

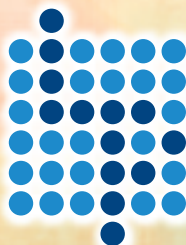
# Leadership Publishing Group Limited

2003 / 2004 FIRST QUARTERLY REPORT

singpao.com



Sing Pao



現代旌旗出版集團有限公司  
Leadership Publishing Group Ltd.

Wide Angle



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

**GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

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

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

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

*This report, for which the directors of 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 report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

### 1ST QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 30 JUNE, 2003

The unaudited consolidated results of Leadership Publishing Group Limited (the “Company” or “Leadership Publishing”) and its subsidiaries (together, “the Group”) for the three months ended 30 June, 2003, together with the comparative unaudited figures for the corresponding period ended 30 June, 2002 are as follows:

	<i>Notes</i>	<b>Three months ended 30 June,</b>	
		<b>2003 HK\$'000</b>	<b>2002 HK\$'000</b>
Turnover	1	<b>28,682</b>	44,001
Cost of sales		<b>(37,761)</b>	(52,165)
Gross loss		<b>(9,079)</b>	(8,164)
Other revenue		<b>548</b>	1,262
Advertising and promotion expenses		<b>(2,126)</b>	(3,029)
Administrative expenses		<b>(11,378)</b>	(20,111)
Unrealized loss reversed/(recognized) in respect of investment in securities		<b>167</b>	(2,484)
Loss from operations		<b>(21,868)</b>	(32,526)
Finance costs	2	<b>(958)</b>	(2,380)
Share of results of associates		-	(177)
Net loss for the period		<b>(22,826)</b>	(35,083)
Loss per share – basic (cents)	4	<b>(4.57)</b>	(16.9)

Notes:

### 1. Turnover

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

	Three months ended 30 June,	
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Newspaper and magazines advertising income	10,990	21,151
Sales of newspaper and magazines	17,102	22,036
Consultancy services	–	129
Internet websites content sales	590	676
Sales of goods, net of discounts and allowance	–	9
	<u>28,682</u>	<u>44,001</u>

### 2. Finance costs

	Three months ended 30 June,	
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Interest on:		
Loan from Ultimate Holding Company	499	–
Shareholders' loans	249	1,749
Finance leases	210	329
Loan from a related party	–	302
	<u>958</u>	<u>2,380</u>

### 3. Taxation

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

#### 4. Loss per share

The calculation of the basic loss per share for the three months ended 30 June, 2003 is based on the unaudited consolidated net loss of approximately HK\$22,826,000 (2002: HK\$35,083,000) and the weighted average number of 499,193,412 shares (2002: 208,188,450 shares adjusted by rights issue) in issue during the period.

As required by paragraph 42 of SSAP 5 "Earning per share", the weighted average number of ordinary shares for the purpose of calculating basic loss per share for 2003 and 2002 has been adjusted for the effect of share consolidation completed on 28 May, 2002 and for the effect of rights issue completed on 17 September, 2002.

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

#### 5. Movement of reserves

	Shareholders' contribution	Share premium	Merger reserve	Exchange reserve	Distributable reserve
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April, 2002	-	118,260	121,914	2,773	-
Reduction of share premium to accumulated losses	-	(110,000)	-	-	-
Capital reduction expenses	-	(325)	-	-	-
Reduction of share capital transferred to distributable reserve	-	-	-	-	93,215
At 30 June, 2002	-	7,935	121,914	2,773	93,215
At 1 April, 2003	72,894	96,645	121,914	2,212	231,340
Share premium for subscription of shares	-	17,500	-	-	-
Share subscription expenses	-	(127)	-	-	-
At 30 June, 2003	72,894	114,018	121,914	2,212	231,340

#### 6. Interim dividend

The board of directors does not recommend the payment of an interim dividend for the three months ended 30 June, 2003 (2002: Nil).

## MANAGEMENT DISCUSSION & ANALYSIS

### Analysis of the Group's performance

For the first quarter ended 30 June, 2003, the Group recorded a turnover of approximately HK\$28.7 million, representing a drop of approximately 34.8% as compared to the corresponding period in last year of approximately HK\$44.0 million. The drop was mainly due to the Severe Acute Respiratory Syndrome "SARS" outbreak both in Hong Kong and the PRC during March and April when the economy was adversely affected by the crisis. The economic fallout from the SARS crisis greatly deterred consumers' spending. These unfavorable factors inevitably reduced the advertising expenditure of advertisers both in Hong Kong and the PRC, thereby affecting the advertising income of the Group. Publication income of the Group was also slightly reduced because of the economic downturn within hotel and travel related business caused by SARS. In addition, the Group further streamlined the remaining business related to "stareastnet.com" in the first quarter, leading to a decrease in turnover as compared with the same period of previous year.

