



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

# Leadership Publishing Group Limited

(Incorporated in the Cayman Islands with limited liability)

## 2004/2005 Interim Report



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

*As of the date of this report, the Board comprised of nine directors, of which five are executive directors, namely Mr. XING Jing, Mr. CUI En Qing, Mr. LI Kai, Mr. HAO Bin and Mr. LIN Ning, the non-executive director is Mr. KWOK Yat Ming and three are independent non-executive directors, namely Mr. LAM Cheung Shing Richard, Mr. SHI Bin Hai and Mr. YAN Chun.*

## INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2004

The board of directors (the “Board”) of Leadership Publishing Group Limited (the “Company”) and its subsidiaries (together the “Group”) announces the unaudited consolidated results of the Group for the three months and six months ended 30 September 2004, together with the comparative unaudited figures for the corresponding periods in 2003 are as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Three months ended 30 September		Six months ended 30 September	
		2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Turnover	2	28,909	30,032	56,182	58,713
Cost of sales		(38,121)	(37,562)	(75,332)	(75,323)
Gross loss		(9,212)	(7,530)	(19,150)	(16,610)
Other operating income		595	1,846	1,232	2,394
Advertising and promotion expenses	4	(4,471)	(1,335)	(8,293)	(3,460)
Administrative expenses		(10,254)	(11,654)	(21,172)	(23,032)
Impairment loss reversed in respect of prepaid airtime		-	6,000	-	6,000
Unrealised loss on investments in securities		(283)	(167)	(83)	-
Loss from operations	5	(23,625)	(12,840)	(47,466)	(34,708)
Finance costs	6	(1,210)	(959)	(2,301)	(1,916)
Share of results of associates		(176)	(79)	(265)	(79)
Loss on disposal of a subsidiary		-	(7,539)	-	(7,539)
Loss before taxation		(25,011)	(21,417)	(50,032)	(44,242)
Taxation	7	-	-	-	-
Loss before minority interests		(25,011)	(21,417)	(50,032)	(44,242)
Minority interests		11	-	(3)	-
Net loss for the period		(25,000)	(21,417)	(50,035)	(44,242)
Loss per share - basic (HK\$)	8	(0.033)	(0.040)	(0.072)	(0.085)

## CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	As at 30 September 2004 (Unaudited) HK\$'000	As at 31 March 2004 (Audited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	65,320	74,779
Interest in an associate		3,030	3,295
Long-term investments		232	1,815
Pledged deposit placed with a finance company		5,000	5,000
		<u>73,582</u>	<u>84,889</u>
<b>CURRENT ASSETS</b>			
Investments in securities		1,500	–
Inventories		2,401	2,605
Trade and other receivables	10	22,124	18,373
Prepaid airtime		8,165	13,802
Bank balances and cash		3,447	2,480
		<u>37,637</u>	<u>37,260</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	11	22,283	17,109
Amount due to a shareholder		368	357
Obligations under finance leases – due within one year		8,228	9,407
		<u>30,879</u>	<u>26,873</u>
<b>NET CURRENT ASSETS</b>			
		<u>6,758</u>	<u>10,387</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		<u>80,340</u>	<u>95,276</u>
<b>NON-CURRENT LIABILITIES</b>			
Obligations under finance leases – due after one year		909	2,749
Advances from a related company		24,725	13,024
Long-term loans from related companies		7,970	7,785
Other loans		57,089	55,767
		<u>90,693</u>	<u>79,325</u>
<b>MINORITY INTERESTS</b>			
		11	8
		<u>(10,364)</u>	<u>15,943</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	12	49,584	27,556
Reserves		(59,948)	(11,613)
		<u>(10,364)</u>	<u>15,943</u>

