

Leadership Publishing Group Limited

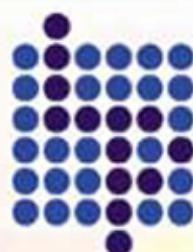
(formerly known as Sing Pao Media Group Limited)

(incorporated in the Cayman Islands with limited liability)

singpao.com



Sing Pao



現代旗旗出版集團有限公司
Leadership Publishing Group Ltd.

Wide Angle



cyol.net



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This document, for which the directors of Leadership Publishing 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 Leadership Publishing 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 document 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 document misleading; and (3) all opinions expressed in this document have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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BOARD OF DIRECTORS*Executive Directors*Wu Zheng, Bruno (*Chairman*)Li John Zongyang (*Vice Chairman*)

Lin Ning

Pao Wan Lung

Tang Yuen Ching, Irene

Independent Non-executive Directors

Xu Tie Liang

Ho, Cecil Te Hwai

**COMPANY SECRETARY,
QUALIFIED ACCOUNTANT &
COMPLIANCE OFFICER**

Tang Yuen Ching, Irene

AUTHORISED REPRESENTATIVES

Lin Ning

Tang Yuen Ching, Irene

AUDIT COMMITTEE

Xu Tie Liang

Ho, Cecil Te Hwai

AUDITORS

Deloitte Touche Tohmatsu

*Certified Public Accountants***LEGAL ADVISER**

Preston|Gates|Ellis

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited

The Hongkong and Shanghai Banking

Corporation Limited

Wing Hang Bank, Limited

**SHARE REGISTRARS AND TRANSFER
OFFICE***Principal Registrars*

Bank of Butterfield International (Cayman) Limited

P.O. Box 705

Butterfield House, Fort Street

George Town

Grand Cayman

Cayman Islands

British West Indies

Branch Registrars in Hong Kong

Computershare Hong Kong Investor Services Limited

Rooms 1712-16

17th Floor, Hopewell Centre

183 Queen's Road East

Hong Kong

REGISTERED OFFICE

Century Yard

Cricket Square

Hutchins Drive

P.O. Box 2681GT

George Town

Grand Cayman

Cayman Islands

British West Indies

**HEAD OFFICE AND PRINCIPAL PLACE OF
BUSINESS**

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101 King's Road

North Point

Hong Kong

WEBSITEwww.singpao.com**STOCK CODE**

8010



TO OUR SHAREHOLDERS

On behalf of the Board of Directors, I am pleased to present the annual results of Leadership Publishing Group Limited ("the Company") and its subsidiaries ("Leadership Publishing" or "the Group") for the year ended 31 March, 2003.

2002/03 has been a year of breakthroughs for Leadership Publishing. In line with the ever-changing newspaper market, the Group has been actively restructuring the business with diversified strategies to enhance operations during the year. Not only did we dispose some of our loss-making magazines and entertainment website, we also reallocated resources flexibly to concentrate on the development of Sing Pao Daily News and Wide Angle Magazine. Leveraging the persistent efforts during the year, we are delighted to see the Group's growing turnover, which surged 1.39 times, demonstrating that our strategies are heading for the right direction.

2002/03 also marked a significant milestone for us. With the involvement of Sun Media Group Holdings Limited ("Sun Media Group") to become the Group's major shareholder, we are committed to exploring the enormous publishing distribution market in the mainland, aiming to become a leading publishing distribution corporation in the PRC.

Looking ahead, the Group is well equipped with our double-pronged business strategies to develop consumer publications and publishing distribution businesses. As for our consumer publication business, we will further enhance the development of our two prestigious brands, Sing Pao Daily News and Wide Angle Magazine. We are positioning Sing Pao Daily News as a mass, objective and comprehensive newspaper. With established roots in Hong Kong for over 60 years, Sing Pao Daily News will further capitalize on its well-established brand name to keep abreast of market trends, to become one of the most influential newspapers in Hong Kong.

The potential for the publishing distribution business in the PRC is tremendous. The Group is therefore committed to making an active move into the nationwide publishing distribution market in the PRC, with books, publications, audio-visual products and electronic publishing products. During the year, we successfully entered into letters of intent with several privately owned audio-visual and publishing distributors across different provinces in the PRC and we expect to further extend this network into other provinces. To highlight the Group's commitment to the development of the publishing distribution business, "Sing Pao Media Group Limited" was renamed to "Leadership Publishing Group Limited" in early April 2003, demonstrating our vision to become one of the leading publishing distribution companies in the PRC.



Despite the economic difficulties, the weak consumer market in addition to the adverse effects arising out of the outbreak of Severe Acute Respiratory Syndrome ("SARS"), we are still confident with regard to our prosperous future. Looking ahead, we will continue to improve our operations, including publication quality, streamline our operating efficiencies, expand our distribution and retail network and attract more advertisers. Via these efforts, we aim to strengthen the competitive edge of our existing businesses while also increasing our market share both in Hong Kong and the PRC.

APPRECIATION

On behalf of the Board of Directors, I would like to take this opportunity to express our sincere appreciation to all our clients, investors and business partners for their continued confidence and support. I would also like to thank all our management and staff for their continuing commitment and contribution to our business operations. Looking to the future, we will grasp every business opportunity to create promising returns for our valued shareholders.

Dr. Bruno Wu

Chairman

Hong Kong, 10 June, 2003



ANALYSIS OF THE GROUP'S PERFORMANCE

For the year ended 31 March, 2003, the Group recorded a turnover of approximately HK\$170.85 million, representing a surge of approximately 138.95% as compared to the previous year's figure of approximately HK\$71.50 million. The substantial increase was mainly attributable to the full-year contribution of approximately HK\$168.52 million from Sing Pao Daily News and Wide Angle Magazine.

Capitalizing on its stringent cost control measures, the Group managed to significantly reduce its administrative expenses even further. Since Sun Media Group took over the management of the Group in late January 2003, a review has been performed on the then carrying values of certain tangible and intangible assets acquired by the Group in the previous financial years. It came to the conclusion that certain of such assets should be restated at lower carrying amount and even subject to a written off of the entire carrying value in order to reflect the current management's view towards the possible future economic benefits brought by such assets. As a result, provisions of approximately HK\$195 million and HK\$12 million were made for the impairment of Sing Pao Daily News' trademark and the prepaid airtime respectively. Hence, net loss for the Group increased from approximately HK\$148.90 million in the previous year to approximately HK\$343.74 million for the year ended 31 March, 2003, representing an increase of approximately 130.85%. Disregard of these factors, net loss of the Group in fact recorded an improvement over the previous year by approximately 8.17% to approximately HK\$136.74 million.

During the year under review, tremendous effort has been made to streamline overall operations and maximize the Group's operational efficiencies. As such, the Group has analysed various proposals and decided to streamline the redundant human resources and implemented the related measures by the end of March 2003. Thus, a redundancy payment of approximately HK\$1.8 million was included in the administrative expenses of the year.

LIQUIDITY AND FINANCIAL RESOURCES

For the year ended 31 March, 2003, sufficient funding had been raised to finance the Group's general working capital through the issuance of rights shares. The rights issue of 260,235,656 rights shares of HK\$0.40 each on the basis of 5 rights shares for every 4 existing shares held was completed on 17 September, 2002.

As at 31 March, 2003, total borrowings of the Group amounted to about HK\$78.50 million, of which approximately HK\$40.36 million was payable to the ultimate holding company, Sun Media Group, approximately HK\$20.18 million was payable to others, approximately HK\$0.56 million was payable to fellow subsidiaries and approximately HK\$17.40 million due on obligations under different finance leases. About HK\$8.16 million of the total borrowings was repayable within one year. As at 31 March, 2003, the Group's bank balance was about HK\$40 million while the gearing ratio changed from approximately 56.73% in the previous year to approximately 90.48% for the current year.

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. A total amount of HK\$5 million has been placed with a finance company as security for the repayment of remaining instalments. As at 31 March, 2003, the Group did not have any significant contingent liabilities.

As the Group's businesses were mainly conducted in Hong Kong and most transactions were settled in Hong Kong dollars, therefore, exposure to exchange fluctuations was minimal.



BUSINESS REVIEW

Newspaper – Sing Pao Daily News

The newspaper business remained the Group's core business which constituted nearly 97.19% of total turnover. During the year under review, the Group adopted an aggressive business strategy by constantly reviewing the needs and interests of its readers. Effort has been placed on content diversification with the launch of various supplements, ranging from "Winnie's Recipe", "IT Space", "Pearl River Delta", "HK Hot Gossip", "Financial Times", "Na Na", "Property Guide" to "Whiz Kids", etc. These have facilitated the expansion of readership base and advertising revenue and enabled it to keep abreast of market trends. Despite the slackened market sentiment, the Group has been able to maintain stable material costs for newsprint, placing it in an advantageous position for effective cost controls.

2002/03 marked a major milestone for Sing Pao Daily News. The Group launched a comprehensive reform from 1 March, 2003, enriching its content, improving its quality and layout to establish a trendy and healthy image for the newspaper. An intensive promotional campaign was launched in March to April to maximize awareness in the market and was complemented with a lucky draw to induce trial readership in addition to maintaining existing readers' interest.



With the new editorial policy to "Speak the public mind and feel the public pulse", Sing Pao Daily News aims to provide Hong Kong people with a healthy, objective and comprehensive mass newspaper with valuable content. Several new columns were introduced to provide in-depth analyses on controversial topics. Recognizing the growing importance of the mainland's development, Sing Pao Daily News also enhanced its coverage on the PRC's social and financial news and plans to introduce China sports and entertainment sections soon.

With an aim to bring more benefits and convenience to readers, the revamped Sing Pao Daily News introduces numerous features with different topics such as "Best Buy", "OL Guide", "Second Hand", "Eating Out" and "Global Travel", etc. Its highly popular horse racing section was also strengthened by inviting Mr. Hung Wai Tak to join the acclaimed commentators team.





In view of the economic difficulties and fierce market competition, advertising income was adversely affected. However, the Group further strengthened its marketing efforts to maintain and expand its readership in a bid to attract advertisers. With organizing various marketing activities such as "Sing Pao's 63rd Anniversary Lucky Draw", "World Cup Stars VCD Giveaways", "F4-Vanness Music Video Female Cast Recruitment", "My Lovely Teddy Bear Drawing Competition", free distribution of cartoon VCDs and "Chinese New Year Fortune Pack Redemption Campaign", etc, the Group successfully enhanced readers' loyalty and attracted new readers particularly among young parents and young adults. The "Sing Pao Horse Racing Fans Club" also organized numerous activities such as the "Macau Jockey Club Tour" and "Horse Riding Trip" and received overwhelming responses. These market-oriented activities has stimulated Sing Pao Daily News' readership and circulation, which in turn will be advantageous for strengthening its advertising income base.

Thanks to the Group's ongoing efforts, Sing Pao Daily News' circulation was ranked among the top 5 local Chinese newspapers in Hong Kong. Apart from developing sales channels in Taiwan and Macau, the Group also expanded its sales network in the PRC. As a result, there was a 60% sales increase in the PRC when compared to the previous year, most of which was derived from the Pearl River Delta region. In addition, Sing Pao Daily News received a number of prestigious awards during the year; it was a finalist in "The Best TV Commercial Award" at the China Central Television ("CCTV") Advertising Festival 2002 for its corporate TV commercials. Sing Pao Daily News was also honored with a merit certificate for newspaper printing at "The 14th Hong Kong Print Awards 2002". These awards recognized the Group's commitment to providing quality newspapers for its readers as well as its proactive position in the industry.



The Magazine Business

The magazine business accounted for approximately 1.45% of total turnover. With a long-standing history of over 30 years, Wide Angle Magazine has successfully established a strong foothold in the PRC to become a highly perceived political and economic monthly journal. With continuous efforts to enrich content and expand distribution network, its leading market position in the PRC has been further consolidated.

In line with the ever-changing media environment, the Group streamlined its magazine business by disposing of its "CUP", "AV" and "LIFE MONTHLY" titles during the year under review, aiming to reallocate and concentrate more resources on exploring new publications opportunities.



News and Entertainment Websites

Due to global slowdown in the internet market, the Group has made continuous efforts to streamline its website businesses. The website "singpao.com" was revamped in March to be in line with the new look of Sing Pao Daily News. As at 31 March, 2003, average daily page view of "singpao.com" hit 2.1 million. Equipped with cutting-edge technology, the Group also launched a completed version of "singpao.com" for Personal Digital Assistant ("PDA"), to cater for the needs of internet users around the world and provide value-added services to readers.

To achieve effective cost controls, the Group disposed of its entire share capital in "STAREASTnet.com" in January 2003 in view of its loss-making performance. This move has realigned the Group's resources, enabling it to concentrate on the development of "singpao.com" and provide more valuable information to the public.

China Youth On Line ("cyol.net") is an informative website tailor-made for the nation's young people. It provides various information on education, human resources and training for students and young executives. Greater content diversification and consolidation were achieved during the year, not only did the Group introduce 2 new sections – "Travel and Learn" and "Net Friends", but also singled out "Training" and "Study Abroad" as separate sections to provide more detailed information to internet users. During the year under review, the average daily page view for cyol.net reached 1 million. Turnover for this business segment also surged to approximately HK\$1.17 million.