However, the total income from advertising and publication has gradually recovered to pre-SARS levels in June when the World Health Organization officially removed Hong Kong from its list of infected areas. As the economic influence from SARS becomes less volatile, the average monthly growth rate in advertising average income for May and June has reached approximately 26.0%. Meanwhile, the Group continuously implements a series of stringent cost control measures and diversify its business in publication and advertising, in order to achieve better operating results in the coming quarter.

For the three months ended 30 June, 2003, the Group recorded a reduced operating loss of approximately HK\$21.9 million from HK\$32.5 million in corresponding period of last year. During the quarter under review, the Group had commenced the restructuring of its operation by eliminating redundant manpower and improving overall business operations to maximize its operational efficiencies. Despite the difficult market conditions, the management has successfully reduced net loss by approximately 35.0%. Hence, the loss per share was approximately 4.6 HK cents (2002: 16.9 HK cents). The decrease of net loss from approximately HK\$35.1 million in corresponding period of prior year to approximately HK\$22.8 million was resulted mainly from the appreciation in market value of securities investments held by the Group during the reviewing period and the full write-off of intangible assets and associated amortization made in previous financial year.

## **Business review and prospects**

### ***The newspaper business – Sing Pao Daily News***

In March 2003, Sing Pao Daily News (“Sing Pao”) launched comprehensive reforms by enriching its content and improving its quality as well as its layout in order to reposition itself as a healthy and popular newspaper. Since the new layout is designed in a more friendly format, such reformation has successfully widened the existing readership base, particularly amongst the younger and more educated groups, within a short period of time.

Being the core business of the Group, Sing Pao accounted for approximately 96.1% of the total turnover under the reviewing period. Due to the outbreak of SARS, most businesses including Sing Pao were significantly affected. With its solid and strong readership base, however, Sing Pao is still able to maintain stable revenues from its newspaper sales. Despite the outbreak of SARS, the publication in the Mainland China was in fact unaffected by the SARS fallout. Consequently, the publication income had slightly increased. With the adoption of stringent cost control measures by the management, the operation costs of Sing Pao, being the core business of the Group, had achieved substantial savings by a reduction of approximately 17.8% in this quarter as compared to the preceding quarter. Apart from the above, the Group continues to expand its publication and advertisers base in order to achieve better than expected operating performance.

In order to meet the market demand and account for readers’ benefits and convenience, Sing Pao introduced numerous features and various topics in the first quarter which included “People’s Watchdog”, “International Universe”, “City Map” and “Story”. “People’s Watchdog” focuses on analysis of controversial issues in Hong Kong. There are also sections known as “Mainland-Taiwan Entertainment” and “Artist Feature” that provide latest general entertainment news and those of the world celebrities. The “Hot Talk Corner” focuses on latest popular topics for the young and trendy age group. Having the long-term support of the horsing readers, the well-known race commentator, Mr. Hung Wai-Tak, has joined our Group to lead our horseracing commentator team to take the newspaper’s horseracing page to attract the ongoing interest of readers.

In order to broaden the subscriber base and enhance its advertising revenues, the Group strengthened its marketing efforts by launching various large-scale marketing activities during the first quarter. These activities include free distribution of cash coupons for Amoy Plaza, cash coupons for outlying islands route of “First Ferry”, free round trip jetfoil tickets between Hong Kong and Macau, tickets for movie premier, antiseptic moisturizing hand lotion, organising of ten-weekly sessions of Buddhism seminar and holding of “Sing Pao Race Cup” at the Macau Jockey Club. These market-oriented activities were met with highly positive responses.

To target young subscribers, Sing Pao gave away posters of the world's leading football stars for 7 consecutive days starting from 11 July, 2003. In addition, Sing Pao plans to organize tours with distinctive features for readers jointly with major travel agencies. The first destination is planned to be Lop Nur, a mystery location in China.