## CONDENSED CONSOLIDATION STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 September 2004

	Share capital HK\$'000	Share Premium HK\$'000	Shareholders' contributions HK\$'000	Merger reserve HK\$'000	Exchange reserve HK\$'000	Distributable reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 April 2003 (Audited)	23,421	96,645	72,894	121,914	2,212	231,340	(462,275)	86,151
Issue of shares	4,135	29,599	-	-	-	-	-	33,734
Share issue expenses	-	(160)	-	-	-	-	-	(160)
Released on disposal of a subsidiary	-	-	-	-	92	-	-	92
Net loss for the period	-	-	-	-	-	-	(44,242)	(44,242)
At 30 September 2003	<u>27,556</u>	<u>126,084</u>	<u>72,894</u>	<u>121,914</u>	<u>2,304</u>	<u>231,340</u>	<u>(506,517)</u>	<u>75,575</u>
At 1 April 2004 (Audited)	27,556	126,075	72,894	121,914	2,304	231,340	(566,140)	15,943
Issue of shares	5,500	3,300	-	-	-	-	-	8,800
Share issue expenses	-	(365)	-	-	-	-	-	(365)
Rights issue of shares	16,528	-	-	-	-	-	-	16,528
Rights issue expenses	-	(1,235)	-	-	-	-	-	(1,235)
Net loss for the period	-	-	-	-	-	-	(50,035)	(50,035)
At 30 September 2004	<u>49,584</u>	<u>127,775</u>	<u>72,894</u>	<u>121,914</u>	<u>2,304</u>	<u>231,340</u>	<u>(616,175)</u>	<u>(10,364)</u>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended	
	30 September	
	2004	2003
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash used in operating activities	(29,700)	(42,972)
Net cash used in investing activities	(148)	(10,553)
Net cash from financing activities	<u>30,815</u>	<u>29,215</u>
Net increase (decrease) in cash and cash equivalents	967	(24,310)
Cash and cash equivalents at 1 April	<u>2,480</u>	<u>40,008</u>
Cash and cash equivalents at 30 September, representing bank balances and cash	<u><u>3,447</u></u>	<u><u>15,698</u></u>

*Notes:***1. Basis of preparation and principal accounting policies**

The unaudited condensed consolidated interim financial statements ("condensed interim financial statements") of the Group have been prepared in accordance with the Statement of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements set out in Chapter 18 of The Rules Governing the Listing of Securities of the Growth Enterprise Market ("GEM Listing Rules") on The Stock Exchange of Hong Kong Limited. The condensed interim financial statements should be read in conjunction with the 2004 annual report.

The accounting policies and methods of computation adopted in the preparation of the condensed interim financial statements are consistent with those followed in the Group's annual financial statements for the year ended 31 March 2004.

## 2. 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 September 2004		Six months ended 30 September 2004	
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Newspapers advertising income	14,166	13,499	25,717	24,400
Magazines advertising income	–	82	–	171
Sales of newspapers	14,738	15,870	30,460	32,530
Sales of magazines	–	467	–	909
Internet website content sales	–	114	–	703
Sales of goods, net of discounts and allowances	5	–	5	–
	<u>28,909</u>	<u>30,032</u>	<u>56,182</u>	<u>58,713</u>

Included in newspapers and magazines advertising income is approximately HK\$2,378,000 (2003: HK\$1,421,000) in respect of barter transactions entered into during the period.

### 3. 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 period and assets and liabilities by business segments is as follows:

#### (i) For the six months ended 30 September 2004

	Newspaper and magazine business (Unaudited) HK\$'000	Website business (Unaudited) HK\$'000	Others (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000
Turnover	56,177	-	5	56,182
Segment result	(46,329)	-	(1,225)	(47,554)
Interest income				88
Loss from operations				(47,466)
Finance costs				(2,301)
Share of results of associates				(265)
Loss before taxation				(50,032)
Taxation				-
Loss before minority interests				(50,032)
Minority interests				(3)
Net loss for the period				<u>(50,035)</u>
<b>ASSETS</b>				
Segment assets	103,142	-	5,047	108,189
Interests in an associate				3,030
Consolidated total assets				<u>111,219</u>
<b>LIABILITIES</b>				
Segment liabilities	(19,141)	-	(3,142)	(22,283)
Unallocated corporate liabilities				(99,289)
Consolidated total liabilities				<u>(121,572)</u>
<b>OTHER INFORMATION</b>				
Capital expenditure – property, plant and equipment	1,346	-	-	1,346
Depreciation and amortisation	9,762	-	92	9,854
Unrealized loss on investments in securities	-	-	83	83