PROSPECTS

Looking ahead, the Group will continue to develop its newspaper and magazine businesses. Although the advertising income was adversely affected by Severe Acute Respiratory Syndrome ("SARS") and the unfavorable market sentiment, the Group will further improve its publications' quality, streamline its operating efficiencies, expand its distribution network and attract more advertisers and readers to create momentum for growth into the future.

Subsequent to the revamping of Sing Pao Daily News, the Group will continue to cultivate underdeveloped target segments such as the educated, younger as well as female segments. The Group will further expand its market share in Hong Kong, while at the same time extending the sales and distribution network in the PRC. It plans to explore undeveloped areas in the Southern China such as four-star hotels and major cross-border transportation networks in the second half of 2003.



The Group is also well positioned to leap forward into the publishing distribution market, including books, publications, audio-visual products and electronic publishing products in the PRC. The market potential for publishing distribution is immense; the annual market size in the PRC is estimated to reach RMB500 billion. With China's accession to WTO, the PRC's publishing distribution market will gradually open up. The Group will grasp this opportunity to tap this huge market. It has entered into 3 letters of intent for the acquisitions of leading privately owned and publishing distributors in Guangzhou, Shenzhen and Fujian. The Group expects to conclude acquisitions of numerous privately owned publishing distribution enterprises in 10 to 12 provinces in the PRC within the next 12 months, striving to become one of the leading publishing distributors in the PRC.

Additionally, the Group entered into a letter of intent with 北京旌旗席殊書屋有限公司 (「北京旌旗席殊書屋」) in April 2003 for the establishment of a joint venture. The 2 companies agreed to inject their book distribution businesses into the joint venture company, creating a platform to explore the private publishing distribution market in the PRC. In the future, publishing distribution business will incorporate the distribution channels of audio-visual products, books, newspapers and magazines. Leveraging the nationwide distribution network of 北京旌旗席殊書屋, the Group is confident that it will be able to develop this profitable market with great distinction.

CORPORATE DEVELOPMENTS

On 24 January, 2003, China Strategic Holdings Limited, Hanny Holdings Limited and Star East Holdings Limited, the substantial shareholders of the Company completed a sale and purchase agreement with Sun Media Group for the acquisition of approximately 55.09% of the issued share capital of the Company at a total consideration of approximately HK\$92.9 million. It was settled by way of an issue of approximately 1,548 million new shares of Sun Media Group at a price of HK\$0.06 each. Together with the general offer for the Company's shares, Sun Media Group's stake in the Company increased to approximately 99.82% in February 2003. However, to raise the proportion of public float, Sun Media Group reduced its shareholdings in the Company to approximately 74.99% as at 31 March, 2003. Sun Media Group has made outstanding achievements in establishing a media group which consists of several household brands such as "Sun Satellite TV", "Jingwen" and "JET TV", spanning the PRC, Hong Kong and Taiwan markets. Coupled with its high caliber and experienced management, this move has further strengthened the Group's publishing business and facilitated further expansion. In addition, it has enhanced the operational efficiencies of the Group by sharing certain expenses and resources with Sun Media Group.

In line with the Group's future business strategy, "Sing Pao Media Group Limited" was renamed "Leadership Publishing Group Limited" in April 2003. This move reflects the Group's goal to proactively expand its publishing distribution business in the Greater China region, further strengthening its revenue base via acquisitions of companies with strong potential. Subsequent to the change in company name, Leadership Publishing continued to focus on the development of Sing Pao Daily News, aiming to strengthen its functionality and informativeness in serving the needs of local citizens, and positioning Sing Pao Daily News as a healthy mass newspaper.

Leadership Publishing entered a subscription agreement with a private investor in the PRC for an aggregate of 50 million shares at a price of HK\$0.40 per subscription share on 15 April, 2003, representing approximately 9.64% of the enlarged issued share capital of the Company. The net proceeds of approximately HK\$19.8 million will mainly be used to develop a third party distribution business for publishing goods, including but not limited to books, audio-visual products, electronic publishing products and magazines in the PRC as well as serving as the general working capital.

The warrants of the Company (GEM warrant code: 8353) expired at 4:00 p.m. on 28 May, 2003. The listing of the warrants was withdrawn at the close of business on 28 May, 2003.

NUMBER OF EMPLOYEES, REMUNERATION POLICIES AND SHARE OPTION SCHEME

As at 31 March, 2003, the Group employed approximately 455 (2002: 550) employees. Employees' remuneration packages are reviewed and determined by reference to the market pay and individual performance.

On 15 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 15 January, 2002 and will end on the day immediately prior to the tenth anniversary of 15 January, 2002.



EXECUTIVE DIRECTORS

Dr. Wu Zheng, Bruno, aged 36, joined the Board in February 2003 as the Chairman and Chief Executive Officer of the Group. He also serves as the Publisher of Sing Pao Daily News. He received his Diploma of Studies in French civilization from the University of Savoie, France in 1987 and graduated with a Bachelor of Science in Business Administration-Finance from Culver-Stockton College in Missouri, USA in December 1990 and the degree was awarded in 1991. He received his Master of Arts in International Affairs degree from Washington University, USA in 1993 and a Ph.D. in the International Politics Department of College of Law, Fudan University, Shanghai, China in 2001. He was the Chief Operating Officer of Asia Television Limited ("ATV"), Hong Kong from June 1998 to February 1999. During his tenure at ATV, Dr. Wu drastically improved ATV's performance in its ratings and financial standings. Dr. Wu is also a member of both the International Council and the Foundation of The International Academy of Television, Arts & Sciences, USA, the organization that issues the annual International Emmy Award. In 2003, Dr. Wu was appointed as the Chairman of the iEMMYs Festival, this is the highest position in international television organization. Dr. Wu is a member of the international council of Museum of Television & Radio in New York & Los Angeles. Dr. Wu received the "Super Media Star Award" issued by "Hong Kong – Macau Distinguished Person's Society" in October 1998. Dr. Wu is also an Executive Director and the Group Chief Executive Officer of Sun Media Group.

Mr. Li John Zongyang, aged 48, joined the Board as the Vice Chairman and was appointed as Chief Financial Officer of the Group in February 2003. He is responsible for the overall strategic development of the Group. Mr. Li holds a Bachelor degree in Economics from Peking University and a Master of Business Administration degree from Middlesex University Business School in London. He is a founding member of the Society of Hong Kong Economy in Beijing. Mr. Li's financial and management prowess stems from his rich and versatile background in the financial and business environment in the Asia Pacific region. Mr. Li worked for 10 years with a leading investment management firm in London, Framlington Investment Management Limited, where he was a senior fund manager and the Head of the Asia Pacific region. He is also an Executive Director of Sun Media Group.

Mr. Lin Ning, aged 49, joined the Board as an Executive Director in February 2003 and was appointed as the President of the Group in January 2003. He is responsible for the strategic development and operation of the Group. He is a media professional with over 20 years' experience in news gathering and media advertising marketing. He was formerly the Deputy General Manager of Ta Kung Pao and General Manager of Asia Television Enterprises Limited. He was responsible for programme distribution in overseas market and advertising marketing promotion in the PRC. Mr. Lin is also an Executive Director of Sun Media Group.

Mr. Pao Wan Lung, aged 53, joined the Board as an Executive Director in February 2003 and was appointed as the Editor-in-Chief of Sing Pao Daily News in January 2003. Mr. Pao is a seasoned journalist and TV producer who has served the Hong Kong mass media for over a quarter of a century. His extensive experiences in TV news operations and media management had been gained from a combined service of 20 years at the newsrooms of the 2 terrestrial broadcasters, ATV and TVB during the 70s, 80s and 90s. Since 1991, Mr. Pao expanded his career scope by venturing on the running of satellite all-news channel, as well as the application and development of multimedia content production.

EXECUTIVE DIRECTORS (CONTINUED)

Ms. Tang Yuen Ching, Irene, aged 33, joined the Board as an Executive Director in February 2003 and was appointed as the Financial Controller of the Group and Qualified Accountant of the Company in January 2003. She was also appointed as the Company Secretary in April 2003. Prior to the joining of the Group, Ms. Tang has held positions as executive director, qualified accountant, company secretary as well as chief financial officer of a company listed in the GEM board of the Hong Kong Stock Exchange. Besides, Ms. Tang has over 10 years of experience in auditing, accounting and financial management. She graduated from the Hong Kong Polytechnic University with a Bachelor of Arts degree in Accountancy in 1991. She is an associate member of the Hong Kong Society of Accountants and a fellow member of Association of Chartered Certified Accountants.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Xu Tie Liang, aged 39, joined the Board as an Independent Non-executive Director in February 2003. He graduated from the University of International Business and Economics, Beijing, PRC with a Master degree. He is the lawyer of China Law Office. Mr. Xu has over 15 years' experience in corporate merger and acquisition, corporate finance, accounting, taxation and securities investments in legal aspect. He is the registered lawyer of the Ministry of Justice of PRC and the registered foreign lawyer of the Hong Kong Law Society.

Mr. Ho, Cecil Te Hwai, aged 42, joined the Board as an Independent Non-executive Director in February 2003. He has over 15 years' experience in accounting, finance and management. Mr. Ho is a member of the Institute of Chartered Accountants of Canada and Hong Kong Society of Accountants. He has held a number of senior positions in several listed companies in the past.

SENIOR MANAGEMENT

Mr. Wei Cheng Si, aged 51, joined the Group as the Chief Executive Editor of Sing Pao Daily News in January 2003. He is responsible for the operation of Sing Pao Daily News. Mr. Wei holds Bachelor and Master degrees in History from East China Normal University, the PRC, a Master degree in Study of China from University of California, Los Angeles, USA and a Doctor of Philosophy in Social Science from Chinese University, Hong Kong. Prior to the joining of the Group, Mr. Wei has more than 20 years' experience in media business. He was engaged as the news controller of ATV, the editor of Ming Pao and the dean of research division of promotion department of Shanghai Committee of the CCP. He is also a member of China Composers' Society.

Mr. Yu Kwok Chor, aged 56, joined the Group as Chief Operating Officer of Sing Pao Daily News in April 2003. He is responsible for the advertising sales and marketing functions of Sing Pao Daily News. Prior to the joining of the Group, Mr. Yu has over 30 years' experience in media business. He was engaged as a reporter, a senior reporter, an editor, the deputy chief editor and the chief editor.



The following is a summary of the actual business progress in comparison with the business objectives set out in the prospectus of the Company dated 23 May, 2000.

Business objectives up to the year ended 31 March, 2003

Actual business pursued up to the year ended 31 March, 2003

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. |

Business objectives up to the year ended 31 March, 2003**Actual business pursued up to the year ended 31 March, 2003****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. |
| 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 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 | Due to the global downtrend in the internet market, an alliance with third-party internet content provider has been discontinued. Such business objective has not been pursued. |
| 4. Explore new developments in e-commerce and integrate such developments into the Group's strategy | Such objective has not been pursued. |

Technological Development

- | | |
|--|---|
| 1. Continue to incorporate new web applications to support the introduction of new content and new features | The Group has enhanced its platform with XML-based ready and has set up data-interchange platform with third parties. |
| 2. Further explore new content distribution channels, particularly for the purposes of high speed data delivery | The Group will observe the 3rd generation mobile phone industry with respond accordingly. |
| 3. Acquire new technologies to deliver content to personal digital assistance and other wireless handheld services | Personal Digital Assistant version of the "singpao.com" has been launched in fourth quarter of 2001. |

Overseas Expansion

- | | |
|--|---|
| 1. Continue to develop new regional sites if appropriate target countries are identified | Such business objective has not been pursued. |
|--|---|



The directors have pleasure in presenting their report together with the audited financial statements for the year ended 31 March, 2003.

CHANGE OF NAME

Pursuant to a special resolution passed at an extraordinary general meeting held on 2 April, 2003, the name of the Company was changed from Sing Pao Media Group Limited 成報傳媒集團有限公司 to Leadership Publishing Group Limited 現代旌旗出版集團有限公司.

PRINCIPAL ACTIVITIES

The Company is an investment holding company with its shares listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The activities of its principal subsidiaries are set out in note 16 to the financial statements.

RESULTS

The Group's loss for the year ended 31 March, 2003 is set out in the consolidated income statement on page 24.

SHARE CAPITAL AND WARRANTS

Details of movements in the share capital and outstanding warrants of the Company during the year are set out in notes 26 and 27 to the financial statements, respectively.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 28 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year are set out in note 13 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March, 2003, the largest customer of the Group by itself and together with the next four largest customers accounted for 30% and 52%, respectively, of the Group's turnover. The aggregate purchases attributable to the Group's five largest suppliers were less than 30% of the Group's cost of sales.

As far as the directors are aware, neither the directors, their associates (within the meaning of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules")) nor those shareholders which to the knowledge of the directors own more than 5% in the Company's share capital had any interest in the five largest customers.

