs**

	Three months ended		Six months ended	
	30th September,		30th September,	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Interests on:</b>				
Shareholders' loans	2,123	35	3,872	2,772
Finance leases	288	1,331	617	69
Loan from a related party	293	–	595	–
	<u>2,704</u>	<u>1,366</u>	<u>5,084</u>	<u>2,841</u>

**6. Taxation**

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group has no estimated assessable profit for both periods. The Group has no estimated assessable profits in other jurisdictions for both periods.

## 7. Loss per share

The calculation of the basic loss per share for the three months and six months ended 30th September, 2002 is based on the respective unaudited consolidated net loss of approximately HK\$37,189,000 and HK\$72,272,000 (2001 : HK\$17,794,000 and HK\$35,797,000) and the weighted average number of 261,599,268 shares and 236,582,319 shares (2001 : 67,170,250 shares and 67,170,250 shares adjusted by rights issues) in issue during the periods.

As required by paragraph 42 of SSAP 5 "Earnings per share", the weighted average number of ordinary shares for the purpose of calculating basic loss per share for 2002 and 2001 has been adjusted for the effect of share consolidation completed on 28th May, 2002.

The calculation of diluted loss per share does not assume the exercise of the Company's outstanding share options and warrants as their exercise would have an anti-dilutive effect on the loss per share.

## 8. Property, plant and equipment

	Land & Building	Leasehold Improvement	Machinery & Equipment	Furniture, Fixtures & Equipment	Network & Computer Equipment	Operating Equipment	Motor Vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>At Cost</b>								
At 1st April, 2002	500	3,355	105,144	3,788	59,474	2,643	1,274	176,178
Acquisition of subsidiaries	-	-	-	106	413	462	-	981
Addition	-	-	407	251	1,410	-	109	2,177
Disposal	-	-	(152)	(18)	(635)	(87)	-	(892)
Exchange realignment	-	-	-	-	(1)	-	-	(1)
At 30th September, 2002	<u>500</u>	<u>3,355</u>	<u>105,399</u>	<u>4,127</u>	<u>60,661</u>	<u>3,018</u>	<u>1,383</u>	<u>178,443</u>
<b>Depreciation</b>								
At 1st April, 2002	10	1,912	4,819	1,750	48,728	1,832	52	59,103
Provided during the period	10	132	8,793	206	2,047	160	106	11,454
Disposal during the period	-	-	(34)	(14)	(591)	(66)	-	(705)
Exchange realignment	-	-	-	-	-	-	-	-
At 30th September, 2002	<u>20</u>	<u>2,044</u>	<u>13,578</u>	<u>1,942</u>	<u>50,184</u>	<u>1,926</u>	<u>158</u>	<u>69,852</u>
<b>Net Book Value</b>								
At 30th September, 2002	<u>480</u>	<u>1,311</u>	<u>91,821</u>	<u>2,185</u>	<u>10,477</u>	<u>1,092</u>	<u>1,225</u>	<u>108,591</u>
At 31st March, 2002	<u>490</u>	<u>1,443</u>	<u>100,325</u>	<u>2,038</u>	<u>10,746</u>	<u>811</u>	<u>1,222</u>	<u>117,075</u>



#### 9. Trade and other receivables

The Group allows its trade customers a credit period ranging from 30 days to 60 days. An aged analysis of the trade and other receivables is as follows:

	<b>As at 30th September, 2002 HK\$'000</b>	<b>As at 31st March, 2002 HK\$'000</b>
Up to 30 days	13,754	16,428
31 – 90 days	5,153	2,770
Over 90 days	1,017	4,555
	<hr/>	<hr/>
Trade receivables	19,924	23,753
Other receivables	9,321	9,259
	<hr/>	<hr/>
	<b>29,245</b>	<b>33,012</b>
	<hr/> <hr/>	<hr/> <hr/>

#### 10. Trade and other payables

An aged analysis of the trade and other payables is as follows:

