



星美出版集團有限公司
SMI PUBLISHING GROUP LIMITED



Third Quarterly Report 2005

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This report, for which the directors (the "Directors") of SMI Publishing Group Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. 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 board of the Company (the "Board") comprises seven Directors, of which three are executive Directors, namely Mr. XING Jing, Mr. LI Kai and Mr. HAO Bin; one is non-executive Director, namely Mr. KWOK Yat Ming and three are independent non-executive Directors, namely, Mr. SHI Bin Hai, Mr. YAN Chun and Mr. CHAN Ngai Sang, Kenny.

THIRD QUARTERLY RESULTS FOR THE NINE MONTHS ENDED 31 DECEMBER 2005

The board of directors (the “Board”) of SMI Publishing Group Limited (the “Company”) and its subsidiaries (together the “Group”) announces the unaudited consolidated results of the Group for the three months and nine months ended 31 December 2005, together with the comparative unaudited figures for the corresponding periods in 2004 are as follows:

	Notes	Three months ended 31 December		Nine months ended 31 December	
		2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000
Turnover	2	20,870	29,177	65,676	85,359
Cost of sales		(33,371)	(37,958)	(99,003)	(113,290)
Gross loss		(12,501)	(8,781)	(33,327)	(27,931)
Other operating income		955	584	2,695	1,816
Advertising and promotion expenses	3	(499)	(3,113)	(1,940)	(11,406)
Administrative expenses		(7,911)	(8,798)	(23,729)	(29,970)
Unrealised gain on investments in securities		—	83	—	—
Loss from operations	4	(19,956)	(20,025)	(56,301)	(67,491)
Finance costs	5	(1,994)	(1,189)	(5,976)	(3,490)
Share of results of associates		(138)	(208)	(588)	(473)
Loss before taxation		(22,088)	(21,422)	(62,865)	(71,454)
Taxation	6	—	—	—	—
Loss for the period		(22,088)	(21,422)	(62,865)	(71,454)
Attributable to:					
Equity holders of the Company		(22,088)	(21,422)	(62,865)	(71,454)
Minority interests		—	11	—	8
Net loss for the period		(22,088)	(21,411)	(62,865)	(71,446)
Loss per share — basic (HK\$)	7	(0.022)	(0.022)	(0.063)	(0.090)

Notes:

1. Basis of preparation and principal accounting policies

The Group's unaudited consolidated results have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). They have been prepared under the historical cost convention, as modified for the revaluation of certain investments in securities.

In 2004, the HKICPA issued a number of new or revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards (herein collectively referred to as "new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005. The adoption of these new HKFRSs had no material impact on the Group's result of operations and financial position.

The accounting policies and methods of computation adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2005. The accounts are unaudited but have been reviewed by the Company's audit committee.

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

	Three months ended		Nine months ended	
	31 December		31 December	
	2005	2004	2005	2004
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Newspapers advertising income	7,011	13,674	23,488	39,391
Sales of newspapers	13,746	15,503	41,684	45,963
Sales of books	113	—	481	—
Sales of goods, net of discounts and allowances	—	—	23	5
	20,870	29,177	65,676	85,359

Included in newspapers and magazines advertising income is approximately HK\$810,000 (2004: HK\$4,365,000) in respect of barter transactions entered into during the period.

3. Advertising and promotion expenses

	Three months ended 31 December 2005		Nine months ended 31 December 2005	
	(Unaudited) HK\$'000	2004 (Unaudited) HK\$'000	(Unaudited) HK\$'000	2004 (Unaudited) HK\$'000
Amortization of prepaid airtime	—	1,320	—	6,957
Others expenses for advertising and promotion	499	1,793	1,940	4,449
	499	3,113	1,940	11,406

4. Loss from operations

	Three months ended 31 December 2005		Nine months ended 31 December 2005	
	(Unaudited) HK\$'000	2004 (Unaudited) HK\$'000	(Unaudited) HK\$'000	2004 (Unaudited) HK\$'000
Loss from operations has been arrived at after charging (crediting):				
Depreciation and amortisation of property, plant and equipment	4,901	4,960	14,737	14,825
Cost of inventories charged as cost of sales	11,154	14,433	31,437	39,458
Interest income	—	(45)	(102)	(133)

5. Finance costs

	Three months ended 31 December 2005		Nine months ended 31 December 2005	
	(Unaudited) HK\$'000	2004 (Unaudited) HK\$'000	(Unaudited) HK\$'000	2004 (Unaudited) HK\$'000
Interest on:				
Other loans	978	671	2,569	1,993
Finance leases	17	100	1,250	393
Loan from related companies	805	413	1,638	1,089
Amount due to a shareholder	5	5	16	15
Convertible notes	189	—	503	—
	1,994	1,189	5,976	3,490

6. Taxation

No provision for Hong Kong Profits Tax has been made in the unaudited consolidated financial statements as the Group has no estimated assessable profit for both periods.