In the coming quarter, the Group will continue its marketing efforts targeting large housing estates in Hong Kong, positively enhance its subscription by airline companies and penetrate Macau's distribution market. Moreover, Sing Pao will continue to computerize its editorial system. With these plans in place, the management is confident of its future development in the second quarter and expects to achieve satisfactory results in the third and fourth quarters of the current financial year.

#### ***The magazine business – Wide Angle Magazine***

After improving the overall operations and maximizing the operational efficiencies of its magazine business, the magazine business generated a revenue of approximately HK\$0.5 million for the Group during the quarter under review and accounted for approximately 1.9% of the total turnover. With a long-standing history of over 30 years, Wide Angle Magazine has become the core magazine of the Group. With quality content on political and economic issues, Wide Angle Magazine successfully established its leading position in the PRC's market. Further strengthening its competitive edge in Hong Kong and the PRC, the Group will continue its efforts to enrich its contents and expand distribution network in order to increase its market share in both markets. In line with the ever-changing media environment, the Group will aggressively explore more publishing business opportunities.

#### ***News and entertainment websites***

As a subsidiary of Sing Pao's distribution business, the website "singpao.com" was also revamped in March 2003 and has been offering the internet users with enhanced readability in a unique and refreshing manner. In addition to its new look, "singpao.com" was also enriched with extensive content and numerous pieces of news headlines, stimulating its average daily page views to approximately 2 million times during the quarter under review. Most internet users were young and non Sing Pao readers.

To strengthen the internet users base and meet their needs, the management plans to launch a real-time horseracing news section in "singpao.com" when the new horseracing season resumes in coming September. This aim is to provide a better service to internet users on one hand and to establish an outstanding and unique horseracing news and feature section in Sing Pao on the other. By doing so, the management believes that the introduction of real-time news will further consolidate the market position of "singpao.com" on the internet without incurring substantially additional labors and operating costs for



the Group. In the future, the Group will also proactively implement a series of measures to enhance advertising activities on its website to strengthen the Group's business and bring in further revenues.

### **Corporate Development**

To cope 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 actively expand its publishing and distribution business in the Greater China region, further strengthening its revenue base through the acquisition of companies with strong potential. Subsequent to the change in the Company's name, Leadership Publishing will continue to focus on the development of Sing Pao, aiming to enhance its functionality and provide different kinds of information to serve local readers' need, while also positioning Sing Pao as a healthy and popular newspaper.

On 15 April, 2003, Leadership Publishing entered into a subscription agreement with an independent private investor in the PRC for an aggregate of 50,000,000 shares at a price of HK\$0.40 per subscription share representing approximately 9.64% of the thereby enlarged issued share capital of the Company. The net proceeds of approximately HK\$19.8 million will mainly be used to develop 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 general working capital. Related subscription was completed on 6 May, 2003.

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

On 24 June and 25 June, 2003, Leadership Publishing also entered into 2 other subscription agreements with 2 independent private investors in the PRC respectively, for an aggregate of 43,684,000 shares at a price of HK\$0.42 per subscription share, representing approximately 7.77% of the thereby enlarged issued share capital of the Company. The net proceeds of approximately HK\$17.8 million will mainly be used to develop the Group's distribution businesses for publishing goods in the PRC and to serve as general working capital. On 30 July, 2003, 17,856,000 subscription shares in respect of the subscription were completed. The remaining 25,828,000 subscription shares are expected to be completed on or around 13 August, 2003.

## DIRECTORS' INTERESTS OR SHORT POSITIONS IN SHARES AND OPTIONS

As at 30 June, 2003, the interests or short positions of the directors and the chief executive of the Company and their respective associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance) which (a) are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (including interests or short positions which each of them is taken or deemed to have under such provisions of the Securities and Futures Ordinance); or (b) are required pursuant to section 352 of the Securities and Futures Ordinance, to be entered in the register referred to therein; or (c) are required, pursuant to Rules 5.40 to 5.58 of the GEM Listing Rules relating to securities transactions by directors, to be notified to the Company and the Stock Exchange were as follows:

### Interests in shares and share options of Sun Media Group Holdings Limited ("Sun Media") (associated corporation)

Name of director	Type of interest	No. of shares	Approximate percentage of interest in shares to the total issued share capital of Sun Media
Dr. Wu Zheng, Bruno ( <i>Note</i> )	Personal and Family	637,940,000	4.64%
Mr. Li John Zongyang	Personal	20,000,000	0.15%

*Note:* 30,000,000 shares are held by Dr. Wu Zheng, Bruno and 307,940,000 shares are held by Ms. Yang Lan, who is the spouse of Dr. Wu Zheng, Bruno and the chairperson of Sun Media. 300,000,000 shares are held by Excel Asia Profits Limited, of which 80% is owned by Ms. Yang Lan. Therefore, Dr. Wu Zheng, Bruno is deemed to be interested in 637,940,000 shares in Sun Media.