	<b>As at 30th September, 2002 HK\$'000</b>	<b>As at 31st March, 2002 HK\$'000</b>
Up to 30 days	15,161	15,160
31 – 90 days	4,146	3,150
Over 90 days	2,343	4,522
	<hr/>	<hr/>
Trade payables	21,650	22,832
Other payables	15,640	20,378
	<hr/>	<hr/>
	<b>37,290</b>	<b>43,210</b>
	<hr/> <hr/>	<hr/> <hr/>

## 11. Share capital

	Number of shares	Amount HK\$'000
<b>Authorised:</b>		
Ordinary shares of HK\$0.10 each at 1st April, 2001 and 31st March, 2002	10,000,000,000	1,000,000
Reduction of share capital and consolidation of ordinary shares ( <i>note a</i> )	(9,500,000,000)	(975,000)
Increase in authorised share capital ( <i>note b</i> )	<u>1,500,000,000</u>	<u>75,000</u>
Ordinary shares of HK\$0.05 each at 30th September, 2002	<u>2,000,000,000</u>	<u>100,000</u>
<b>Issued and fully paid:</b>		
Ordinary shares of HK\$0.10 each at 1st April, 2001	1,025,500,000	102,550
Rights issue of shares ( <i>note c</i> )	1,538,250,000	153,825
Issue of shares to acquire subsidiaries ( <i>note d</i> )	1,600,000,000	160,000
Exercise of warrants	<u>19,000</u>	<u>2</u>
Ordinary shares of HK\$0.10 each at 31st March, 2002	4,163,769,000	416,377
Reduction of share capital and consolidation of ordinary shares ( <i>note a</i> )	(3,955,580,550)	(405,968)
Exercise of warrants	75	0
Rights issue of shares ( <i>note e</i> )	<u>260,235,656</u>	<u>13,012</u>
Ordinary shares of HK\$0.05 each at 30th September, 2002	<u>468,424,181</u>	<u>23,421</u>





*notes:*

- (a) In May 2002, with the approval of the Grand Court of the Cayman Islands together with the shareholders' resolutions in an extraordinary general meeting held in March 2002, the Company carried out a capital reorganisation:
- adjusting the nominal value of the shares in the Company by reducing the nominal value of 4,163,769,000 shares of HK\$0.10 each to HK\$0.0025 each ("Adjusted Shares") by the cancellation of HK\$0.0975 paid up share capital on each issued share;
  - consolidating on the basis of every twenty unissued and issued Adjusted Shares into one new share of HK\$0.05 each.
- (b) In August 2002, the resolution regarding the increase of the authorised share capital of the Company from HK\$25,000,000 to HK\$100,000,000 by the creation of an additional 1,500,000,000 new shares of HK\$0.05 each was passed.
- (c) In November 2001, 1,538,250,000 new shares of HK\$0.10 each were issued by way of rights issue at an issue price of HK\$0.10 per rights share in the proportion of three rights shares for every two shares then held to provide additional working capital to the Company.
- (d) Pursuant to an acquisition agreement entered into between the Company and Expert Solution Limited on 24th September, 2001, the Company acquired the entire issued share capital of, and shareholder's loan to Actiwater Limited. The consideration was HK\$50,000,000 in cash plus the issuance of 1,600,000,000 new shares of HK\$0.10 each (the "Consideration Shares") in the Company. The conditions precedent were satisfied in December 2001 and the Consideration Shares were issued in December 2001.
- (e) In September 2002, 260,235,656 new shares of HK\$0.05 each were issued by way of rights issue at HK\$0.40 per rights share in the proportion of five rights shares for every four shares then held. Details of this transaction have been set out in the circular and the prospectus of the Company to its shareholders dated 12th August, 2002 and 28th August, 2002 respectively.

## INTERIM DIVIDEND

The board of directors does not recommend the payment of an interim dividend for the six months ended 30th September, 2002 (2001: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Analysis of the Group's performance

The Group's turnover for the period ended 30th September, 2002 was approximately HK\$91.1 million, an increase of approximately 514.8% as compared to the same period in 2001 of approximately HK\$14.8 million. The significant increase in revenue was mainly generated from advertising income and circulation sales of newspapers and magazines which in aggregate, had contributed to the Group's turnover of approximately HK\$89.9 million for the period under review.

