



現代旗幟出版集團有限公司  
Leadership Publishing Group Ltd.

# Leadership Publishing Group Limited

(Incorporated in the Cayman Islands with limited liability)

2004/2005

First Quarterly Report



## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “EXCHANGE”)**

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**The principal means of information dissemination on GEM is publication on the internet website operated by the 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.**

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*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.*

*As of the date hereof, the executive directors are Mr. XING Jing and Mr. LIN Ning, the non-executive directors are Mr. CUI En Qing and Mr. KWOK Yat Ming, the independent non-executive directors are Mr. LAM Cheung Shing Richard and Mr. SHI Bin Hai.*

## FIRST QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 30 JUNE 2004

The unaudited consolidated results of Leadership Publishing Group Limited (the “Company”) and its subsidiaries (together, the “Group”) for the three months ended 30 June 2004, together with the comparative unaudited figures for the corresponding period ended 30 June 2003 are as follows:

	<i>Notes</i>	<b>Three months ended 30 June</b>	
		<b>2004 HK\$'000</b>	<b>2003 HK\$'000</b>
Turnover	1	<b>27,272</b>	28,682
Cost of sales		<b>(37,210)</b>	(37,761)
Gross loss		<b>(9,938)</b>	(9,079)
Other operating income		<b>636</b>	548
Advertising and promotion expenses		<b>(3,821)</b>	(2,126)
Administrative expenses		<b>(10,918)</b>	(11,378)
Unrealised gain on investments in securities		<b>200</b>	167
Loss from operations		<b>(23,841)</b>	(21,868)
Finance costs	2	<b>(1,091)</b>	(958)
Share of results of associates		<b>(90)</b>	–
Loss before taxation		<b>(25,022)</b>	(22,826)
Taxation	3	<b>–</b>	–
Loss before minority interests		<b>(25,022)</b>	(22,826)
Minority interests		<b>(13)</b>	–
Net loss for the period		<b>(25,035)</b>	(22,826)
Loss per share – basic (HK\$)	4	<b>(0.04)</b>	(0.05)

Notes:

### 1. 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 summarized as follows:

	Three months ended 30 June	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Newspapers advertising income	11,551	10,901
Magazines advertising income	–	89
Sales of newspapers	15,721	16,660
Sales of magazines	–	442
Internet website content sales	–	590
	<u>27,272</u>	<u>28,682</u>

Included in newspapers and magazines advertising income is approximately HK\$916,000 (2003: HK\$493,000) in respect of barter transactions entered into during the period.

### 2. Finance costs

	Three months ended 30 June	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Interest on:		
Other loans	656	656
Finance leases	156	210
Loans from related companies	274	92
Amount due to a shareholder	5	–
	<u>1,091</u>	<u>958</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 had no estimated assessable profits in other jurisdictions for both periods.

#### 4. Loss per share

The calculation of the basic loss per share for the period is based on the net loss for the period of approximately HK\$25,035,000 (2003: HK\$22,826,000) and the weighted average number of approximately 630,904,201 shares (2003: 499,193,412 shares) in issue during the period.

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

#### 5. Reserves

	Shareholders' contributions HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Exchange reserve HK\$'000	Distributable reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
<b>THE GROUP</b>							
At 1 April 2003	72,894	96,645	121,914	2,212	231,340	(462,275)	62,730
Issue of shares	-	17,500	-	-	-	-	17,500
Share issue expenses	-	(127)	-	-	-	-	(127)
Net loss for the period	-	-	-	-	-	(22,826)	(22,826)
At 30 June 2003	<u>72,894</u>	<u>114,018</u>	<u>121,914</u>	<u>2,212</u>	<u>231,340</u>	<u>(485,101)</u>	<u>57,277</u>
At 1 April 2004	72,894	126,075	121,914	2,304	231,340	(566,140)	(11,613)
Issue of new shares	-	3,300	-	-	-	-	3,300
Share issue expenses	-	(359)	-	-	-	-	(359)
Net loss for the period	-	-	-	-	-	(25,035)	(25,035)
At 30 June 2004	<u>72,894</u>	<u>129,016</u>	<u>121,914</u>	<u>2,304</u>	<u>231,340</u>	<u>(591,175)</u>	<u>(33,707)</u>

#### 6. Interim dividend

The board of directors of the Company resolved that no interim dividend was declared for the three months ended 30 June 2004 (2003: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

For the three months ended 30 June 2004, the Group recorded a turnover of approximately HK\$27,272,000, representing a decrease of 5% as compared with approximately HK\$28,682,000 of the same period last year. The main reasons for the decrease in turnover were the disposal of Wide Angle Magazine in February 2004 and the reduction of equity interest in China Youth On Line to 25% in July 2003, the turnover of which were no longer consolidated to the Group's account.