DIRECTORS

The directors of the Company in office during the year and up to the date of this report are as follows:

Executive Directors

Wu Zheng, Bruno (<i>Chairman</i>)	(appointed on 25 February, 2003)
Li John Zongyang (<i>Vice Chairman</i>)	(appointed on 25 February, 2003)
Lin Ning	(appointed on 25 February, 2003)
Pao Wan Lung	(appointed on 25 February, 2003)
Tang Yuen Ching, Irene	(appointed on 25 February, 2003)
Wong Tak Shing	(appointed on 25 February, 2003 and resigned on 22 April, 2003)
Tam Wing Lun, Alan	(resigned on 25 February, 2003)
Wong Kun To	(resigned on 25 February, 2003)
Chan Pak Cheung, Natalis	(resigned on 25 February, 2003)
Cheung Kwok Wah	(resigned on 25 February, 2003)
Wong Lai Shun, Benny	(resigned on 25 February, 2003)
Tong Chin Shing	(resigned on 25 February, 2003)

Non-executive Directors

Chan Kong Sang, Jackie	(resigned on 25 February, 2003)
Masanori Suzuki	(resigned on 25 February, 2003)

Independent Non-executive Directors

Xu Tie Liang	(appointed on 25 February, 2003)
Ho, Cecil Te Hwai	(appointed on 25 February, 2003)
Bradford Allen	(resigned on 25 February, 2003)
Dominic Lai	(resigned on 25 February, 2003)
Vincent Ting Kau Cheung	(resigned on 25 February, 2003)

In accordance with Article 98 of the Company's Articles of Association, all remaining directors shall retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The terms of office of each of the independent non-executive directors is the period up to his retirement by rotation as required by the Company's Articles of Association.

DIRECTORS' SERVICE CONTRACTS

Messrs. Tam Wing Lun, Alan and Chan Pak Cheung, Natalis have entered into service contracts with the Company for an initial term of three years which commenced on 1 June, 2000 and continues thereafter unless and until terminated by either party by giving to the other party not less than six month's prior written notice. Pursuant to the termination contracts dated 25 February, 2003, the service contracts were terminated with immediate effect.

None of the director being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation other than statutory compensation.



DIRECTORS' INTERESTS IN SECURITIES**1. Interests in shares**

Details of the interests of the directors and their respective associates in the share capital of the Company and its associated corporations as at 31 March, 2003 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 were as follows:

Sun Media Group Holdings Limited ("Sun Media") (Associated corporation within the meaning of the SDI Ordinance)

Director	Number of shares beneficially held		Total interests
	Personal interests	Family interests	
Wu Zheng, Bruno	30,000,000	425,940,000 (<i>Note</i>)	455,940,000
Li John Zongyang	20,000,000	—	20,000,000
Wong Tak Shing	1,400,000	—	1,400,000

Note: 125,940,000 and 300,000,000 shares are held by Ms. Yang Lan and by Excel Asia Profits Limited in which Ms. Yang Lan has 80% beneficial interests, respectively. Dr. Wu Zheng, Bruno is the spouse of Ms. Yang Lan and accordingly, is deemed to be interested in these shares owned by his spouse.

Save as disclosed above, as at 31 March, 2003, none of the directors or their associates had any personal, family, corporate or other beneficial interests in the equity or debt securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

DIRECTORS' INTERESTS IN SECURITIES (continued)**2. Rights to acquire shares***(A) Rights to acquire shares in the Company*

Pursuant to the pre-IPO share option scheme ("Pre-IPO") and the employee share option scheme ("ESOS") of the Company, the directors may, at their discretion, invite participants to take up options at a total consideration of HK\$1 per grant for ESOS but at nil consideration for Pre-IPO to subscribe for ordinary shares in the Company. Further details of the option schemes of the Company are set out in note 29 to the financial statements.

Details of movements in the share options to subscribe for shares of HK\$0.05 each in the Company granted to certain directors were as follows:

Director	Date of grant	Exercisable period	Exercise price per share HK\$	Number of options				
				Outstanding as at 1.4.2002	Adjusted on 24.5.2002 (Note 1)	Adjusted on 17.9.2002 (Note 2)	Lapsed during the year	Outstanding as at 31.3.2003
Tam Wing Lun, Alan	26.5.2000	26.5.2000 – 25.5.2005	7.18	31,250,000	(29,687,500)	1,953,125	(3,515,625)	-
Wong Kun To	26.5.2000	26.5.2000 – 25.5.2005	7.18	31,250,000	(29,687,500)	1,953,125	(3,515,625)	-
	10.1.2001	10.1.2001 – 9.1.2006	6.70	15,000,000	(14,250,000)	937,500	(1,687,500)	-
Chan Pak Cheung, Natalis	26.5.2000	26.5.2000 – 25.5.2005	7.18	31,250,000	(29,687,500)	1,953,125	(3,515,625)	-
Chan Kong Sang, Jackie	26.5.2000	26.5.2000 – 25.5.2005	7.18	15,000,000	(14,250,000)	937,500	(1,687,500)	-
Masanori Suzuki	26.5.2000	26.5.2000 – 25.5.2005	7.18	2,500,000	(2,375,000)	156,250	(281,250)	-
Bradford Allen	26.5.2000	26.5.2000 – 25.5.2005	7.18	2,500,000	(2,375,000)	156,250	(281,250)	-
Dominic Lai	26.5.2000	26.5.2000 – 25.5.2005	7.18	2,500,000	(2,375,000)	156,250	(281,250)	-
Vincent Ting Kau Cheung	26.5.2000	26.5.2000 – 25.5.2005	7.18	2,500,000	(2,375,000)	156,250	(281,250)	-
				133,750,000	(127,062,500)	8,359,375	(15,046,875)	-

Notes:

- (1) The number and the exercise price of options which remained outstanding on 24 May, 2002 have been adjusted due to share consolidation of the Company for 20 shares into 1 share with effect from the close of business on 24 May, 2002.
- (2) The number and the exercise price of options which remained outstanding on 17 September, 2002 have been adjusted due to rights issue on the basis of five rights shares for every four shares at HK\$0.40 per rights share.



DIRECTORS' INTERESTS IN SECURITIES (continued)**2. Rights to acquire shares** (continued)*(B) Rights to acquire shares in Sun Media*

Pursuant to the share option scheme of Sun Media, the directors of Sun Media may, at their discretion, invite participants to take up options at a total consideration of HK\$1 to subscribe for ordinary shares in Sun Media.

Details of movements in the share options to subscribe for shares of HK\$0.02 each in Sun Media granted to certain directors and a director's associate of Sun Media were as follows:

Director/ director's associate	Date of grant	Exercisable period	Exercise price per share HK\$	Number of options			
				Balance as at 25.2.2003 (Note 1)	Granted during the period	Exercised during the period	Outstanding as at 31.3.2003
Wu Zheng, Bruno	5.9.2000	5.9.2000 – 4.9.2010	0.241	30,000,000	–	–	30,000,000
	31.1.2001	31.1.2001 – 30.1.2011	0.152	80,000,000	–	–	80,000,000
Yang Lan (Note 2)	27.4.2000	27.4.2000 – 26.4.2010	0.176	37,000,000	–	–	37,000,000
	31.1.2001	31.1.2001 – 30.1.2011	0.152	80,000,000	–	–	80,000,000
	4.1.2002	4.1.2002 – 3.1.2012	0.109	30,000,000	–	–	30,000,000
Li John Zongyang	16.9.2002	16.9.2002 – 15.9.2012	0.071 (Note 4)	10,000,000	–	–	10,000,000
Lin Ning	8.8.2002	8.8.2002 – 7.8.2012	0.072 (Note 3)	8,000,000	–	–	8,000,000
Pao Wan Lung	8.8.2002	8.8.2002 – 7.8.2012	0.072 (Note 3)	8,000,000	–	–	8,000,000
Wong Tak Shing	27.4.2000	27.4.2000 – 26.4.2010	0.176	2,400,000	–	–	2,400,000
	31.1.2001	31.1.2001 – 30.1.2011	0.152	1,200,000	–	–	1,200,000
	4.1.2002	4.1.2002 – 3.1.2012	0.109	2,000,000	–	–	2,000,000
	8.8.2002	8.8.2002 – 7.8.2012	0.072 (Note 3)	8,000,000	–	–	8,000,000
				296,600,000	–	–	296,600,000

DIRECTORS' INTERESTS IN SECURITIES (continued)**2. Rights to acquire shares** (continued)*(B) Rights to acquire shares in Sun Media* (continued)

Notes:

- (1) They have been appointed as the Directors of the Company on 25 February, 2003. Mr. Wong Tak Shing resigned as the Director on 22 April, 2003.
- (2) Ms. Yang Lan is the spouse of Dr. Wu Zheng, Bruno.
- (3) The closing price of the shares immediately before the date of grant of options was HK\$0.061.
- (4) The closing price of the shares immediately before the date of grant of options was HK\$0.070.

Save as disclosed above, at no time during the year was the Company, its ultimate holding company or any subsidiaries of its ultimate holding company a party to any arrangement to enable the directors or chief executive of the Company or the spouse 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, or had exercised such rights.

DIRECTORS' INTEREST IN CONTRACTS AND CONNECTED TRANSACTIONS

During the year, pursuant to a deed of settlement entered into among the Company, Sing Pao Newspaper Company Limited ("Sing Pao Newspaper"), a wholly-owned subsidiary of the Company, and respective wholly-owned subsidiaries of China Strategic Holdings Limited, Hanny Holdings Limited and Star East Holdings Limited (collectively referred to as the "Creditors"), the substantial shareholders of the Company before completion of Sun Media's acquisition of a controlling interest in the Company (the "Completion"), the Creditors agreed to reduce the total outstanding amount of the loans due from the Group of approximately HK\$104,310,000 to HK\$60,000,000 (the "Reduced Loan") and to waive the remaining outstanding balance. The Reduced Loan is unsecured, bears interest at Hong Kong prime interest rate per annum and is repayable on the expiry of 30 calendar months after the year end of the first profitable financial year after the Completion provided that the payment date shall not fall after the twentieth anniversary of the date of Completion.

Pursuant to assignment deeds entered into among the Company, Sing Pao Newspaper, the Creditors and Sun Media, the Creditors agreed to assign HK\$40,000,000 out of the Reduced Loan to Sun Media. The consideration was satisfied by the issue and allotment of 400,000,000 new ordinary shares of HK\$0.02 each in Sun Media.

Save as disclosed above, no contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at 31 March, 2003 or at any time during the year.



SUBSTANTIAL SHAREHOLDERS

At 31 March, 2003, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that the following shareholders had an interest of 10% or more in the Company's issued share capital:

Name	Number of shares beneficially held	Percentage of holding
Sun Media (<i>Note</i>)	351,257,794	74.99%
First Star International Limited (<i>Note</i>)	258,066,231	55.09%

Note: First Star International Limited ("First Star") is a wholly-owned subsidiary of Sun Media. Accordingly, Sun Media is deemed to be interested in the shares held by First Star.

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 31 March, 2003.

SHARE OPTION SCHEMES

Particulars of the Company's pre-IPO share option scheme and employee share option scheme (the "Schemes") and details of movements during the year in the share options to subscribe for shares of HK\$0.05 each in the Company granted under the Schemes are set out in note 29 to the financial statements.

SPONSOR'S INTERESTS

To the best knowledge of the Company's sponsor, BNP Paribas Peregrine Capital Limited ("BNP Paribas" or the "Sponsor"), as at 31 March, 2003 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 securities of the Company.

BNP Paribas received a fee for acting as the Company's sponsor for the year.

The Sponsor's Agreement with BNP Paribas dated 22 May, 2000 (the "Agreement") expired on 31 March, 2003 pursuant to the Agreement and in accordance with Rule 6.01 of the GEM Listing Rules.

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.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

The Company has not redeemed any of its listed securities during the year. Neither the Company nor any of its subsidiaries has repurchased or sold listed securities of the Company during the year.

AUDIT COMMITTEE

On 25 February, 2003 Messrs. Bradford Allen, Dominic Lai and Vincent Ting Kau Cheung resigned and Mr. Xu Tie Liang and Mr. Ho, Cecil Te Hwai were appointed on the same date.

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.

The audit committee held four meetings during the year ended 31 March, 2003.

PRE-EMPTIVE RIGHTS

There are no provision for pre-emptive rights under the Company's Articles of Association, or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

POST BALANCE SHEET EVENT

Details of the post balance sheet event are set out in note 37 to the financial statements.

CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31 March, 2003 with the board practices and procedures as set out in Rules 5.28 to 5.39 of the GEM Listing Rules.