Loss from operations increased from approximately HK\$32.9 million for the last corresponding period to approximately HK\$66.7 million for the current period. Net loss for the six months ended 30th September, 2002 increased from approximately HK\$35.8 million for the last corresponding period to approximately HK\$72.3 million in the current period. The increase in net loss of approximately HK\$36.5 million was mainly attributable to operating expenses incurred on the newly acquired newspaper and magazine businesses such as advertising and promotion, amortisation of trademark and depreciation on fixed assets which were accounted for in aggregate to approximately HK\$24.7 million. In addition, the Group recognised an impairment loss in respect of investments in securities of approximately HK\$4.5 million.

### Liquidity and financial resources

In September 2002, the Company had successfully raised a net sum of approximately HK\$102 million through the rights issue of 260,235,656 rights shares of HK\$0.05 each at HK\$0.40 per rights share on the basis of five rights shares for every four shares held. A related party loan of approximately HK\$19 million was repaid and the remaining proceeds had been retained as the general working capital of the Company.

As at 30th September, 2002, the Group had a total borrowing of about HK\$152.5 million comprising of about HK\$131.4 million payables to shareholders and about HK\$21.1 million in obligations under finance leases. The borrowings were denominated in Hong Kong dollars and carried interest at commercial rates. The Group also had a bank balance of about HK\$93 million as at 30th September, 2002. Gearing ratio calculated as

a ratio of the total borrowing to shareholders' fund was approximately 53.5%. Although the borrowings from shareholders will be matured within one year, certain substantial shareholders have confirmed that they will not call upon the Group to repay any of the amounts due to them until the Group is in a financial position to do so.

It is the Group's policy to lease certain of its machinery and equipment under finance leases. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. An amount of HK\$5,000,000 has been placed with a finance company as security for the repayment of the remaining instalments.

The businesses of the Group were mainly conducted in Hong Kong and most transactions were settled in Hong Kong dollars. The exposure to fluctuations in exchange rates was, therefore, insignificant and no foreign currency hedging was required. As at 30th September, 2002, the Group did not have any material contingent liabilities.

## **Comments on segmental information and significant investments**

### ***Sing Pao Daily News***

Economic downturn has forced advertisers to tighten their budgets. Hence the Group has expanded into various areas to generate advertising revenues. Following the success of the launch of the weekly tabloid magazines "I.T. Space" & "Pearl River Delta" in last quarter, five additional titles were launched during this period, namely, "HK Hot Gossip", "Financial Times", "NaNa", "Property Guide" and "Whiz Kids" in an attempt to enhance the readability of the paper, to expand the readership base amongst underdeveloped target segments as well as to increase advertising revenue.

Furthermore, the Group had strengthened its marketing efforts during the period with an aim to explore new target segment and to generate noise level. Activities such as Tiffany Fan Club Gathering and F4-Vanness Music Video Female Cast Recruitment were organised which were succeeded in capturing interests of the young adults universe. A free distribution of cartoon VCDs promotion targeted at young parents was also run during the summer holiday period which had resulted in a significant increase on Sunday circulation. Riding on the success of the Horse Racing Section, Sing Pao Horse Racing Fan Club had conducted various types of gatherings including Macau Jockey Club Tour etc. to upkeep members' loyalty.

Competitors' aggressiveness of the newspaper business has led to increasingly intensified competition. In order to boost its competitive power, the Group will continue its efforts to entrench the market share by content development and enrichment, quality upgrading and cost-effective marketing campaigns. The strategy will enhance the Group's ability to generate income from advertising revenue and newspaper publication. With the effective cost control measures together with stable advertising revenue, the Group believes that the loss can be minimised.

### **Magazine Business**

In anticipation of the sluggish economy shall persist and the advertising spending may continue to decline, the Group will streamline its magazine business so as to reduce its operation cost. It is also the Group's strategy to explore new publications opportunities by riding on the existing editorial resources and sales marketing network so as to generate new source of revenue.