## (ii) For the six months ended 30 September 2003

	Newspaper and magazine business (Unaudited) HK\$'000	Website business (Unaudited) HK\$'000	Others (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000
Turnover	58,010	703	–	58,713
Segment result	(38,840)	(1,007)	(1,008)	(40,855)
Interest income				147
Impairment loss reversed in respect of prepaid airtime				6,000
Loss from operations				(34,708)
Finance costs				(1,916)
Share of results of associates				(79)
Loss on disposal of a subsidiary				(7,539)
Loss before taxation				(44,242)
Taxation				–
Loss before minority interests				(44,242)
Minority interests				–
Net loss for the period				<u>(44,242)</u>
<b>ASSETS</b>				
Segment assets	150,725	3,952	11,249	165,926
Interests in an associate				3,712
Consolidated total assets				<u>169,638</u>
<b>LIABILITIES</b>				
Segment liabilities	(15,546)	(893)	(574)	(17,013)
Unallocated corporate liabilities				(77,050)
Consolidated total liabilities				<u>(94,063)</u>
<b>OTHER INFORMATION</b>				
Capital expenditure – property, plant and equipment	1,576	–	–	1,576
Depreciation and amortisation	9,710	524	–	10,234
Impairment loss reversed in respect of prepaid airtime	6,000	–	–	6,000

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.

## 4. Advertising and promotion expenses

	Three months ended 30 September		Six months ended 30 September	
	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Amortization of prepaid airtime	3,577	266	5,637	1,435
Others expenses for advertising and promotion	894	1,069	2,656	2,025
	<u>4,471</u>	<u>1,335</u>	<u>8,293</u>	<u>3,460</u>

## 5. Loss from operations

	Three months ended 30 September		Six months ended 30 September	
	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Loss from operations has been arrived at after charging (crediting):				
Depreciation and amortisation of property, plant and equipment	4,926	4,978	9,854	10,234
Cost of inventories charged as cost of sales	12,898	10,213	25,025	19,885
Interest income	(44)	(44)	(88)	(147)
	<u>(44)</u>	<u>(44)</u>	<u>(88)</u>	<u>(147)</u>

## 6. Finance costs

	Three months ended 30 September		Six months ended 30 September	
	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Interest on:				
Other loans	665	665	1,322	1,321
Finance leases	138	200	293	410
Loans from related companies	402	94	676	185
Amount due to a shareholder	5	-	10	-
	<u>1,210</u>	<u>959</u>	<u>2,301</u>	<u>1,916</u>

**7. Taxation**

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

Deferred taxation in respect of unused tax losses for the period has not been recognized due to the unpredictability of future profit streams.

**8. Loss per share**

The calculation of the basic loss per share for the three months and six months ended 30 September 2004 is based on the respective unaudited net loss for the period of approximately HK\$25,000,000 and HK\$50,035,000 (2003: HK\$21,417,000 and HK\$44,242,000) and the weighted average number of 750,950,609 shares and 691,255,400 shares (2003: 538,396,251 shares and 518,901,943 shares) in issue during the periods.

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.

## 9. Property, plant and equipment

	Land and Building HK\$'000	Leasehold Improvements HK\$'000	Machinery HK\$'000	Furniture, Fixtures and Equipment HK\$'000	Network and Computer Equipment HK\$'000	Motor Vehicles HK\$'000	Total HK\$'000
<b>Cost</b>							
At 1 April 2004	246	1,528	103,861	3,110	8,727	1,182	118,654
Additions	-	-	-	89	1,257	-	1,346
Disposals	-	-	(1,295)	(473)	(19)	(146)	(1,933)
At 30 September 2004	<u>246</u>	<u>1,528</u>	<u>102,566</u>	<u>2,726</u>	<u>9,965</u>	<u>1,036</u>	<u>118,067</u>
<b>Depreciation</b>							
At 1 April 2004	26	614	39,220	1,438	2,155	422	43,875
Provided for the period	5	132	8,634	250	740	93	9,854
Eliminated on disposals	-	-	(671)	(224)	(9)	(78)	(982)
At 30 September 2004	<u>31</u>	<u>746</u>	<u>47,183</u>	<u>1,464</u>	<u>2,886</u>	<u>437</u>	<u>52,747</u>
<b>Net Book Values</b>							
At 30 September 2004	<u>215</u>	<u>782</u>	<u>55,383</u>	<u>1,262</u>	<u>7,079</u>	<u>599</u>	<u>65,320</u>
At 31 March 2004 (Audited)	<u>220</u>	<u>914</u>	<u>64,641</u>	<u>1,672</u>	<u>6,572</u>	<u>760</u>	<u>74,779</u>

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

At 30 September 2004, included in property, plant and equipment are assets under finance leases with net book values of approximately HK\$57,138,000 (2003: HK\$70,823,000).