Net loss for the three months ended 30 June 2004 was approximately HK\$25,035,000, increased by about 9.7% as compared with approximately HK\$22,826,000 of last period. Besides of the effect of decrease in turnover, the results for the period under review was affected by the printing costs for the period under review due to the global continuous increase of news paper price. The average purchase price of the news paper for the period under review was increased by approximately 16.1% when compared to the same period last year. The factor of price increase caused the printing cost increased by approximately HK\$1,300,000. In order to enrich the content of Sing Pao Daily News, the average daily number of pages of newspaper was increased comparing to the same period last year, the printing cost was increased by HK\$800,000 due to this factor. However, with effective cost control, the cost of sales was maintained to the similar level as compared to the same period of last year.

By adoption the continuous and persistent cost control measures, the Group recorded a decrease of 4% in the administrative expenses for the period as compared to last year. In order to strengthen Sing Pao Daily News' competitiveness, the expenses for advertising and promotion were increased by 79.7% and the finance costs was increased to 13.9% comparing to the same period last year.

### Financial Resources

In April 2004, the Company entered into a placing agreement with Kingsway Financial Services Limited ("Kingsway"). Kingsway, acting as the agent of the Company, agreed to use its best endeavors to place 110,000,000 new shares of the Company at HK\$0.08 per share to at least six independent third parties. The placing was completed and net proceed of HK\$8,440,000 was raised as the general working capital of the Group and was mainly used for the operating expenses for Sing Pao Daily News. During the period, an additional loan of HK\$5,000,000 was advanced by a related company mainly used for the finance of operating expenses of Sing Pao Daily News.

*Newspaper – Sing Pao Daily News*

During the period under review, the turnover of the Group was derived from Sing Pao Daily News. The strong and stable readership ensured stable circulation income. The adoption of a series of stringent cost control measures had also led to a significant reduction in operating cost from the period before. To further enhance the production efficiency of the newspaper, Sing Pao Daily News implemented comprehensive computerization of its editorial system and restructured its production units.

The first of May was a great day celebrating the 65th Anniversary of Sing Pao Daily News. In order to show the gratitude for the public support, a grand celebration has been held on 30th of April at Hong Kong Convention and Exhibition Centre. Over 500 guests from the sectors of industrial, business, political, entertainment were invited to the ceremony. It revealed the renowned and important position of Sing Pao in the Hong Kong newspaper industry.

The Group has launched various promotion activities so as to arouse readers' interests in reading Sing Pao Daily News and to join the activities held by the newspaper. In June, Sing Pao Daily News joined hands with PCCW to hold an YP card lucky draw for the UEFA Euro 2004. HK\$800,000 worth of prizes were presented. In this one-month activity, more than 6,000 readers participated in the lucky draw and at the same time the sales of Sing Pao was also increased accordingly. In view of the good response, the Group and PCCW cooperated again to give free gift of magnetic clips to the readers. At the gift giving day, Sing Pao Daily News were sold out in the morning at the main newspaper stalls. Since the readers applauded the marketing promotions, the Group will organize other similar activities to rebate the readers in the future.

Caring for those who like football, we have published exclusive special edition for Euro 2004 by placing at Hong Kong Jockey Club OCB Branches during the event. The free special edition reported the first hand information about Euro 2004, which was highly appraised by the football lovers.

Apart from the above events, the newspaper contents have been innovated to suit the trend of the market and the taste of our readers. The layout of the newspaper has been greatly reformed. In addition to the existing popular pages, new elements have been added to the newspaper. Furthermore, some contents will be published more frequently. A New Direction Kickoff party was held in June to celebrate the change of Sing Pao Daily News' outlook. Over 100 professionals from the advertising sector have previewed the new layout and additional contents of the newspaper at the celebration. It largely increased the confidence of clients towards the newspaper.

### *News and Entertainment website*

The revamped "singpao.com" provides readers with comprehensive information and appealing important news everyday to expand the readership base. The website maintained steady daily hits during the period in review and visitors had been expanded to include the younger group and also non-Sing Pao Daily News readers.

## NUMBER OF EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2004, the Group employed approximately 422 (2003: 450) employees. Employees' remuneration packages are reviewed and determined by reference to the market rate and individual performance.

## PROSPECTS

Sing Pao Daily News engraved the longest history in Hong Kong with the mission of natural, creative and innovative. Looking ahead, the Group will continue to focus on its core business of Sing Pao Daily News and will explore the business opportunity in publishing industry of the Greater China Region in order to broaden the source of revenue.