### **News and Entertainment Websites**

Despite significant competition, the Group managed to achieve satisfactory growth in both average daily page views and unique visitors. Average daily page views of *singpao.com* and *stareastnet.com* both increased to over 1 million during the second quarter ended 30th September 2002. The Group had recorded approximately 960,000 unique visitors from both websites as compared to 900,000 unique visitors by the end of June 2002.

A new Horse Racing Section has been added to *singpao.com* which including but not limited to, hot news, official news from Hong Kong Jockey Club, gossips and racing review news. Revamp of *singpao.com* made it to be a fully Extensible Markup Language ("XML") enabled website in which it is ready and easy for information exchange with other external communities.

To sustain member loyalty, a large-scale online photographic contest had been launched at *stareastnet.com* entertainment website during the summer time which made a successful noise within the communities. There are over 500 high quality, summer-feel photos submitted and recorded over 800,000 votes during the public voting session. This reaffirmed the Group's achievement and leading status in its entertainment content development.





To embrace the future challenges, the Group will continue to strengthen its foundation and endeavour to broaden its income sources by offering extensive news and entertainment content and related services. A comprehensive membership system will be embedded into our websites in order to provide a fully customised environment and exclusive value-added services for Internet users. Interactive polling section and a complete version of Personal Digital Assistant (“PDA”) for *singpao.com* will also be launched. To optimise the use of the internet, an online classified post submitting service will be launched soon. Users at anywhere around the world will be able to complete the process of posting, scheduling and payment by just a simple click.

### **Material acquisitions and disposals**

During the six months ended 30th September, 2002, the Group did not have any material acquisition and disposal of subsidiaries and affiliated companies. As at 30th September, 2002, the Group did not have any concrete future plan for material investments or capital assets.

### **Number of employees and remuneration policies**

As at 30th September, 2002, the Group employed approximately 575 (2001: 43) employees. Staff costs including Mandatory Provident Fund contribution amounting to approximately HK\$64.9 million were incurred (2001: approximately HK\$13.4 million).

The Group reviews its remuneration policies regularly and staff were being remunerated at competitive market rates.

## COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

As stated in the prospectus dated 23rd May, 2000, the directors are of the view that it is not practicable to state the Group's business plans in details on a half yearly basis beyond the year ended 31st March 2002. However, the directors have identified the following matters as representing the major focus of the Group's business objectives for the year ending 31st March, 2003.

### Business objectives up to the year ending 31st March, 2003

### Actual business pursued up to the six months ended 30th September, 2002

#### *Content development*

1. Continue to enrich the content with new interactive features that enable users to interact with one another more readily

The cost of producing content of the entertainment and life style portals has far exceeded the revenues generated by these portals. So such business objective has not been pursued.

2. Further expand the number of contracted artistes to offer new attractive proprietary content

Due to the global downtrend in the internet arena, the Group's target market has been changed by expanding beyond its core online advertising into offline media business. So such business objective has not been pursued.

3. Continue to produce and aggregate new content on the internet, focusing on areas not related to entertainment, for example health and psychology

The Group has already developed non-entertainment related content such as Chinese culture research on history, literature, language and philosophy which are ready for use in the 3rd generation mobile phone.

4. Continue to explore integration with other media including electronic books, in-flight entertainment and high-definition television

With the economy downturn in the internet market, such business objective has not been pursued.

#### *E-commerce development*

1. Continue to develop new attractions for celebrity auction sales and merchandise sales

The Group has continued to streamline its operation and such business objective has been discontinued.