**Interests in share options in Sun Media**

<b>Name of directors</b>	<b>Date of grant</b>	<b>Exercise period of share options</b>	<b>Exercisable price HK\$</b>	<b>Number of share options outstanding</b>
Dr. Wu Zheng, Bruno	5/9/2000	5/9/2000 – 4/9/2010	0.241	30,000,000
	31/1/2001	31/1/2001 – 30/1/2011	0.152	80,000,000
	27/4/2000	27/4/2000 – 26/4/2010 (Note)	0.176	37,000,000
	31/1/2001	31/1/2001 – 30/1/2011 (Note)	0.152	80,000,000
	4/1/2002	4/1/2002 – 3/1/2012 (Note)	0.109	30,000,000
Mr. Li John Zongyang	16/9/2002	16/9/2002 – 15/9/2012	0.071	10,000,000
Mr. Lin Ning	8/8/2002	8/8/2002 – 7/8/2012	0.072	8,000,000
Mr. Pao Wan Lung	8/8/2002	8/8/2002 – 7/8/2012	0.072	8,000,000

*Note:* 147,000,000 share options have been granted to Ms. Yang Lan, who is the spouse of Dr. Wu Zheng, Bruno and the chairperson of Sun Media. Therefore, Dr. Wu Zheng, Bruno is deemed to be interested in 257,000,000 share options in Sun Media.

Save as disclosed above and as at 30 June, 2003, none of the directors, chief executive or their respective associates had any interests or short positions in the shares, underlying shares and debenture of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance) which (a) are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (including interests or short positions which each of them is taken or deemed to have under such provisions of the Securities and Futures Ordinance); or (b) are required pursuant to section 352 of the Securities and Futures Ordinance, to be entered in the register referred to therein; or (c) are required pursuant to Rules 5.40 to 5.58 of the GEM Listing Rules relating to securities transactions by directors, to be notified to the Company and the Stock Exchange.

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

### SHARE OPTION SCHEME

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 total number of shares which may be issued upon exercise of all options to be granted under the New Share Option Scheme and any other outstanding share option schemes of the Company must not in aggregate exceed 10% of the issued share capital of the Company at the date of the approval of the New Share Option Scheme by the shareholders and such limit might be refreshed by the shareholders in general meeting. 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. No options were granted up to the date of this report.

## SUBSTANTIAL SHAREHOLDERS

As at 30 June, 2003, according to the register kept by the Company pursuant to Section 336 of the Securities and Futures Ordinance and so far as is known to the directors, the following persons had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance or were, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company:

Name of shareholder	Number of shares held	Approximate percentage of shareholding
Sun Media ( <i>Note</i> )	351,257,794	67.75%
First Star International Limited	258,066,231	49.78%
Peng Chi Hui	50,000,000	9.64%

*Note:* Among these shares, 93,191,563 shares are held by Sun Media and 258,066,231 shares are held by First Star International Limited. First Star International Limited is a wholly-owned subsidiary of Sun Media and accordingly, Sun Media is deemed to be interested in an aggregate of 351,257,794 shares in the Company.

Save as disclosed above, the directors are not aware of any other person who has interests or short positions in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company under the provision of Divisions 2 & 3 of Part XV of the Securities and Futures Ordinance or interests in 10% or more in the Company's issued share capital as at 30 June, 2003.

## COMPETING INTERESTS

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

## BOARD PRACTICES AND PROCEDURES

The Company has complied with Rules 5.28 to 5.39 of the GEM Listing Rules concerning board practices and procedures during the three months ended 30 June, 2003.

### AUDIT COMMITTEE

The audit committee has two members comprising the two independent non-executive directors, namely Mr. Ho, Cecil Te Hwai and Mr. Xu Tie Liang.

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

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the three months ended 30 June, 2003.

By Order of the Board  
**Wu Zheng, Bruno**  
*Chairman*

Hong Kong, 8 August, 2003