AUDITORS

A resolution will be submitted to the annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

By Order of the Board

Wu Zheng, Bruno

Chairman

Hong Kong, 10 June, 2003



德勤·關黃陳方會計師行

Certified Public Accountants
26/F, Wing On Centre
111 Connaught Road Central
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香港中環干諾道中111號
永安中心26樓

**Deloitte
Touche
Tohmatsu**

TO THE SHAREHOLDERS OF LEADERSHIP PUBLISHING GROUP LIMITED

現代旌旗出版集團有限公司

(FORMERLY KNOWN AS SING PAO MEDIA GROUP LIMITED 成報傳媒集團有限公司)

(incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 24 to 63 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 March, 2003 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong, 10 June, 2003

Consolidated Income Statement

For the year ended 31 March, 2003

	Notes	2003 HK\$'000	2002 <i>HK\$'000</i>
Turnover	4	170,846	71,493
Cost of sales		(201,068)	(106,368)
Gross loss		(30,222)	(34,875)
Other operating income		4,431	6,346
Advertising and promotion expenses		(16,051)	(4,723)
Administrative expenses		(81,229)	(63,436)
Impairment loss recognised in respect of intangible assets		(195,194)	(2,875)
Impairment loss recognised in respect of prepaid airtime		(12,000)	–
Unrealised loss on investments in securities		(4,167)	(4,500)
Impairment loss recognised in respect of goodwill of subsidiaries		–	(6,357)
Cost of streamlining operations	6	–	(30,703)
Loss from operations	7	(334,432)	(141,123)
Finance costs	8	(8,480)	(6,135)
Impairment loss recognised in respect of goodwill of an associate		–	(2,520)
Share of results of associates		(232)	(545)
Loss on dilution of interest in an associate		(309)	–
(Loss) gain on disposal of subsidiaries		(282)	1,317
Loss before taxation		(343,735)	(149,006)
Taxation	11	–	–
Loss before minority interests		(343,735)	(149,006)
Minority interests		–	113
Net loss for the year		(343,735)	(148,893)
Loss per share – basic and diluted (HK\$)	12	(0.98)	(1.29)



Consolidated Balance Sheet

At 31 March, 2003

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	Notes	2003 HK\$'000	2002 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	95,572	117,075
Goodwill	14	–	–
Intangible assets	15	–	203,754
Interests in associates	18	–	4,094
Investments in securities	19	1,333	5,500
Pledged deposit placed with a finance company		5,000	10,000
		101,905	340,423
CURRENT ASSETS			
Inventories	20	1,518	2,865
Trade and other receivables	21	23,495	33,012
Prepaid airtime		23,649	41,806
Receivables from related parties		–	4,550
Bank balances and cash		40,008	24,163
		88,670	106,396
CURRENT LIABILITIES			
Trade and other payables	22	25,927	43,210
Payable to an associate		–	45
Payables to related parties		–	19,097
Payables to fellow subsidiaries		551	–
Obligations under finance leases – due within one year	23	7,613	7,360
		34,091	69,712
NET CURRENT ASSETS		54,579	36,684
TOTAL ASSETS LESS CURRENT LIABILITIES		156,484	377,107
NON-CURRENT LIABILITIES			
Obligations under finance leases – due after one year	23	9,790	17,408
Payables to shareholders	24	–	103,543
Loan from ultimate holding company	25	40,362	–
Other loans	25	20,181	–
		70,333	120,951
		86,151	256,156
CAPITAL AND RESERVES			
Share capital	26	23,421	416,377
Reserves	28	62,730	(160,221)
		86,151	256,156

The financial statements on pages 24 to 63 were approved and authorised for issue by the Board of Directors on 10 June, 2003 and are signed on its behalf by:

Wu Zheng, Bruno
Chairman

Li John Zongyang
Vice Chairman

Balance Sheet

At 31 March, 2003

	Notes	2003 HK\$'000	2002 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Investments in subsidiaries	16	13,589	13,589
Amounts due from subsidiaries	17	101,793	316,464
		115,382	330,053
CURRENT ASSETS			
Other receivables and prepayment		40	62
Bank balances and cash		9	16
		49	78
CURRENT LIABILITIES			
Other payables and accrued charges		1,744	1,306
Payable to a related party		–	6
		1,744	1,312
NET CURRENT LIABILITIES		(1,695)	(1,234)
TOTAL ASSETS LESS CURRENT LIABILITIES		113,687	328,819
NON-CURRENT LIABILITIES			
Payables to shareholders	24	–	73,221
Loan from ultimate holding company	25	18,729	–
Other loans	25	9,365	–
		28,094	73,221
		85,593	255,598
CAPITAL AND RESERVES			
Share capital	26	23,421	416,377
Reserves	28	62,172	(160,779)
		85,593	255,598

Wu Zheng, Bruno
Chairman

Li John Zongyang
Vice Chairman



Consolidated Statement of Changes in Equity

For the year ended 31 March, 2003

	Total equity
	<i>HK\$'000</i>
At 1 April, 2001	93,787
Rights issue of shares	153,825
Rights issue expenses	(5,337)
Issue of shares to acquire subsidiaries	160,000
Exercise of warrants	2
Exchange reserve released on disposal of a subsidiary	(1)
Exchange differences arising from translation of overseas operations and loss not recognised in the income statement	2,773
Net loss for the year	<u>(148,893)</u>
At 31 March, 2002	256,156
Rights issue of shares	104,094
Rights issue expenses	(2,697)
Shareholders' contributions arising from waiver of loans from shareholders	72,894
Exchange reserve released on disposal of a subsidiary	(419)
Exchange differences arising from translation of overseas operations and loss not recognised in the income statement	(142)
Net loss for the year	<u>(343,735)</u>
At 31 March, 2003	<u>86,151</u>

Consolidated Cash Flow Statement

For the year ended 31 March, 2003

	2003 HK\$'000	2002 HK\$'000
OPERATING ACTIVITIES		
Loss before taxation	(343,735)	(149,006)
Adjustments for:		
Allowance for bad and doubtful debts	1,080	–
Allowance for amount due from an associate	–	355
Write-down of inventories	1,363	–
Depreciation and amortisation	31,037	29,771
Interest income	(938)	(1,343)
Interest expenses	8,480	6,135
Loss (gain) on disposal of subsidiaries	282	(1,317)
Loss on dilution of interest in an associate	309	–
Share of results of associates	232	545
Loss on disposal of property, plant and equipment	130	3,348
Impairment loss recognised in respect of intangible assets	195,194	2,875
Impairment loss recognised in respect of prepaid airtime	12,000	–
Unrealised loss recognised on investments in securities	4,167	4,500
Impairment loss recognised in respect of property, plant and equipment	–	24,629
Impairment loss recognised in respect of goodwill of subsidiaries	–	6,357
Impairment loss recognised in respect of goodwill of an associate	–	2,520
Operating cash flows before movements in working capital	(90,399)	(70,631)
(Increase) decrease in inventories	(16)	560
Decrease in trade and other receivables	6,350	4,325
Decrease in prepaid airtime	6,157	–
Decrease in receivables from related parties	4,550	803
Decrease in trade and other payables	(12,704)	(24,386)
Decrease in payable to an associate	(45)	(280)
Decrease in payables to related parties	(2,097)	(7,256)
Increase in payables to fellow subsidiaries	551	–
NET CASH USED IN OPERATIONS	(87,653)	(96,865)
Interest received	938	1,343
NET CASH USED IN OPERATING ACTIVITIES	(86,715)	(95,522)



Consolidated Cash Flow Statement

For the year ended 31 March, 2003

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	Notes	2003 HK\$'000	2002 <i>HK\$'000</i>
INVESTING ACTIVITIES			
Acquisition of subsidiaries, net of cash and cash equivalents acquired	31	(1,157)	(28,471)
Purchase of property, plant and equipment		(3,019)	(9,463)
Payment for intangible assets		–	(4,000)
Repayment of receivables from associates		1,172	–
Advance to associates		–	(1,378)
Investments in associates		–	(1,060)
Cash inflow (outflow) from disposal of subsidiaries	32	724	(377)
Proceeds from disposal of property, plant and equipment		1,512	10,236
Decrease in pledged deposit placed with a finance company		5,000	–
NET CASH FROM (USED IN) INVESTING ACTIVITIES		4,232	(34,513)
FINANCING ACTIVITIES			
Finance lease charges		(1,107)	(587)
Interest paid		(2,079)	(161)
Proceeds from rights issue of shares		104,094	153,825
Rights issue expenses		(2,697)	(5,337)
Loans from shareholders		69,000	30,000
Loan from a related party		5,000	17,000
Proceeds from exercise of warrants		–	2
Repayment of loan from a related party		(22,000)	–
Repayment of obligations under finance leases		(7,365)	(3,119)
Repayment of bank borrowings		–	(90,000)
Repayment of loans from shareholders		(44,400)	(8,000)
NET CASH FROM FINANCING ACTIVITIES		98,446	93,623
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		15,963	(36,412)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		(118)	3,099
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		24,163	57,476
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTING BANK BALANCES AND CASH		40,008	24,163

1. GENERAL

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands with its shares listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its ultimate holding company is Sun Media Group Holdings Limited ("Sun Media"), a company incorporated in Bermuda with its shares listed on the main board of the Stock Exchange.

The Company is an investment holding company. Its subsidiaries are principally engaged in publication of newspaper and magazine and operation of websites.

2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted, for the first time, a number of new and revised Statements of Standard Accounting Practice ("SSAP(s)") issued by the Hong Kong Society of Accountants. The adoption of these SSAPs has resulted in a change in the format of presentation of the cash flow statement and inclusion of the statement of changes in equity, but has had no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

Foreign currencies

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

Cash flow statements

In the current year, the Group has adopted SSAP 15 (Revised) "Cash Flow Statements". Under SSAP 15 (Revised), cash flows are classified under three headings - operating, investing and financing, rather than the previous five headings. Interests received and interests paid, which were previously presented under a separate heading, are classified as operating and financing cash flows respectively. Cash flows arising from taxes on income are classified as operating activities, unless they can be separately identified with investing or financing activities. Cash flows of overseas operations have been re-translated at the rates prevailing at the dates of the cash flows rather than the rate of exchange ruling on the balance sheet date.

Employee benefits

In the current year, the Group has adopted SSAP 34 "Employee Benefits", which introduces measurement rules for employee benefits, including retirement benefit plans. Because the Group only participates in defined contribution retirement benefits scheme, the adoption of SSAP 34 has not had any material impact on the financial statements.



3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain investments in securities and in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 March each year.

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

All significant inter-company transactions and balances within the Group are eliminated on consolidation.

Goodwill

Goodwill represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition.

Goodwill is capitalised and amortised on a straight-line basis over its useful economic life.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

Interests in associates

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates, less any identified impairment loss.

Revenue recognition

Sales of newspaper and magazines are recognised when newspaper and magazines are delivered and title has passed.

Advertising revenue is recognised on the relevant publication date of the Group's newspaper and magazines.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)**Revenue recognition** (continued)

Advertising revenue is also derived from the sales of banner advertisements and sponsorships on the Group's website. The advertising revenue is recognised over the period in which the advertisements are displayed, provided that no significant obligations remain and collection of the receivable is reasonably assured.

Revenue from sponsorship arrangements is recognised when services are provided.

Revenue from consulting services is recognised when services are provided.

Revenue from internet website content sales is recognised on a straight-line basis over the contract term if the revenues for the service are fixed.

Sales of goods are recognised when goods are delivered and title has passed and the collectibility of the amount receivable is reasonably assured.

Interest income from bank deposits is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

Intangible assets

Intangible asset is stated at cost less amortisation and any identified impairment loss. The cost of the intangible asset is amortised over the estimated economical life of the intangible asset on a straight-line basis.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as expenses immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.



3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and amortisation and accumulated impairment losses.

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives, using the straight-line method, at the following rates per annum:

Leasehold land and building	4%
Leasehold improvements	Shorter of the lease term or 5 years
Machinery	15% – 20%
Furniture, fixtures and equipment	15% – 20%
Network and computer equipment	15% – 33 ¹ / ₃ %
Operating equipment	20%
Motor vehicles	15% – 20%

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or where shorter, the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

Finance leases

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. Assets held under finance leases are capitalised at their fair values at the date of acquisition. The corresponding liabilities to the lessor, net of interest charges, are included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

All other leases are classified as operating leases and the annual rentals are charged to the income statement on a straight-line basis over the term of the relevant lease.

Investments in securities

Investments in securities are recognised on a trade-date basis and are initially measured at cost.

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the year.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)**Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Taxation

The charge for taxation is based on the results for the year as adjusting for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of the timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

Foreign currencies

Transactions in foreign currencies are translated into Hong Kong dollars at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated into Hong Kong dollars at the rates ruling on the balance sheet date. Profits and losses arising on exchange are included in net profit or loss for the year.

On consolidation, the assets and liabilities of the Group's overseas operations are translated into Hong Kong dollars at the exchange rates ruling on the balance sheet date. Income and expenses are translated into Hong Kong dollars at the average exchange rates for the year. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the year in which the operation is disposed of.

4. TURNOVER

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

	2003	2002
	HK\$'000	HK\$'000
Newspaper and magazines advertising income	83,310	25,695
Sales of newspaper and magazines	85,211	25,205
Advertising and sponsorship	1,174	16,211
Consultancy services	–	2,466
Internet website content sales	1,079	1,757
Sales of goods, net of discounts and allowances	72	159
	170,846	71,493

Included in newspaper and magazines advertising income is approximately HK\$2,168,000 (2002: Nil) in respect of barter transactions entered into during the year.



5. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

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 turnover and net loss for the year and assets and liabilities by business segment is as follows:

	Newspaper and magazine business		Website business		Others		Consolidated	
	2003	2002	2003	2002	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue, excluding interest income	170,953	51,694	3,386	24,802	-	-	174,339	76,496
Segment result	(315,043)	(40,872)	(12,164)	(101,483)	(8,163)	(2,631)	(335,370)	(144,986)
Interest income							938	1,343
Loss from operations							(334,432)	(143,643)
Finance costs							(8,480)	(6,135)
Share of results of associates							(232)	(545)
(Loss) gain on disposal of subsidiaries							(282)	1,317
Loss on dilution of interest in an associate							(309)	-
Loss before taxation							(343,735)	(149,006)
Taxation							-	-
Loss before minority interests							(343,735)	(149,006)
Minority interests							-	113
Net loss for the year							(343,735)	(148,893)
ASSETS								
Segment assets	146,265	377,767	42,928	59,380	1,382	5,578	190,575	442,725
Interests in associates							-	4,094
Consolidated total assets							190,575	446,819
LIABILITIES								
Segment liabilities	22,946	48,466	1,166	12,580	2,366	1,306	26,478	62,352
Unallocated corporate liabilities							77,946	128,311
							104,424	190,663
							86,151	256,156

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)**Business segments (continued)**

	Newspaper and magazine business		Website business		Others		Consolidated	
	2003	2002	2003	2002	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
OTHER INFORMATION								
Capital expenditure								
– property, plant and equipment	1,865	118,351	1,154	7,039	-	-	3,019	125,390
– intangible assets	-	207,153	-	-	-	-	-	207,153
Depreciation and amortisation	28,101	8,906	2,936	20,865	-	-	31,037	29,771
Impairment loss recognised in respect of								
– intangible assets	195,194	-	-	2,875	-	-	195,194	2,875
– prepaid airtime	12,000	-	-	-	-	-	12,000	-
– property, plant and equipment	-	-	-	24,629	-	-	-	24,629
– goodwill of subsidiaries	-	-	-	6,357	-	-	-	6,357
– goodwill of an associate	-	-	-	2,520	-	-	-	2,520
Unsecured loss on investments in securities	-	-	-	-	4,167	4,500	4,167	4,500

The Group's operations are mainly located in Hong Kong and all significant identifiable assets of the Group are located in Hong Kong. Accordingly, no analysis by geographic segment is presented.

6. COST OF STREAMLINING OPERATIONS

For the year ended 31 March, 2002, as a result of market changes, the Group had streamlined its operations in order to optimise its resource allocation. The expenses incurred as a result of this exercise were as follows:

	HK\$'000
Impairment loss recognised in respect of property, plant and equipment	24,629
Loss on disposal of property, plant and equipment	3,348
Staff redundancy expenses and other costs	2,726
	30,703



7. LOSS FROM OPERATIONS

Loss from operations has been arrived at after charging (crediting):

Staff costs, including directors' remuneration and staff redundancy expenses

Retirement benefits scheme contributions

Total staff costs

Amortisation included in administrative expenses:

Intangible assets

Goodwill

Depreciation and amortisation of property, plant and equipment:

Owned assets

Assets held under finance leases

Total depreciation and amortisation

Auditors' remuneration

Write-down of inventories

Allowance for bad and doubtful debts

Allowance for amount due from an associate

Loss on disposal of property, plant and equipment

Interest income

2003	2002
HK\$'000	HK\$'000
122,160	51,596
5,384	2,686
127,544	54,282
8,560	6,399
20	—
5,702	18,807
16,755	4,565
31,037	29,771
680	780
1,363	—
1,080	—
—	355
130	3,348
(938)	(1,343)

8. FINANCE COSTS

Interest on:

Loans from shareholders

Loan from ultimate holding company

Other loans

Finance leases

Bank borrowings wholly repayable within five years

Loan from a related party

2003	2002
HK\$'000	HK\$'000
6,200	5,313
362	—
181	—
1,107	587
5	161
625	74
8,480	6,135

9. DIRECTORS' REMUNERATION

	2003	2002
	HK\$'000	HK\$'000
Fees:		
Executive directors	-	540
Non-executive directors	-	360
	-	900
Other emoluments to executive directors:		
Salaries and other benefits	2,448	3,018
Compensation for loss of office	776	-
Retirement benefits scheme contributions	32	34
	3,256	3,052
	3,256	3,952

There were eight directors who received emoluments of approximately HK\$1,253,000, HK\$1,237,000, HK\$219,000, HK\$175,000, HK\$102,000, HK\$92,000, HK\$89,000 and HK\$89,000, respectively, for the year ended 31 March, 2003. For the year ended 31 March, 2002, there were eight directors who received emoluments of approximately HK\$2,369,000, HK\$433,000, HK\$414,000, HK\$188,000, HK\$188,000, HK\$120,000, HK\$120,000 and HK\$120,000 respectively. The other directors did not receive any emoluments from the Group.

None of the directors has waived any emoluments during the year.

10. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2002: one) were directors of the Company whose emoluments are included in note 9 above. The emoluments of the remaining three (2002: four) individuals were as follows:

	2003 HK\$'000	2002 HK\$'000
Salaries and other benefits	3,456	3,323
Retirement benefits scheme contributions	36	33
	3,492	3,356

Their emoluments were within the following bands:

	No. of employees 2003	2002
Nil – HK\$1,000,000	–	3
HK\$1,000,001 – HK\$1,500,000	3	1
	3	4

11. TAXATION

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

Details of unprovided deferred taxation are set out in note 34.

12. LOSS PER SHARE

The calculation of the basic loss per share for the year is based on the net loss for the year of approximately HK\$343,735,000 (2002: HK\$148,893,000) and the weighted average number of approximately 349,368,000 (2002: 115,806,000) shares in issue during the year.

The weighted average number of shares for the year ended 31 March, 2002 for the purpose of calculating the basic loss per share has been adjusted for the effect of share consolidation approved on 24 May, 2002 and the rights issue on 17 September, 2002.

The computation of diluted loss per share does not assume the exercise of the Company's outstanding share options and warrants since their exercise would result in a reduction in loss per share.

Notes to the Financial Statements

For the year ended 31 March, 2003

13. PROPERTY, PLANT AND EQUIPMENT

	Land and building improvements	Leasehold improvements	Machinery	Furniture, fixtures and equipment	Network and computer equipment	Operating equipment	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
THE GROUP								
COST								
At 1 April, 2002	500	3,355	105,144	3,788	59,474	2,643	1,274	176,178
Exchange realignment	-	-	-	(1)	(29)	-	(1)	(31)
Acquisitions of subsidiaries	-	-	-	106	413	462	-	981
Additions	-	-	406	803	1,701	-	109	3,019
Disposals	-	(134)	(152)	(880)	(23,610)	(2,780)	-	(27,566)
Disposal of subsidiaries	-	(1,693)	-	(539)	(21,796)	(309)	-	(24,337)
At 31 March, 2003	500	1,528	105,398	3,277	16,153	16	1,382	128,254
DEPRECIATION, AMORTISATION AND IMPAIRMENT								
At 1 April, 2002	10	1,912	4,819	1,750	48,728	1,832	52	59,103
Exchange realignment	-	-	-	-	(7)	-	-	(7)
Provided for the year	21	264	17,583	460	3,686	232	211	22,457
Eliminated on disposals	-	(134)	(34)	(766)	(23,171)	(1,809)	-	(25,914)
Eliminated on disposal of subsidiaries	-	(1,692)	-	(456)	(20,570)	(239)	-	(22,957)
At 31 March, 2003	31	350	22,368	988	8,666	16	263	32,682
NET BOOK VALUES								
At 31 March, 2003	469	1,178	83,030	2,289	7,487	-	1,119	95,572
At 31 March, 2002	490	1,443	100,325	2,038	10,746	811	1,222	117,075

The land and building is situated in Hong Kong and is held under a medium term lease.

Included in property, plant and equipment are assets held under finance leases with net book values of approximately HK\$79,201,000 (2002: HK\$96,105,000).



14. GOODWILL

	THE GROUP
	<i>HK\$'000</i>
	<hr/>
COST	
At 1 April, 2002	6,357
Arising on acquisition of subsidiaries	534
Disposal of subsidiaries	<u>(534)</u>
At 31 March, 2003	<u>6,357</u>
AMORTISATION AND IMPAIRMENT	
At 1 April, 2002	6,357
Amortised for the year	20
Eliminated on disposal of subsidiaries	<u>(20)</u>
At 31 March, 2003	<u>6,357</u>
NET BOOK VALUES	
At 31 March, 2003 and at 31 March, 2002	<u>—</u>

Goodwill is amortised on a straight-line basis over a period of 20 years.

15. INTANGIBLE ASSETS

	THE GROUP
	<i>HK\$'000</i>
	<hr/>
COST	
At 1 April, 2002 and at 31 March, 2003	<u>216,153</u>
AMORTISATION AND IMPAIRMENT	
At 1 April, 2002	12,399
Provided for the year	8,560
Impairment loss recognised	<u>195,194</u>
At 31 March, 2003	<u>216,153</u>
NET BOOK VALUES	
At 31 March, 2003	<u>—</u>
At 31 March, 2002	<u>203,754</u>

15. INTANGIBLE ASSETS (continued)

The intangible assets represent the right to publish newspaper (the "Publish Right") under the trademark and tradename of "Sing Pao" and the exclusive license (the "Exclusive License") to distribute, exploit and exhibit specified films on the internet or any other media of a similar nature. The Publish Right is amortised over a period of 20 years on a straight-line basis. The Exclusive License is amortised over the licence period of 3 years on a straight-line basis.

The carrying amount at 1 April, 2002 represents the net book value of the Publish Right.

During the year, the directors reviewed the carrying value of the Publish Right with reference to its future economic benefits expected to be generated. Impairment loss of HK\$195,194,000 has been identified and recognised in the income statement.

16. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2003	2002
	HK\$'000	HK\$'000
Unlisted shares, at cost	35,589	35,589
Impairment loss recognised	(22,000)	(22,000)
	13,589	13,589

Particulars of the Company's principal subsidiaries as at 31 March, 2003 are as follows:

Name of subsidiary	Place of incorporation or registration/ operations	Kind of legal entity	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company		Principal activities
				Directly	Indirectly	
				%	%	
FIRST BRILLIANT LIMITED	British Virgin Islands ("BVI")	Limited liability company	US\$1	100	–	Investment holding
ACTIWATER RESOURCES LIMITED	BVI	Limited liability company	US\$1	–	100	Investment holding
CHINA YOUTH NET.COM LIMITED	Hong Kong	Limited liability company	HK\$2	–	100	Investment holding



16. INVESTMENTS IN SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation or registration/ operations	Kind of legal entity	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company		Principal activities
				Directly	Indirectly	
				%	%	
DESIGNATE SUCCESS LIMITED	BVI	Limited liability company	US\$100	–	100	Investment holding
KOMATIC INTERNATIONAL LIMITED	BVI	Limited liability company	US\$1	–	100	Investment holding
OPTIMA MEDIA HOLDING LIMITED	BVI	Limited liability company	US\$100	–	100	Holding of intangible asset and investment holding
SING PAO NEWSPAPER ASSETS LIMITED	Hong Kong	Limited liability company	HK\$2	–	100	Holding of fixed assets
SING PAO NEWSPAPER COMPANY LIMITED ("Sing Pao Newspaper")	Hong Kong	Limited liability company	HK\$2	–	100	Newspaper publication
SING PAO NEWSPAPER DISTRIBUTION LIMITED	Hong Kong	Limited liability company	HK\$2	–	100	Provision of management services
SING PAO NEWSPAPER MANAGEMENT LIMITED	Hong Kong	Limited liability company	HK\$2	–	100	Provision of management services
SING PAO NEWSPAPER SERVICES LIMITED	Hong Kong	Limited liability company	HK\$2	–	100	Provision of nominee services and secretarial services
StarEastNet (BVI) Limited	BVI	Limited liability company	US\$1,000	100	–	Investment holding
StarEastNet.com Management Limited	Hong Kong	Limited liability company	HK\$2	–	100	Provision of corporate management services

16. INVESTMENTS IN SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation or registration/ operations	Kind of legal entity	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company		Principal activities
				Directly	Indirectly	
				%	%	
StarNet Generation Limited	Hong Kong	Limited liability company	HK\$2	–	100	Provision of information technology consultancy services
TECH MERIT LIMITED	BVI	Limited liability company	US\$1	100	–	Investment holding
WAH FUNG BOOK STORE LIMITED	Hong Kong	Limited liability company	HK\$796,000	–	100	Investment holding
WIDE ANGLE PRESS LIMITED	Hong Kong	Limited liability company	HK\$918,400	–	100	Magazines and books publication
北京中青在線網絡信息技術有限公司	People's Republic of China ("PRC")	Sino-foreign joint venture	RMB5,000,000	–	60	Provision of networking and information services

With the exception of StarEastNet (BVI) Limited, First Brilliant Limited and Tech Merit Limited, all the subsidiaries were indirectly held by the Company.