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|---|--|
| 2. Recruit at least 10 vendors to host their products and services, such as the sale of production equipment and catering services, on the Group's B2B e-commerce platform for the entertainment industry | Such business objective has not been pursued.  |
| 3. Continue to form B2C e-commerce alliance with non-entertainment vendors, such as for cosmetics, electronic and fashion accessories, to expand e-commerce offerings                                     | An alliance with <i>wins88.com</i> was formed in October 2001 to provide the most updated information to our registered members on horse racing tips and statistics of previous horse racing events. |
| 4. Explore new developments in e-commerce and integrate such developments into the Group's strategy   | Such business objective has not been pursued.  |

#### *Technological development*

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| 1. Continue to incorporate new Web applications to support the introduction of new content and new features        | The Group has continued to enhance its platform by deploying the "XML-based" content management solution.  |
| 2. Further explore new content distribution channels, particularly for the purposes of high speed data delivery    | Most of the mobile phone network providers have announced to postpone the launch of the 3rd generation mobile phone services, the Group will observe the industry development and respond accordingly. |
| 3. Acquire new technologies to deliver content to personal digital assistance and other wireless handheld services | PDA version of entertainment news from Sing Pao Daily News has been launched in December 2001.   |

#### *Overseas expansion*

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| 1. Continue to develop new regional sites if appropriate target countries are identified | A number of overseas websites have been changed from operating on individual basis to mirror sites. So such business objective has not been pursued. |
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**DIRECTORS' INTERESTS IN SHARES**

As at 30th September, 2002, the interests of the directors and their respective associates in the share capital of the Company and its associated corporations as recorded in the register maintained by the Company pursuant to Section 29 of Hong Kong Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") or which are required, pursuant to Rules 5.40 to 5.59 of the GEM Listing Rules to be notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") were as follows:

**Interest in shares in the Company**

Name of director	Personal interests	Number of shares held		Other interests
		Family interests	Corporate interests	
Tam Wing Lun, Alan	-	-	4,357,500 ( <i>Note</i> )	-
Chan Pak Cheung, Natalis	-	-	4,357,500 ( <i>Note</i> )	-

*Note:* These shares are beneficially owned by Gold Miracles Limited, a company in which the relevant directors holds one third of its issued share capital. The relevant directors are therefore deemed to be interested in 4,357,500 shares in the Company.

Save as disclosed above, as at 30th September, 2002, none of the directors or their associates had any personal, family, corporate or other interests in the shares in the Company or any of its associated corporations as defined in the SDI Ordinance or which are required, pursuant to Rules 5.40 to 5.59 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.



**Directors' rights to acquire shares**

Pursuant to the Pre-IPO Share Option Scheme and the Employee Share Option Scheme as described below, as at 30th September, 2002, the directors of the Company had share options granted by the Company to subscribe for shares in the Company as follows:

Name of directors	Date of grant	Option period	Exercise price per share HK\$ (Note)	Number of underlying shares comprised in the options		
				Outstanding as at 1.4.2002 (Note)	Lapsed during the period	Outstanding as at 30.9.2002
Tam Wing Lun, Alan	26.5.2000	26.5.2000 to 25.5.2005	7.18	3,515,625	-	3,515,625
Wong Kun To	26.5.2000	26.5.2000 to 25.5.2005	7.18	3,515,625	-	3,515,625
	10.1.2001	10.1.2001 to 9.1.2006	6.70	1,687,500	-	1,687,500
Chan Pak Cheung, Natalis	26.5.2000	26.5.2000 to 25.5.2005	7.18	3,515,625	-	3,515,625
Chan Kong Sang, Jackie	26.5.2000	26.5.2000 to 25.5.2005	7.18	1,687,500	-	1,687,500
Masanori Suzuki	26.5.2000	26.5.2000 to 25.5.2005	7.18	281,250	-	281,250
Bradford Allen	26.5.2000	26.5.2000 to 25.5.2005	7.18	281,250	-	281,250
Dominic Lai	26.5.2000	26.5.2000 to 25.5.2005	7.18	281,250	-	281,250
Vincent Ting Kau Cheung	26.5.2000	26.5.2000 to 25.5.2005	7.18	281,250	-	281,250

*Note:* According to the respective terms of the Pre-IPO Share Option Scheme and the Employee Share Option Scheme of the Company, the subscription prices of the shares and the number of shares to be issued on the exercise of the outstanding share options have been adjusted in respect of the rights issue with effect from 17th September, 2002 ("Rights Issue") as disclosed in the Company's circular and prospectus dated 12th August, 2002 and 28th August, 2002 respectively.