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2004, the interests or short positions of the directors and chief executive of the Company and their respective associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rule 5.46 of the Growth Enterprise Market ("GEM") of the Stock Exchange Listing Rules ("GEM Listing Rules"), to be notified to the Company and the Stock Exchange were as follows:

### a. The Company

#### *Share Option*

Name of director	Date of grant	Exercisable period	Exercisable price per share HK\$	Number of share option outstanding as at 30 June 2004
LIN Ning	13.08.2003	13.08.2003-12.08.2013	0.593	4,289,600



**b. Associated Corporation**

SMI Corporation Limited ("SMI")

*Share Option*

<b>Name of director</b>	<b>Date of grant</b>	<b>Exercisable period</b>	<b>Exercisable price per share HK\$</b>	<b>Number of share option outstanding as at 30 June 2004</b>
XING Jing	28.07.2003	28.01.2004-27.01.2007	0.033	43,000,000

Save as disclosed above, none of the directors, chief executive or their associates had, as at 30 June 2004, any interests or short positions in any shares, underlying shares or debentures of, the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rule 5.46 of the GEM Listing Rules, 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 arrangement 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.

## INTERESTS OR SHORT POSITIONS OF SHAREHOLDERS

As at 30 June 2004, the persons or corporations (not being a director or chief executive of the Company) who have interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO or have otherwise notified to the Company were as follows:

<b>Name of shareholders</b>	<b>Capacity</b>	<b>No. of shares of the Company held</b>	<b>Approximate percentage of shareholding</b>
QIN Hui	Held by controlled corporation	101,186,630 <i>(Note 1)</i>	15.31%
Strategic Media International Limited	Held by controlled corporation	101,186,630 <i>(Note 1)</i>	15.31%
SMI	Held by controlled corporation	101,186,630 <i>(Note 1)</i>	15.31%
Precious Days Limited	Held by controlled corporation	101,186,630 <i>(Note 1)</i>	15.31%
Lucky Cosmos Limited	Beneficial owner	101,186,630 <i>(Note 1)</i>	15.31%
SINA Corporation	Beneficial owner	51,769,817 <i>(Note 2)</i>	7.83%
PENG Chi Hui	Beneficial owner	50,000,000 <i>(Note 2)</i>	7.56%
REN Jian Hong	Beneficial owner	36,810,336 <i>(Note 3)</i>	5.57%
CHEN Qing	Held by spouse	36,810,336 <i>(Note 4)</i>	5.57%

*Note:*

1. Strategic Media International Limited, wholly owned by Mr. QIN Hui, is beneficially interested in 47.4% of the issued share capital of SMI. By virtue of the SFO, both of Strategic Media International Limited and Mr. QIN Hui are deemed to be interested in all the shares in which SMI is interested.

Lucky Cosmos Limited is a wholly-owned subsidiary of Precious Days Limited which is, in turn, a wholly-owned subsidiary of SMI, the entire issued share capital of which is listed on the Main Board of the Stock Exchange. By virtue of the SFO, both of Precious Days Limited and SMI are deemed to be interested in all the shares in which Lucky Cosmos Limited is interested.

2. SINA Corporation and Mr. PENG Chi Hui are independent of and not connected with any of the directors, chief executives, substantial shareholders or management shareholders of the Company or any of its subsidiaries or their respective associates (as defined in the GEM Listing Rules).
3. Mr. REN Jian Hong is an executive director of SMI and also a significant shareholder of the Company.
4. Madam CHEN Qing, the spouse of Mr. REN Jian Hong, is deemed to be interested in all shares in which Mr. Ren is interested.

Save as disclosed above, as at 30 June 2004, the directors are not aware of any other person or corporation having an interest or short position in the shares and underlying shares of the Company representing 5% or more of the issued share capital of the Company.

**SHARE OPTION SCHEME**

Pursuant to the Share Option Scheme (the "Scheme") adopted and approved at the Extraordinary General Meeting of the Company held on 15 January 2002, the Company has granted the share options to the eligible persons including directors of the Group (including non-executive directors), executives and employees of the Group and the contracted celebrity, the movement of which during the three months ended 30 June 2004 is as follows:

Date of grant	Exercisable period	Exercise price per share HK\$	Number of share options			
			At 13 August 2003	Balance as at 1 April 2004	Lapsed during the period	Balance as at 30 June 2004
13.08.2003	13.08.2003 – 12.08.2013	0.593	33,244,400	23,056,600	8,043,000	15,013,600

During the three months ended 30 June 2004, no share option has been granted and exercised pursuant to the Scheme.

### COMPETING INTERESTS

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

### BOARD PRACTICES AND PROCEDURES

The Company has complied with the board practices and procedures as set out in Rules 5.28 to 5.39 of the GEM Listing Rules throughout the three months ended 30 June 2004.

### AUDIT COMMITTEE

The Audit Committee comprises two independent non-executive directors, namely Mr. LAM Cheung Shing Richard and Mr. SHI Bin Hai, who have been appointed as the members of the Audit Committee of the Company on 6 April 2004. They are responsible for the revision of the annual report and accounts, half-yearly report and quarterly reports and the provision of the advice and comment to the board of directors. In addition, they are responsible for revision and supervision of the financial reporting process and internal control procedures of the Group.

### PURCHASE, SALE AND 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 2004.

By Order of the Board  
**Leadership Publishing Group Limited**  
**XING Jing**  
*Director*

Hong Kong, 11 August 2004