None of the subsidiaries had any debt securities outstanding during the year or at the end of the year.

The above table only lists those subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group, to give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.



17. AMOUNTS DUE FROM SUBSIDIARIES

	THE COMPANY	
	2003	2002
	HK\$'000	HK\$'000
Amounts due from subsidiaries	663,735	566,406
Allowances for bad and doubtful debts	(561,942)	(249,942)
	101,793	316,464

The amounts are unsecured, non-interest bearing and have no fixed terms of repayment. In the opinion of the directors, the amounts will not be repaid within the next twelve months.

At the balance sheet date, the directors reviewed the carrying value of the amounts due from its subsidiaries with reference to the businesses operated by these subsidiaries. Allowances of approximately HK\$312,000,000 (2002: HK\$128,000,000) have been recognised in the Company's income statement.

18. INTERESTS IN ASSOCIATES

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Share of net assets	—	2,896
Amounts due from associates	—	1,198
	—	4,094

Details of the associates at 31 March, 2002 were as follows:

Name of associate	Place of incorporation or registration/ operations	Attributable equity interests held by the Group	Principal activities
Sherity International Limited	Hong Kong	40%	Development and operation of website
北京魅力東方廣告有限公司	PRC	36%	Provision of advertising services
北京東魅文化傳播有限公司	PRC	27%	Provision of broadcast and distribution services
深圳有生軟件技術有限公司	PRC	44%	Provision of information technology consulting services

19. INVESTMENTS IN SECURITIES

	Other investments	
	2003	2002
	HK\$'000	HK\$'000
THE GROUP		
Listed equity securities, at cost	10,000	–
Unlisted equity securities, at cost	–	10,000
Unrealised loss recognised	(8,667)	(4,500)
	1,333	5,500
Market value of listed securities	1,333	–

20. INVENTORIES

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Computer equipment for sale	22	1,434
Printing materials	773	964
Goods for sale	723	467
	1,518	2,865

Included in inventories is an amount of HK\$33,000 (2002: HK\$1,472,000) carried at net realisable value.

21. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of 30 days to 60 days to its trade customers. The following is an aged analysis of trade receivables at the balance sheet date:

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
0 – 30 days	6,001	16,428
31 – 90 days	6,766	2,770
Over 90 days	3,999	4,555
Trade receivables	16,766	23,753
Other receivables	6,729	9,259
	23,495	33,012



22. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payable at the balance sheet date:

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
0 – 30 days	8,315	15,160
31 – 90 days	5,550	3,150
Over 90 days	1,479	4,522
Trade payables	15,344	22,832
Other payables	10,583	20,378
	25,927	43,210

23. OBLIGATIONS UNDER FINANCE LEASES

	Minimum		Present value	
	lease payments		of minimum	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
THE GROUP				
Amounts payable under finance leases:				
Within one year	8,313	8,478	7,613	7,360
In the second to fifth year inclusive	10,112	18,464	9,790	17,408
	18,425	26,942	17,403	24,768
Less: Future finance charges	(1,022)	(2,174)		
Present value of lease obligations	17,403	24,768		
Less: Amount due for settlement within one year (shown under current liabilities)			(7,613)	(7,360)
Amount due for settlement after one year			9,790	17,408

It is the Group's policy to lease certain of its machinery under finance leases. The average lease term is four years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

At 31 March, 2003, an amount of HK\$5,000,000 (2002: HK\$10,000,000) has been placed with a finance company as security for the repayment of the remaining instalments.

24. PAYABLES TO SHAREHOLDERS**The Group**

As at 31 March, 2002, the amounts included loans of HK\$91,500,000 from shareholders, which were unsecured, borne interest at Hong Kong prime interest rate plus 2% per annum and were repayable between 30 April, 2003 and 30 June, 2003. The remaining balance of HK\$12,043,000 represented accrued interest thereon which was unsecured and repayable with the principal.

The Company

As at 31 March, 2002, the amounts included loans of HK\$61,500,000 from shareholders, which were unsecured, borne interest at Hong Kong prime interest rate plus 2% per annum and were repayable on 30 April, 2003. The remaining balance of HK\$11,721,000 represented accrued interest thereon which was unsecured and repayable with the principal.

25. LOAN FROM ULTIMATE HOLDING COMPANY/OTHER LOANS

The amounts 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, the date of completion of Sun Media's acquisition of a controlling interest in the Company (the "Completion"), provided that the payment date shall not fall after the twentieth anniversary of 24 January, 2003.

26. SHARE CAPITAL

	<i>Notes</i>	No. of shares	Amount <i>HK\$'000</i>
Ordinary shares			
Authorised:			
At 1 April, 2001 and 31 March, 2002, shares of HK\$0.10 each		10,000,000,000	1,000,000
Capital reduction, shares of HK\$0.0025 each	(a)(i)	—	(975,000)
Share consolidation, shares of HK\$0.05 each	(a)(ii)	—	—
Cancellation of authorised share capital upon share consolidation	(a)(iii)	(9,500,000,000)	—
Increase during the year	(b)	1,500,000,000	75,000
		<hr/>	<hr/>
At 31 March, 2003, shares of HK\$0.05 each		2,000,000,000	100,000
Issued and fully paid:			
At 1 April, 2001, shares of HK\$0.10 each		1,025,500,000	102,550
Rights issue of shares		1,538,250,000	153,825
Issue of shares to acquire subsidiaries		1,600,000,000	160,000
Exercise of warrants		19,000	2
		<hr/>	<hr/>
At 31 March, 2002, shares of HK\$0.01 each		4,163,769,000	416,377
Capital reduction, shares of HK\$0.0025 each	(a)(i)	—	(405,968)
Share consolidation, shares of HK\$0.05 each	(a)(ii)	(3,955,580,550)	—
Rights issue of shares	(c)	260,235,656	13,012
Exercise of warrants	(d)	75	—
		<hr/>	<hr/>
At 31 March, 2003, shares of HK\$0.05 each		468,424,181	23,421



26. SHARE CAPITAL (continued)

Notes:

(a) CAPITAL REORGANISATION

Pursuant to a special resolution passed at an extraordinary general meeting held on 7 March, 2002, the Company carried out a capital reorganisation as follows:

(i) Capital reduction

The nominal value of every issued share was reduced from HK\$0.10 to HK\$0.0025 upon the capital reduction (the "Capital Reduction"). On the basis of 4,163,769,000 issued shares of HK\$0.10 each, the issued share capital of the Company was reduced from HK\$416,377,000 to HK\$10,409,000 by cancelling the paid-up capital of HK\$405,968,000.

The surplus of the amount of approximately HK\$405,968,000 arising from the Capital Reduction together with the credit balance of HK\$110,000,000 standing in the share premium account were transferred to the accumulated losses and the distributable reserve of the Company respectively.

(ii) Share consolidation

Upon the Capital Reduction, every twenty issued shares of HK\$0.0025 each in the capital of the Company were consolidated into one new share of HK\$0.05 each (the "Share Consolidation"). Accordingly, on the basis of 4,163,769,000 issued shares, the Company had issued and paid-up capital of HK\$10,409,000 divided into 208,188,450 shares of HK\$0.05 each upon the Share Consolidation.

(iii) Share cancellation

Upon the Share Consolidation, on the basis of 10,000,000,000 authorised shares, the Company's authorised share capital was reduced to HK\$25,000,000 divided into 500,000,000 shares of HK\$0.05 each.

- (b) Pursuant to a resolution passed at an extraordinary general meeting held on 28 August, 2002, the authorised share capital of the Company was increased from HK\$25,000,000 to HK\$100,000,000 by creation of additional 1,500,000,000 new shares of HK\$0.05 each.
- (c) On 17 September, 2002, 260,235,656 new shares of HK\$0.05 each were issued by way of a rights issue ("Rights Issue") on the basis of five rights shares for every four shares at HK\$0.40 per rights share.
- (d) During the year, 75 shares of HK\$0.05 each were issued for cash at a subscription price of HK\$2 per share pursuant to the exercise of the Company's warrants for a total consideration of HK\$150.

All the shares issued during the year rank pari passu with the then existing shares in all respects.

27. WARRANTS

At 31 March, 2003, the Company had outstanding of 61,040,039 warrants. These warrants were lapsed after the close of business on 28 May, 2003. During the year, a total amount of HK\$150 warrants were exercised by warrantholders to subscribe for a total number of 75 ordinary shares in the Company at the subscription price of HK\$2 per share.

Notes to the Financial Statements

For the year ended 31 March, 2003

28. RESERVES

	Shareholders' contributions	Share premium	Merger reserve	Exchange reserve	Distributable reserve	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
THE GROUP							
At 1 April, 2001	–	123,597	121,914	1	–	(254,275)	(8,763)
Rights issue expenses	–	(5,337)	–	–	–	–	(5,337)
Reserve released on disposal of a subsidiary	–	–	–	(1)	–	–	(1)
Exchange differences arising from translation of overseas operations	–	–	–	2,773	–	–	2,773
Net loss for the year	–	–	–	–	–	(148,893)	(148,893)
At 31 March, 2002	–	118,260	121,914	2,773	–	(403,168)	(160,221)
Reduction of share premium transferred to accumulated losses	–	(110,000)	–	–	–	110,000	–
Reduction of share capital transferred to distributable reserve and accumulated losses	–	–	–	–	231,340	174,628	405,968
Rights issue of shares	–	91,082	–	–	–	–	91,082
Rights issue expenses	–	(2,697)	–	–	–	–	(2,697)
Waiver of loans from shareholders	72,894	–	–	–	–	–	72,894
Reserve released on disposal of a subsidiary	–	–	–	(419)	–	–	(419)
Exchange differences arising from translation of overseas operations	–	–	–	(142)	–	–	(142)
Net loss for the year	–	–	–	–	–	(343,735)	(343,735)
At 31 March, 2003	72,894	96,645	121,914	2,212	231,340	(462,275)	62,730



28. RESERVES (continued)

	Shareholders' contributions <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Distributable reserve <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE COMPANY						
At 1 April, 2001	–	123,597	–	5,589	(147,615)	(18,429)
Rights issue expenses	–	(5,337)	–	–	–	(5,337)
Net loss for the year	–	–	–	–	(137,013)	(137,013)
At 31 March, 2002	–	118,260	–	5,589	(284,628)	(160,779)
Reduction of share premium transferred to accumulated losses	–	(110,000)	–	–	110,000	–
Reduction of share capital transferred to distributable reserve and accumulated losses	–	–	231,340	–	174,628	405,968
Rights issue of shares	–	91,082	–	–	–	91,082
Rights issue expenses	–	(2,697)	–	–	–	(2,697)
Waiver of loans from shareholders	49,087	–	–	–	–	49,087
Net loss for the year	–	–	–	–	(320,489)	(320,489)
At 31 March, 2003	49,087	96,645	231,340	5,589	(320,489)	62,172

The merger reserve of the Group represents the difference between the share capital and share premium of the subsidiaries acquired pursuant to the group reorganisation (the "Group Reorganisation") set out in the prospectus of the Company dated 23 May, 2000, over the nominal value of the Company's shares issued in exchange thereof.

The contributed surplus of the Company represents the difference between the book value of the underlying net assets of the subsidiaries acquired by the Company under the Group Reorganisation and the nominal amount of the Company's shares issued for the acquisition.

There were no reserve available for distribution to shareholders of the Company as at 31 March, 2003 and 2002.

29. SHARE OPTIONS SCHEME**Pre-IPO Share Option Scheme and Employee Share Option Scheme ("Old Option Scheme")**

A summary of the major terms of each of the Pre-IPO Share Option Scheme and Old Option Scheme is set out on pages 239 to 245 of the Company's prospectus dated 23 May, 2000.

The options are exercisable in accordance with the terms of the Pre-IPO Share Option Scheme and the Old 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:

Period since date of grant	Percentage of shares comprised in options which become exercisable
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

Share Option Scheme adopted on 15 January, 2002 ("New Option Scheme")

On 15 January, 2002, the Company adopted the New 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 Option Scheme and Chapter 23 of the Rules Governing the Listing of Securities on GEM of the Stock Exchange. The principal purposes of the New Option Scheme are to recognise the significant contributions of the Eligible Persons to the growth of the Group. The total number of shares which may be issued upon exercise of all options to be granted under the New Option Scheme and any other outstanding share option schemes of the Company must not in aggregate exceed ten per cent. of the issued share capital of the Company at the date of the approval of the New Option Scheme by the shareholders and such limit might be refreshed by the shareholders in general meeting. The New Option Scheme commenced on 15 January, 2002 and end on the day immediately prior to the tenth anniversary of 15 January, 2002.

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

No options pursuant to the New Option Scheme were granted during the year.