The options are exercisable in accordance with the terms of the Pre-IPO Share Option Scheme and the Employee Share Option Scheme at any time during a period commencing 1 year after the date of grant and ending 5 years after the date of grant in accordance with the following schedule:

<b>Period since date of grant</b>	<b>Percentage of shares comprised in options which become exercisable</b>
Year 1	Zero
Year 2	up to 25%
Year 3	up to 50% (less the percentage of shares which arose upon the exercise of options between the first anniversary and the second anniversary)
Year 4	up to 75% (less the percentage of shares which arose upon the exercise of options between the first anniversary and the third anniversary)
Year 5	all shares in respect of which the options have not been previously exercised

None of the above options has been exercised during the six months ended 30th September, 2002.

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

## **PRE-IPO SHARE OPTION SCHEME AND EMPLOYEE SHARE OPTION SCHEME**

As at 30th September, 2002, options comprising an aggregate of 25,945,312 underlying shares (adjusted by the Rights Issue) granted pursuant to the Pre-IPO Share Option Scheme and the Employee Share Option Scheme were outstanding. All of these options are subject to the same limitations on the timing of exercise as detailed above. A summary of the major terms of each of the Pre-IPO Share Option Scheme and the Employee Share Option Scheme is set out on pages 239 to 245 of the Company's prospectus dated 23rd May, 2000.

### Pre-IPO Share Option Scheme

As at 30th September, 2002, options comprising an aggregate of 21,712,500 underlying shares (adjusted by the Rights Issue) granted on 26th May, 2000 at an initial exercise price of HK\$1.18 each, adjusted to HK\$7.18 per share taken into account of the Rights Issue, were outstanding. The option period is from 26th May, 2000 to 25th May, 2005. These options were granted to the following categories of grantees:

Categories of grantees	Total no. of grantees	Number of underlying shares comprised in the options
Directors of the Company and its subsidiaries	12	17,240,625
Contracted celebrities	2	3,068,438
Employees of the Group	8	1,403,437
		<hr/>
Total		21,712,500
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### Employee Share Option Scheme

As at 30th September, 2002, options comprising an aggregate of 4,232,812 underlying shares (adjusted by the Rights Issue) granted on 5th September, 2000 and 10th January, 2001 were outstanding. Any option granted shall lapse when the relevant grantee ceases to be employed by the Group. Details of the outstanding options are as follows:

Categories of grantees	Total no. of grantees	Number of underlying shares comprised in the options	Exercise price per share HK\$	Option period
Employee of the Group	1	843,750	10.65	5.9.2000 to 4.9.2005
Directors of the Company and its subsidiaries	4	3,093,750	6.70	10.1.2001 to 9.1.2006
Employees of the Group	6	<u>295,312</u>	6.70	10.1.2001 to 9.1.2006
Total		<u>4,232,812</u>		

The Employee Share Option Scheme was terminated on 15th January, 2002 and was replaced by a new share option scheme (the "New Share Option Scheme").

## NEW SHARE OPTION SCHEME

On 15th January, 2002, the Company adopted the New Share Option Scheme under which the board of directors of the Company may at its discretion offer to any director (including non-executive director), executive, employee and contracted celebrity (the "Eligible Persons") of the Company and/or its subsidiaries options to subscribe for shares in the Company in accordance with the terms of the New Share Option Scheme and Chapter 23 of the GEM Listing Rules. The principal purposes of the New Share Option Scheme are to recognise the significant contributions of the Eligible Persons to the growth of the Group. The New Share Option Scheme commenced on 15th January, 2002 and will end on the day immediately prior to the tenth anniversary of 15th January, 2002. No options were granted up to the date of this report.

The Employee Share Option Scheme was simultaneously terminated but the options which have been granted during the life of the Employee Share Option Scheme shall continue to be exercisable in accordance with their terms of issue and, in all other respects, the provisions of the Employee Share Option Scheme shall remain in full force and effect.

Save as disclosed, no option pursuant to the Pre-IPO Share Option Scheme, the Employee Share Option Scheme and the New Share Option Scheme had been exercised, cancelled or lapsed during the six months ended 30th September, 2002.