**10. Trade and other receivables**

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

	<b>As at 30 September 2004 (Unaudited) HK\$'000</b>	<b>As at 31 March 2004 (Audited) HK\$'000</b>
Zero to 30 days	5,456	4,408
31 – 90 days	4,484	5,271
Over 90 days	<u>2,450</u>	<u>3,161</u>
Trade receivables	<b>12,390</b>	12,840
Other receivables	<u>9,734</u>	<u>5,533</u>
	<b><u>22,124</u></b>	<b><u>18,373</u></b>

**11. Trade and other payables**

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

	<b>As at 30 September 2004 (Unaudited) HK\$'000</b>	<b>As at 31 March 2004 (Audited) HK\$'000</b>
Zero to 30 days	6,758	3,528
31 – 90 days	5,776	3,595
Over 90 days	<u>2,077</u>	<u>1,266</u>
Trade payables	<b>14,611</b>	8,389
Other payables	<u>7,672</u>	<u>8,720</u>
	<b><u>22,283</u></b>	<b><u>17,109</u></b>

## 12. Share Capital

	Number of shares	Amount <i>HK\$'000</i>
<b>Authorised:</b>		
At 1 April, 2004 and 30 September 2004,		
ordinary shares of HK\$0.05 each	<u>2,000,000,000</u>	<u>100,000</u>
<b>Issued and fully paid:</b>		
At 1 April 2004, ordinary shares of HK\$0.05 each	551,123,981	27,556
Placing of shares ( <i>Note a</i> )	110,000,000	5,500
Rights issue of shares ( <i>Note b</i> )	<u>330,561,990</u>	<u>16,528</u>
At 30 September 2004, ordinary shares		
of HK\$0.05 each	<u>991,685,971</u>	<u>49,584</u>

*Notes:*

- a. On 14 April 2004, the Company and Kingsway Financial Services Group Limited ("Kingsway") have entered into the Placing Agreement in relation to placing of 110,000,000 new shares of the Company of HK\$0.05 each, on the basis of best effort, at the price of HK\$0.08 per share. The Placing was completed on 26 April 2004.
- b. On 27 July 2004, the Company and Kingsway entered into the Underwriting Agreement in relation to the underwriting arrangement of the proposed rights issue of not less than 330,561,990 rights share of HK\$0.05 each on the basis of one rights share for every two existing shares held by the qualifying shareholders on the record date payable in full on acceptance. The Rights Issue was completed on 8 September 2004.

## INTERIM DIVIDEND

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

For the six months ended 30 September 2004, the Group recorded a turnover of approximately HK\$56,182,000, representing a decrease of 4.3% as compared with approximately HK\$58,713,000 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 six months ended 30 September 2004 was approximately HK\$50,035,000, increased by about 13.1% compared with approximately HK\$44,242,000 of last period. The results for the period under review was affected by the printing costs for the period under review due to the global continuous increase in news paper price. The average price of the news paper for the period under review was increased by approximately 20.3% when compared to the same period last year. The factor of price increase caused the printing cost increased by approximately HK\$3,500,000. 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 factor of increased paper consumption caused the printing costs increased by HK\$1,400,000. However, with effective cost control, the other components in cost of sales was decreased by 8.2% as compared to the same period of last year.

By adoption the continuous and persistent cost control measures, the Group recorded a decrease of 8.1% in the administrative expenses for the period as compared to last year. As most of the terms of the prepaid airtime contracts fell into the period under review, amortization of prepaid airtime was increased by HK\$4,200,000 as compared to the same period last year. In order to strengthen Sing Pao Daily News' competitiveness, the other expenses for advertising and promotion was increased by 31.2% and the finance costs was increased by 20.1% comparing to the same period last year.

### FINANCIAL RESOURCES

In April 2004, the Company entered into a placing agreement with Kingsway Financial Services Group Limited ("Kingsway"). Kingsway, acting as the agent of the Company, agree 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 for the Group, mainly used for the operating expenses for Sing Pao Daily News.

In July 2004, the Company and Kingsway entered into the Underwriting Agreement in relation to the underwriting arrangement of the proposed rights issue of not less than 330,561,990 rights share of HK\$0.05 each on the basis of one rights share for every two existing shares held by the qualifying shareholders on the record date payable in full on acceptance. The Rights Issue was completed and net proceed of HK\$15,300,000 was raised as the general working capital for the Group, mainly used for the operating expenses for Sing Pao Daily News.

During the period under review, loans from a related company was amounted to HK\$24,500,000 for financing the general working capital for the Group, mainly used for the 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.

On the first of May, we celebrated 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 30 April at Hong Kong Convention and Exhibition Centre. Over 500 guests from the sectors of industrial, business, political, entertainment were invited to the ceremony.