29. SHARE OPTIONS SCHEME (continued)

The following table discloses details of the Company's share options held by the directors, employees and contracted celebrities to the Group and movements in such holdings during the year:

Name of scheme	Date of grant	Exercisable period	Exercise price per share	Number of options							
				Outstanding	Adjusted	Lapsed	Outstanding	Adjusted	Adjusted	Lapsed	Outstanding
				as at	on	during	as at	on	on	during	as at
				1.4.2001	6.11.2001	the year	31.3.2002	24.5.2002	17.9.2002	the year	31.3.2003
			HK\$		(Note i)			(Note ii)	(Note iii)		
Directors of the Company											
Pre-IPO Share Option Scheme	26.5.2000	26.5.2000 – 25.5.2005	7.18	50,500,000	75,750,000	(7,500,000)	118,750,000	(112,812,500)	7,421,875	(13,359,375)	-
Old Option Scheme	10.1.2001	10.1.2001 – 9.1.2006	6.70	6,000,000	9,000,000	-	15,000,000	(14,250,000)	937,500	(1,687,500)	-
				56,500,000	84,750,000	(7,500,000)	133,750,000	(127,062,500)	8,359,375	(15,046,875)	-
Directors of the Company's subsidiaries											
Pre-IPO Share Option Scheme	26.5.2000	26.5.2000 – 25.5.2005	7.18	16,800,000	25,200,000	(2,500,000)	39,500,000	(37,525,000)	2,468,750	(4,443,750)	-
Old Option Scheme	10.1.2001	10.1.2001 – 9.1.2006	6.70	6,000,000	9,000,000	(2,500,000)	12,500,000	(11,875,000)	781,250	(1,406,250)	-
				22,800,000	34,200,000	(5,000,000)	52,000,000	(49,400,000)	3,250,000	(5,850,000)	-
Employees and contracted celebrities to the Group											
Pre-IPO Share Option Scheme	26.5.2000	26.5.2000 – 25.5.2005	7.18	26,040,000	39,060,000	(25,350,000)	39,750,000	(37,762,500)	2,484,375	(4,471,875)	-
Old Option Scheme	5.9.2000	5.9.2000 – 4.9.2005	10.65	5,200,000	7,800,000	(5,000,000)	8,000,000	(7,600,000)	500,000	(900,000)	-
	10.1.2001	10.1.2001 – 9.1.2006	6.70	16,775,000	25,162,500	(36,862,500)	5,075,000	(4,821,250)	317,187	(570,937)	-
				48,015,000	72,022,500	(67,212,500)	52,825,000	(50,183,750)	3,301,562	(5,942,812)	-
				127,315,000	190,972,500	(79,712,500)	238,575,000	(226,646,250)	14,910,937	(26,839,687)	-

Notes:

- The number and the exercise price of options which remained outstanding on 6 November 2001 have been adjusted due to rights issue on the basis of three rights shares for every two shares at HK\$0.10 per rights share.
- The number and the exercise price of options which remained outstanding on 24 May, 2002 have been adjusted due to share consolidation of the Company for 20 shares into 1 share with effect from the close of business on 24 May, 2002.
- The number and the exercise price of options which remained outstanding on 17 September, 2002 have been adjusted due to rights issue on the basis of five rights shares for every four shares at HK\$0.40 per rights share.

30. RELATED PARTY BALANCES AND TRANSACTIONS

		THE GROUP	
		2003	2002
		HK\$'000	HK\$'000
	Notes		
Prepaid airtime to Pacific Convergence Corporation, Limited ("PCC")	(a)	23,649	41,806
Receivables from related parties consisted of the amounts due from the following companies:			
Group companies of M Channel Corporation Limited ("M Channel")	(b)	-	2,092
Group companies of Paul Y. ITC Construction Holdings Limited ("Paul Y.")	(c)	-	247
Star East Holdings Limited ("SEH")		-	2,141
Others		-	70
		-	4,550
Payables to related parties consist of the amounts due to the following companies:			
Group companies of Sun Media	(d)	551	-
Group companies of Hanny Holdings Limited ("Hanny")		-	1,331
Paul Y.		-	15
SEH		-	252
ITC Corporation Limited ("ITC")		-	17,499
		551	19,097
Payables to shareholders (Note 24)		-	103,543
Loan from ultimate holding company (Note 25)		40,362	-

The balances with related parties are unsecured and have no fixed terms of repayment. Except for the payables to shareholders and loan from ultimate holding company as described in notes 24 and 25, respectively, and a loan from ITC as described in note (e) below, the balances with related parties arise from the Group's operating activities and are non-interest bearing.

30. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

Notes:

- (a) The Group on 24 August, 1999 entered into a contract with PCC, an affiliate of PCCW Limited, a company which had a beneficial interest in the Company before the Completion, to secure and pre-occupy a future Pan Asia promotion platform for access to airtime, including television and internet. The amount paid by the Group under the contract was approximately US\$6,556,000, equivalent to approximately HK\$50,806,000. This airtime would be used for marketing and promotion purposes. The contract contained, among others, the following terms:
- i. The value of the airtime used by the Group would be based on the then current fees and charges in PCC's rate cards;
 - ii. The airtime must be used by the Group within a two-year period commencing upon the expiry of two years after the contract date;
 - iii. The airtime might be sold by the Group to third parties provided that it was not at rates lower than PCC's then current rates and charges shown on PCC's rate cards; and
 - iv. Any unused airtime at 24 August, 2003 would be forfeited.

On 9 March, 2000, the Group and PCC agreed to modify the terms and conditions of this contract. Pursuant to the new agreement consideration for the airtime was reduced to approximately US\$5,394,000 from approximately US\$6,556,000 and the term of usage of airtime was amended to a two-year period commencing from 24 February, 2002. The Group had received a cash refund from PCC in the amount of approximately US\$1,162,000, equivalent to approximately HK\$9,000,000, in March 2000.

Airtime of approximately HK\$6,157,000 (2002: Nil) under the contract had been utilised for the year.

At 31 March, 2003, the directors reviewed the carrying value of the remaining airtime with reference to the future airtime expected to be utilised. Impairment loss of HK\$12,000,000 has been identified and recognised in the income statement.

- (b) M Channel is an affiliate of SEH. The amount receivable arose from certain transactions as detailed in (f) below.
- (c) Paul Y. is an affiliate of ITC, a company which had an indirect beneficial interest in the Company before the Completion. The amount receivable mainly represents the rental deposits pursuant to operating leases for office premises and the amount payable arose from the transactions entered into with Paul Y. as detailed in (f) below.
- (d) Sun Media is the ultimate holding company of the Group. The amount payable arose from transactions as detailed in (f) below.

30. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

Notes: (continued)

- (e) SEH, ITC, Hanny and PCCW Limited were the companies which had beneficial interests in the Company before the Completion. The balances with SEH arose from the transactions entered into with SEH as detailed in (f) below, the license fee payable to Star East Bob Limited ("Bob"), a subsidiary of SEH and the disposals of property, plant and equipment, as set out in (f) below. The balance with ITC included a loan of HK\$17,000,000 bearing interest at Hong Kong prime interest rate plus 2% per annum at 31 March, 2002 and was fully repaid during the year. The interest expense on this loan during the year was approximately HK\$625,000. The remaining balance with ITC arose from certain transactions as detailed in (f) below. The balances with Hanny and PCCW Limited arose from certain transactions as detailed in (f) below.

- (f) The Group entered into the following transactions with related parties during the year:

	Notes	2003 HK\$'000	2002 HK\$'000
Administrative service fee	(g)	119	—
Advertising income	(h)	4,864	1,846
Advertising, promotion and movie sponsorship expenses	(i)	1,854	245
Airticket and hotel expenses	(j)	526	—
Distribution income	(k)	40	—
Interest expenses to shareholders	(l)	6,200	5,313
Interest expense to ultimate holding company	25	362	—
Interest expenses to a related party	(e)	625	74
Internet leased lines expenses	(m)	—	873
Legal consulting services fee	(n)	533	606
Licence fee income	(o)	46	—
Office rent and building management expenses	(p)	188	1,170
Salaries	(q)	1,438	337
Sundry expenses	(r)	—	28
Technical consulting services fee	(s)	1,456	119
Trademark licence fee expense	(t)	45	800
Telecommunication expenses	(u)	—	30

- (g) Administrative service fee was paid to Sun Television Cybernetworks Enterprise Ltd. ("Sun Enterprise"), a wholly-owned subsidiary of Sun Media which was charged at pre-agreed price.
- (h) Advertising income was received from China Strategic Holdings Limited ("CSH"), Ananda Wing On Advertising Company Limited and Tung Fong Hung (Marketing) Limited, affiliates of CSH, SEH, Paul Y. and Sun Satellite Television Company Limited ("Satellite"), a wholly-owned subsidiary of Sun Media. The amount was charged in accordance with the Group's usual scale charges.
- (i) The advertising, promotion and movie sponsorship expenses were paid to SEH and Satellite. The amount represented the actual advertising and promotion expenses incurred on behalf of the Group.



30. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

Notes: (continued)

- (j) Airticket and hotel expenses were paid to Wing On Travel (Hong Kong) Limited, which were charged at market prices.
- (k) The distribution income was received from ITC which was charged at market price.
- (l) Interest expenses of approximately HK\$6,200,000 (2002: HK\$5,313,000) for the loans from shareholders. SEH, Hanny, PCCW Limited, Gold Miracles Limited ("GML") and Glory Dynamic Limited, an affiliate of CSH, have beneficial interests in the Company before the Completion.
- (m) For the year ended 31 March, 2002, the internet leased lines expenses paid to PCCW Limited were charged at pre-agreed fixed monthly rates by reference to market prices of similar transactions.
- (n) The legal consulting services fee paid to Messrs. Lu, Lai & Li was charged at prices negotiated by reference to market rates. Mr. Dominic Lai, an independent non-executive director of the Company up to 25 February, 2003, is a senior partner of Messrs. Lu, Lai & Li.
- (o) Licence fee was received from Sun Enterprise which was charged at pre-agreed price.
- (p) For the year ended 31 March, 2003, the office rent and building management expenses of approximately HK\$188,000 were paid to M Channel. For the year ended 31 March, 2002, the office rent and building management expenses of approximately HK\$993,000 were paid to Hanny and the rental expenses of approximately HK\$177,000 was paid to SEH. The amounts were charged at pre-agreed fixed monthly rates by reference to market prices of similar transactions.
- (q) The salaries were reimbursed to SEH for the secondment of certain employees to the Group or services provided by employees of SEH for business of the Group. The amounts represented the actual amounts incurred by SEH.
- (r) For the year ended 31 March, 2002, sundry expenses were paid to SEH which represented the actual amounts incurred by SEH on behalf of the Group.
- (s) The technical consulting services fee was paid to PCCW Limited. The amount represented the actual amount incurred by PCCW Limited on behalf of the Group plus a percentage of mark-up.
- (t) The trademark licence fee was paid to SEH which was charged at pre-agreed rate and in accordance with the terms of the trademark licence agreement.
- (u) For the year ended 31 March, 2002, telecommunication expenses were paid to PCCW Limited which was charged at pre-agreed monthly rates by reference to market prices of similar transactions.

30. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

In addition to the above, the Group also entered into the following related party transactions:

- (i) During the year, pursuant to a deed of settlement entered into among the Company, Sing Pao Newspaper, a wholly-owned subsidiary of the Company, and respective wholly-owned subsidiaries of CSH, Hanny and SEH (collectively referred to as the "Creditors"), the substantial shareholders of the Company before the Completion, the Creditors agreed to reduce the total outstanding amount of the loans due from the Group to HK\$60,000,000 (the "Reduced Loan") and to waive the remaining outstanding balance. The Reduced Loan is unsecured, bears interest at Hong Kong prime interest rate per annum and is repayable on the expiry of 30 calendar months after the year end of the first profitable financial year after the Completion provided that the payment date shall not fall after the twentieth anniversary of the date of Completion.

Pursuant to assignment deeds entered into among the Company, Sing Pao Newspaper, the Creditors and Sun Media, the Creditors agreed to assign HK\$40,000,000 out of the Reduced Loan to Sun Media. The consideration was satisfied by the issue and allotment of 400,000,000 new ordinary shares of HK\$0.02 each in Sun Media.

- (ii) During the year, the Group acquired Topspin Associates Limited, a subsidiary of M Channel, at a consideration of HK\$900,000.
- (iii) For the year ended 31 March, 2002, the Group sold property, plant and equipment to SEH at a consideration of approximately HK\$488,000. The amount was charged in accordance with terms agreed between both parties and by reference to market prices.



31. ACQUISITION OF SUBSIDIARIES

	2003	2002
	HK\$'000	HK\$'000
NET ASSETS ACQUIRED:		
Property, plant and equipment	981	1 15,927
Intangible asset	–	207,153
Pledged deposits placed with a finance company	–	10,000
Inventories	–	847
Trade and other receivables	904	25,704
Bank balances and cash	554	21,529
Trade and other payables	(1,077)	(46,112)
Bank borrowings	–	(90,000)
Obligations under finance leases	–	(26,973)
Payable to a shareholder	–	(8,000)
Minority interests	–	(89)
	1,362	209,986
Goodwill arising on acquisition	534	14
Interest in an associate	(185)	–
	1,711	210,000
SATISFIED BY:		
Cash	1,711	50,000
Issue of shares	–	160,000
	1,711	210,000

Analysis of net outflow of cash and cash equivalents in connection with the acquisition of subsidiaries:

	2003	2002
	HK\$'000	HK\$'000
Cash consideration	(1,711)	(50,000)
Bank balances and cash acquired	554	21,529
	(1,157)	(28,471)

The subsidiaries acquired during the year contributed HK\$9,305,000 (2002: HK\$52,104,000) to the Group's revenue, HK\$5,912,000 (2002: HK\$41,446,000) to the Group's loss before minority interests, HK\$5,075,000 (2002: HK\$58,662,000) to the Group's net operating cash outflows and raised HK\$577,000 (2002: HK\$2,423,000) for investing activities. For the year ended 31 March, 2002, the subsidiaries acquired contributed cash outflows of HK\$59,678,000 for financing activities.