## SUBSTANTIAL SHAREHOLDERS

As at 30th September, 2002, the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance showed that the Company has been notified of the following interests being 10% or more in the Company's issued share capital:

Name of shareholder	Number of shares held	Approximate percentage of shareholding
Hanny Holdings Limited <sup>(1)</sup>	79,470,000	16.97%
Hanny Magnetics (B.V.I.) Limited <sup>(1)</sup>	79,470,000	16.97%
Genius Ideas Limited <sup>(1)</sup>	79,470,000	16.97%
Star East Holdings Limited <sup>(2)</sup>	86,961,250	18.56%
Value Focus Limited <sup>(2)</sup>	82,500,000	17.61%
Cyber Hero Limited <sup>(2)</sup>	82,500,000	17.61%
China Strategic Holdings Limited <sup>(3)</sup>	102,387,475	21.86%
China Strategic (B.V.I.) Limited <sup>(3)</sup>	85,750,000	18.31%
Glory Dynamic Limited <sup>(3)</sup>	85,750,000	18.31%

**Notes:**

- (1) Genius Ideas Limited is a wholly-owned subsidiary of Hanny Magnetics (B.V.I.) Limited which is, in turn, a wholly-owned subsidiary of Hanny Holdings Limited. Hanny Holdings Limited and Hanny Magnetics (B.V.I.) Limited are deemed to be interested in an aggregate of 79,470,000 shares in the Company.
- (2) Cyber Hero Limited is a wholly-owned subsidiary of Value Focus Limited which is, in turn, a wholly-owned subsidiary of Star East Holdings Limited. Star East Holdings Limited through Star East (B.V.I.) Limited, a wholly-owned subsidiary, holds another 4,461,250 shares in the Company. Accordingly, Star East Holdings Limited is deemed to be interested in an aggregate of 86,961,250 shares in the Company.
- (3) Glory Dynamic Limited is a wholly-owned subsidiary of China Strategic (B.V.I.) Limited which is, in turn, a wholly-owned subsidiary of China Strategic Holdings Limited. China Strategic Holdings Limited through China Pharmaceutical Industrial Limited, a non wholly-owned subsidiary, Wealthy Gain Limited, a wholly-owned subsidiary, and China-HK International Finance Limited, a non wholly-owned subsidiary, holds another 617,400 shares, 5,885,700 shares and 10,134,375 shares in the Company, respectively. Accordingly, China Strategic Holdings Limited is deemed to be interested in an aggregate of 102,387,475 shares in the Company.

Save as disclosed above, the directors are not aware of any other person having an interest in shares representing 10% or more in the Company's issued share capital as at 30th September, 2002.

**SPONSOR'S INTERESTS**

To the best knowledge of the Company's sponsor, BNP Paribas Peregrine Capital Limited ("BNP Paribas" or the "Sponsor"), as at 30th September, 2002 neither the Sponsor nor any of their respective directors, employees or associates (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules) had any interests in the Company's share capital.

**COMPETING INTERESTS**

None of the directors or the management shareholders of the Company (as defined in the GEM Listing Rules) had an interest in a business which causes or may cause significant competition with the business of the Group.

**BOARD PRACTICES AND PROCEDURES**

The Company has complied with Rules 5.28 to 5.39 of the GEM Listing Rules concerning board practices and procedures during the six months ended 30th September, 2002.

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### **AUDIT COMMITTEE**

The audit committee has three members comprising the three independent non-executive directors, namely Mr. Bradford Allen, Mr. Dominic Lai and Mr. Vincent Ting Kau Cheung.

The primary duties of the audit committee are to review the Company's annual report and accounts, half-yearly reports and quarterly reports and to provide advice and comment thereon to the board of directors. The audit committee will also be responsible for reviewing and supervising the financial reporting process and internal control procedures of the Group.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30th September, 2002.

By Order of the Board  
**Tam Wing Lun, Alan**  
*Chairman*

Hong Kong, 8th November, 2002