Caring for those readers who like football, we have published exclusive special edition for Euro 2004 by placing at Hong Kong Jockey Club off-course betting branches during this event in June. This special edition successfully created a new circulation channel for Sing Pao Daily News. In order to continue the cooperation with Hong Kong Jockey Club, starting from September, we have published a Sing Pao Race Card Extra which was distributed in the Hong Kong Jockey Club off-course betting branches free of charge every Mondays and Thursdays. In addition to the Race Card Extra, we have also published a Sing Pao Football Extra which was also distributed in the Hong Kong Jockey Club off-course betting branches every Saturdays. Since these two Special Editions have their own target audience, we have successfully attracted related advertisements.

In order to promote our car page in Sing Pao Daily News, starting from 17 July, the special bind edition were distributed at all Shell Oil Stations. This edition was free of charge and the drivers could get it every Saturdays and Sundays. The content of the special bind edition was Car News, Entertainment News, Supplement News and Sunday Grand Seigneur. This special bind edition successfully won advertisements from the car market.



In the past six months, we have been active in organizing a wide range of promotional activities in order to arouse the interest of our readers and to encourage them to join our activities. From June to July, we joined hands with PCCW to hold the Sing Pao “YP Card” Euro 2004 Lucky Draw. Within July, overwhelming responses were received from our readers, there were over 6,000 peoples participating this event.

To show our quick marketing response and care to our readers in relation to the mosquito problem affecting Hong Kong during this summer, we have hold the Sing Pao “YP Card” campaign, fifty thousand of electronic mosquito killers were given to our readers for buying Sing Pao Daily News. On the days of redemption, there were queues outside the collection points early in the morning which signified the attractiveness.

The 28th Olympic Game was a great and renowned sports event. To celebrate this event, Sing Pao Daily News and PCCW organized an Olympic Game Riddle competition and Lucky Draw held from 13 August to 29 August.

It has been three years after the setting up of Sing Pao Horse Racing Lovers Club, which attracted many horse racing lovers to join. And we have organized different kinds of events for them so far. As for the past few years, the Masters’ Tips and presentation ceremony was our highlighted event. The event for this year was held at Wan Chai Tung Yuen Seafood Restaurant on 25 August. We have also invited the famous horse trainer, Mr. Brian Kan, horse commentators, Mr. C.F. Law, Mr. S.C. Ko and horse owner, Mr. C.K Wan. This undoubtedly made the event a memorial one.

In order to promote Sing Pao Daily News to female readers, together with Starz People, starting from 11 September to 2 October, we organized the Image and Grooming Beauty-Training Course every Saturdays. This course was charged and after deducting the necessary expenses provided an income source to our company.

Sing Pao Daily News held an Essay Competition titled ‘Love Blooms’ so as to support education. The purposes of the competition were to develop student’s writing skills and to nurture their mind and creativity. We have received hardcore supports from the Education and Manpower Bureau. Besides, the response was favourable as we have got over 3,000 excellent works from them. There were 16 winners selected after the essay were examined by the Education and Manpower Bureau and Sing Pao.

#### **News and Entertainment website**

“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 not only the younger group but also non-Sing Pao Daily News readers.

## NUMBER OF EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2004, the Group employed approximately 434 (2003: 434) employees. Employees' remuneration packages are reviewed and determined by reference to the market pay 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 September 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 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 <i>HK\$</i>	Number of share option outstanding as at 30 September 2004
LIN Ning	13/8/2003	13/8/2003-12/8/2013	0.359	6,434,400

**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 September 2004</b>
XING Jing	28/7/2003	28/1/2004- 27/1/2007	0.033	43,000,000

Save as disclosed above, none of the directors, chief executive or their associates had, as at 30 September 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 September 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	153,473,945 <i>(Note 1)</i>	15.48%
Strategic Media International Limited	Held by controlled corporation	153,473,945 <i>(Note 1)</i>	15.48%
SMI	Held by controlled corporation	102,880,630 <i>(Note 2)</i>	10.37%
Precious Days Limited	Held by controlled corporation	102,880,630 <i>(Note 2)</i>	10.37%
Lucky Cosmos Limited	Beneficial owner	102,880 630 <i>(Note 2)</i>	10.37%
LAM Ka Chung William	Held by controlled corporation	71,873,415 <i>(Note 3)</i>	7.25%
LAM WONG Yuk Sin Mary	Held by controlled corporation	71,873,415 <i>(Note 3)</i>	7.25%
CHOI Koon Shum Jonathan	Held by controlled corporation	71,873,415 <i>(Note 3)</i>	7.25%