32. DISPOSAL OF SUBSIDIARIES

	2003	2002
	HK\$'000	HK\$'000
NET ASSETS DISPOSED OF:		
Property, plant and equipment	1,380	567
Interest in an associate	49	–
Trade and other receivables	2,991	686
Bank balances and cash	306	377
Trade and other payables	(5,656)	(88)
Other investment	2,147	–
	1,217	1,542
Exchange reserve realised	(419)	(1)
Attributable goodwill	514	–
(Loss) gain on disposal of subsidiaries	(282)	1,317
	1,030	2,858
SATISFIED BY:		
Interest in an associate	–	2,858
Cash	1,030	–
	1,030	2,858
Analysis of net inflow (outflow) of cash and cash equivalents in connection with the disposal of subsidiaries:		
Cash consideration received	1,030	–
Bank balance and cash disposed of	(306)	(377)
	724	(377)

The subsidiaries disposed of during the year contributed HK\$10,968,000 to the Group's revenue, HK\$13,237,000 to the Group's loss before minority interests and HK\$13,307,000 to the Group's net operating cash outflows.

For the year ended 31 March, 2002, the subsidiaries disposed of did not have any significant impact on the Group's turnover, operating results and cash flows.

33. MAJOR NON-CASH TRANSACTIONS

- (a) During the year, pursuant to a deed of settlement entered into among the Company, Sing Pao Newspaper, a wholly-owned subsidiary of the Company, and respective wholly-owned subsidiaries of CSH, Hanny and SEH (collectively referred to the "Former Substantial Shareholders"), the Former Substantial Shareholders agreed to reduce the total outstanding loans due from the Group of HK\$104,310,000 to HK\$60,000,000 and to waive the remaining balance of HK\$44,310,000.
- (b) During the year, pursuant to deeds of settlement entered into between the Company and GML and Splendid Stars Group Limited (the "Former Shareholders"), the Former Shareholders agreed to waive the total outstanding loans due from the Group of HK\$28,584,000.

34. UNPROVIDED DEFERRED TAXATION

At the balance sheet date, the major components of unprovided deferred tax asset (liability) are as follows:

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Tax effect of timing difference attributable to:		
Taxation losses available to set off future profits	78,811	60,020
Excess of tax allowances over depreciation	(10,281)	(1,640)
	68,530	58,380

The amounts of unprovided deferred tax credit (charge) for the year are as follows:

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Tax effect of timing difference attributable to:		
Taxation losses arising	18,791	14,126
Excess of tax allowances over depreciation	(8,641)	(6,665)
	10,150	7,461

A deferred tax asset has not been recognised in the financial statements as it is not certain that the tax asset will be realised in the foreseeable future.

The Company did not have any significant potential deferred taxation at the balance sheet date or during the year.

35. OPERATING LEASE ARRANGEMENTS**The Group as lessee**

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Minimum lease payments paid under operating leases during the year		
– office premises	4,969	9,288
– internet leased lines	391	2,233
	5,360	11,521

At the balance sheet date, the Group had commitments for future minimum lease payments which fall due as follows:

	THE GROUP			
	Office premises		Internet leased lines	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	3,410	8,187	76	334
In the second to fifth year inclusive	579	6,010	–	–
	3,989	14,197	76	334

Operating lease payments represent rentals payable by the Group for certain of its office premises and internet leased lines. Leases are negotiated for an average term of three years and rentals are fixed throughout the lease period.

In addition, the Group was committed to pay to SEH an annual licence fee of HK\$800,000 up to 31 March, 2004 in respect of the right to use the trademark of "Star East". The trademark license agreement was terminated during the year.

36. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme (the "Scheme") for all qualifying employees in Hong Kong. The assets of the Scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the Scheme, which contribution is matched by employees.

Total cost charged to income statement of HK\$5,384,000 (2002: HK\$2,686,000) represents contributions payable to the Scheme in respect of the current accounting period. As at 31 March, 2003, contributions of HK\$678,000 (2002: HK\$817,000) due in respect of the reporting period had not been paid over to the Scheme.



37. POST BALANCE SHEET EVENT

On 15 April, 2003, an agreement was made for a placing and subscription of 50,000,000 new ordinary shares of HK\$0.05 each in the Company at a price of HK\$0.40 per share, which represented a discount of approximately 31% to the closing price per share of HK\$0.58 as quoted on the Stock Exchange on 15 April, 2003 and a discount of approximately 25% over the average closing price of the shares for the last ten trading days of HK\$0.5365 per share. The net proceeds of the placing was intended to be used for developing third parties distribution business of publishing goods, including but not limited to books, audio-visual products, electronic publishing products and magazine in the PRC and for general working capital for the Group.

RESULTS

	Period from 18.2.1999 to 31.3.1999 <i>HK\$'000</i>	2000 <i>HK\$'000</i>	Year ended 31 March,			2003 <i>HK\$'000</i>
			2001 <i>HK\$'000</i>	2002 <i>HK\$'000</i>		
Turnover	–	10,375	48,383	71,493		170,846
Cost of sales	–	(23,505)	(89,201)	(106,368)		(201,068)
Gross loss	–	(13,130)	(40,818)	(34,875)		(30,222)
Other revenue	–	1,063	5,407	6,346		4,431
Advertising and promotion expenses	–	(20,073)	(37,597)	(4,723)		(16,051)
Administrative expenses	(197)	(47,512)	(81,191)	(63,436)		(81,229)
Impairment losses	–	–	–	(11,752)		(207,194)
Unrealised loss on investments in securities	–	–	–	(4,500)		(4,167)
Cost of streamlining operations	–	–	(10,666)	(30,703)		–
Loss from operations	(197)	(79,652)	(164,865)	(143,643)		(334,432)
(Loss) gain on disposal of subsidiaries	–	–	(2,148)	1,317		(282)
Loss on disposal of associates	–	–	–	–		(309)
Finance costs	–	(163)	(6,868)	(6,135)		(8,480)
Share of results of associates	–	–	(382)	(545)		(232)
Loss before taxation	(197)	(79,815)	(174,263)	(149,006)		(343,735)
Taxation	–	–	–	–		–
Loss before minority interests	(197)	(79,815)	(174,263)	(149,006)		(343,735)
Minority interests	–	–	–	113		–
Net loss for the period/year	(197)	(79,815)	(174,263)	(148,893)		(343,735)



ASSETS AND LIABILITIES

	At 31 March,				
	1999	2000	2001	2002	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Total assets	1	121,141	198,507	446,819	190,575
Total liabilities	197	49,238	104,720	190,663	104,424
	(196)	71,903	93,787	256,156	86,151

Notes:

1. The Company was incorporated in the Cayman Islands on 31 January, 2000 and became the holding company of the Group on 18 May, 2000 as a result of the group reorganisation (the "Group Reorganisation") set out in the prospectus of the Company dated 23 May, 2000.
2. The results for the period from 18 February, 1999 to 31 March, 1999 and for each of the two years ended 31 March, 2001 and the assets and liabilities as at 31 March, 1999 and 2000 have been prepared using the merger method of accounting as if the group structure immediately after the Group Reorganisation had been in existence since 18 February, 1999.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the annual general meeting of Leadership Publishing Group Limited (the "Company") will be held at Room 702, Sing Pao Building, 101 King's Road, North Point, Hong Kong on Monday, 28 July, 2003 at 10:00 a.m. for the following purposes:

Ordinary business

1. To receive and consider the audited financial statements and the reports of the directors and auditors for the year ended 31 March, 2003.
2. To re-elect retiring directors and to authorise the board of directors to fix the directors' remuneration.
3. To re-appoint auditors and to authorise the board of directors to fix their remuneration.
4. To consider and, if thought fit, pass the following resolutions with or without amendments as ordinary resolutions:

A. **"THAT:**

- (i) subject to paragraph (iii) of this resolution, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all powers of the Company to allot, issue and deal with additional shares in the capital of the Company or options, warrants, or similar rights to subscribe for any shares and to make or grant offers, agreements and options (including bonds, debentures, notes, warrants or securities convertible into shares of the Company) which might require the exercise of such powers be and is hereby generally and unconditionally approved;
- (ii) the approval in paragraph (i) of this resolution shall authorise the directors of the Company during the Relevant Period to make and grant offers, agreements and options (including bonds, debentures, notes, warrants or securities convertible into shares of the Company) which might require the exercise of such powers after the end of the Relevant Period;
- (iii) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the directors of the Company pursuant to the approval in paragraph (i) of this resolution, otherwise than pursuant to:
 - (a) a Rights Issue (as hereinafter defined);
 - (b) the exercise of rights of conversion under any existing warrants, bonds, debentures, notes or securities which are convertible into shares of the Company;



- (c) an issue of shares of the Company by way of scrip dividend or other similar arrangement providing for the allotment of shares of the Company in lieu of the whole or part of a dividend on shares of the Company pursuant to the Articles of Association of the Company from time to time; or
- (d) the exercise of any options granted under any option scheme or similar arrangement for the time being adopted by the Company for the grant or issue to the eligible persons prescribed thereunder to subscribe for, or rights to acquire, shares of the Company,

shall not in aggregate exceed 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of this resolution and the said approval shall be limited accordingly; and

- (iv) for the purpose of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:

- (a) the conclusion of the next annual general meeting of the Company;
- (b) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company or any applicable laws to be held; or
- (c) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting;

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

B. **“THAT,**

- (i) subject to paragraph (ii) of this resolution, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase its issued shares in the capital of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) or any other stock exchange on which shares of the Company may be listed and recognised by the Securities and Futures Commission and the Stock Exchange for such purpose and to make offers, agreements and options (including bonds, debentures, notes, warrants or securities convertible into shares of the Company) which might require the exercise of such powers, subject to and in accordance with all the applicable laws, the requirements in the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange and the rules and regulations of the Securities and Futures Commission and the Articles of Association of the Company be and is hereby generally and unconditionally approved;
- (ii) the aggregate nominal amount of shares of the Company to be repurchased by the Company pursuant to the approval in paragraph (i) of this resolution shall not exceed 10% of the aggregate nominal amount of share capital of the Company in issue as at the date of passing of this resolution and the said approval shall be limited accordingly; and
- (iii) for the purpose of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:

 - (a) the conclusion of the next annual general meeting of the Company;
 - (b) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company or any applicable laws to be held; or
 - (c) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting.”



- C. **“THAT** conditional upon the resolutions numbered 4A and 4B in the notice of this meeting being passed, the general mandate granted to the directors of the Company to allot, issue and deal with additional shares pursuant to the said resolution numbered 4A be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of shares repurchased by the Company under the authority granted pursuant to the said resolution numbered 4B.”

Special Business

5. To consider and, if though fit, pass the following resolution with or without amendments as a special resolution:

“That Article 1 of the Articles of Association of the Company be amended by deleting the words “Section 2 of the Securities (Clearing Houses) Ordinance” from the interpretation of “recognised clearing house” and substituting therefor the words “Part 1 of Schedule 1 of the Securities and Futures Ordinance”.”

By Order of the Board
Tang Yuen Ching, Irene
Company Secretary

Hong Kong, 27 June, 2003

Head office and principal place of business:

7th Floor
Sing Pao Building
101 King's Road
North Point
Hong Kong

Registered office:

Century Yard
Cricket Square
Hutchins Drive
P.O. Box 2681GT
George Town
Grand Cayman
Cayman Islands
British West Indies

Notice of Annual General Meeting

Notes:

1. A member of the Company entitled to attend and vote at the meeting by the above notice is entitled to appoint one or more proxies to attend and vote instead of such member. A proxy need not be a member of the Company.
2. A form of proxy in respect of the meeting is enclosed. Whether or not you intend to attend the meeting in person, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon.
3. In order to be valid, the form of proxy together with a power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority must be deposited with the head office and principal place of business of the Company at 7th Floor, Sing Pao Building, 101 King's Road, North Point, Hong Kong not less than forty eight hours before the time appointed for holding the meeting or any adjournment thereof.
4. Where there are joint holders of a share of the Company, any one of such holders may vote at the meeting either personally or by proxy in respect of such share as if he were solely entitled thereto, but if more than one of such holders be present at the meeting personally or by proxy, that one of such holders so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased member in whose name any share stands shall for this purpose be deemed joint holders thereof.
5. An explanatory statement as required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited in connection with the proposed Repurchase Mandate under the resolution numbered 4B above will be despatched to the shareholders of the Company together with Annual Report 2003 of the Company.