<b>Name of shareholders</b>	<b>Capacity</b>	<b>No. of shares of the Company held</b>	<b>Approximate percentage of shareholding</b>
KWAN Wing Kum Janice	Held by spouse	71,873,415 <i>(Note 3)</i>	7.25%
Kingsway International Holdings Limited	Held by controlled corporation	71,873,415 <i>(Note 3)</i>	7.25%
Innovation Assets Limited	Held by controlled corporation	71,873,415 <i>(Note 3)</i>	7.25%
World Developments Limited	Held by controlled corporation	71,873,415 <i>(Note 3)</i>	7.25%
SW Kingsway Capital Holdings Limited	Held by controlled corporation	71,873,415 <i>(Note 3)</i>	7.25%
Kingsway China Holdings Limited	Held by controlled corporation	71,873,415 <i>(Note 3)</i>	7.25%
Festival Developments Limited	Held by controlled corporation	71,873,415 <i>(Note 3)</i>	7.25%
Kingsway Lion Spur Technology Limited	Beneficial owner	71,873,415 <i>(Note 3)</i>	7.25%
REN Jian Hong	Beneficial owner	76,000,000 <i>(Note 4)</i>	7.66%
CHEN Qing	Held by spouse	76,000,000 <i>(Note 4)</i>	7.66%
JIAO Erli	Beneficial owner	93,000,000 <i>(Note 5)</i>	9.38%
SINA Corporation	Beneficial owner	51,769,817 <i>(Note 5)</i>	5.22%
PENG Chi Hui	Beneficial owner	50,000,000 <i>(Note 5)</i>	5.04%

*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.
2. 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.
3. Kingsway Lion Spur Technology Limited ("KLST") is a wholly-owned subsidiary of Festival Developments Limited ("FDL"). FDL is a wholly-owned subsidiary of Kingsway China Holdings Limited ("KCH"). KCH is a wholly-owned subsidiary of SW Kingsway Capital Holdings Limited ("SWK"), the entire issued share capital of which is listed on the Main Board of the Stock Exchange. SWK is a non-wholly owned subsidiary of World Developments Limited ("WDL"). WDL is a wholly-owned subsidiary of Innovation Assets Limited ("IAL"). IAL is a wholly-owned subsidiary of Kingsway International Holdings Limited ("KIH"), which is listed on the Toronto Stock Exchange. By virtue of the SFO, FDL, KCH, SWK, WDL, IAL and KIH are deemed to be interested in all the shares in which KLST is interested.

Mr. LAM Ka Chung William and Madam LAM WONG Yuk Sin Mary, the spouse of Mr. Lam, hold more than one-third interest in KIH. By virtue of the SFO, both Mr. and Mrs. Lam are deemed to be interested in all the shares in which KIH is interested.

Mr. CHOI Koon Shum Jonathan holds more than one-third interest in KIH. By virtue of the SFO, Mr. Choi is deemed to be interested in all the shares in which KIH is interested. Madam KWAN Wing Kum Janice, the spouse of Mr. Choi, is deemed to be interested in all shares in which Mr. Choi is interested.

4. Mr. REN Jian Hong is an executive director of SMI and also a significant shareholder of the Company. Madam CHEN Qing, the spouse of Mr. Ren, is deemed to be interested in all shares in which Mr. Ren is interested.
5. Madam JIAO Erli, 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).

Save as disclosed above, as at 30 September 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

Following the completion of the Rights Issue on 8 September 2004, the subscription price and the number of shares to be allotted upon the exercise of outstanding share option have been adjusted to HK\$0.395 and 22,520,400 respectively pursuant to the Employee Share Option Scheme (the "Scheme") adopted on 15 January 2002.

During the six months ended 30 September 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.

## AUDIT COMMITTEE

The Company has established the Audit Committee comprising of three Independent Non-Executive Directors, namely, Mr. LAM Cheung Shing Richard, SHI Bin Hai and YAN Chun. 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 processes and internal control procedures of the Group.

The Audit Committee has already reviewed the Group's half-year results for the nine months ended 30 September 2004.

## BOARD PRACTICE AND PROCEDURE

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 six months ended 30 September 2004. The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings as set out in rules 5.48 to 5.67.

## **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 six months ended 30 September 2004.

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

Hong Kong, 10 November 2004