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

7. Loss per share

The calculation of the basic loss per share for the three months and nine months ended 31 December 2005 is based on the respective unaudited net loss of approximately HK\$22,088,000 and HK\$62,865,000 (2004: HK\$21,411,000 and HK\$71,446,000) and the weighted average number of 991,685,971 shares and 991,685,971 shares (2004: 991,685,971 shares and 791,763,082 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.

8. Reserves

	Shareholders' contribution	Share premium	Merger reserve	Exchange reserve	Distributable reserve	Investment revaluation reserve	Accumulated losses restated	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2004	72,894	126,075	121,914	2,304	231,340	—	(566,140)	(11,613)
Issue of shares	—	3,300	—	—	—	—	—	3,300
Share issue expenses	—	(365)	—	—	—	—	—	(365)
Right issue expenses	—	(1,235)	—	—	—	—	—	(1,235)
Net loss for the period	—	—	—	—	—	—	(71,446)	(71,446)
At 31 December 2004	72,894	127,775	121,914	2,304	231,340	—	(637,586)	(81,359)
At 1 April 2005	72,894	127,764	121,914	2,304	231,340	—	(666,832)	(110,616)
Opening adjustment under HKAS 39	—	—	—	—	—	(8,433)	8,433	—
Equity Reserve	—	—	—	—	4,106	—	—	4,106
Revaluation of Investment Securities	—	—	—	—	—	(250)	—	(250)
Net loss for the period	—	—	—	—	—	—	(62,865)	(62,865)
At 31 December 2005	72,894	127,764	121,914	2,304	235,446	(8,683)	(721,264)	(169,625)

INTERIM DIVIDEND

The board of directors does not recommend the payment of an interim dividend for the nine months ended 31 December 2005 (2004: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the nine months ended 31 December 2005, the Group recorded a total turnover of approximately HK\$66 million, representing a decrease of 23% as compared with approximately HK\$85 million of the same period last year. The decrease was mainly attributable to decrease in revenue generated from advertising income and sales of newspapers. The loss attributable to equity holders of the Company for the nine months ended 31 December 2005 was approximately HK\$63 million, a decrease of about 12% as compared with approximately HK\$71 million of the same period last year. Though the Company is still operating at a loss, it is narrowing the gap toward profitability.

The Group has initiated a number of strategies in an effort to achieve profitability. Besides, the Group has managed to attain substantial savings on advertising and promotion expenses by approximately HK\$9 million all prepaid airtime contracts performed last year and a strict selection process of appropriate promotional and marketing schemes were adopted in the period under review.

The Group implemented a cost cutting program in response to fierce competition from the local printed media industry, in conjunction with very strict cost controls. These measures lowered administrative expenses by approximately HK\$6 million, representing a decrease of 21% as compared to the same period last year. Nevertheless, financial cost increased by approximately HK\$2 million due to increase in borrowings and an increase in overdue interests for the finance leases.

As a result, the impact of 23% decrease in revenues was capable of being partially offset by the above measures. Notwithstanding the fact that the Group recorded an approximately HK\$63 million net loss for the period under review, this nevertheless represented a de facto decrease of loss by approximately HK\$8 million as compared to the same period last year.

Business activity in the third quarter continued to be affected by fierce competition. Turnover fell by approximately 28% relative to the same period last year.

In the third quarter, revenues were again squeezed by the low volume of newspaper sales and advertising income, which fell by approximately HK\$2 million and HK\$6 million respectively. There were savings of approximately HK\$2 million on advertising and promotion expenses in compared to the same period last year. Administrative expenses decrease by approximately 1 million due to implementation of cost cutting program of the same period last year.

Loss from operations for the third quarter and the same period last year remained at approximately HK\$22 million.

Financial Resources

On 30 April 2005, the Group issued HK\$50 million convertible notes to Strategic Media International Limited (“SMIL”) under a subscription agreement dated 3 February 2005. The convertible notes bear interest at the rate of 1.5 % per annum on the principal amount and is convertible into the ordinary shares of the Company at HK\$0.05 per share.

The proceeds from the issue of the convertible notes have been used to repay the outstanding advances and accrued interests of approximately HK\$45 million, which were due on 30 April 2005, to SMIL, in accordance with the terms of the subscription agreement and the balance of the proceeds representing a net cash of approximately HK\$5 million was put at the disposal of the Group.

During the period under review, SMIL has further provided approximately HK\$42.9 million advances as working capital for the Group, which was used mainly as operating expenses of Sing Pao Daily News.

Newspaper — Sing Pao Daily News (“SPDN”)

The publication of SPDN has been the Group’s main source of revenue that contributed approximately HK\$66 million to the Group’s total turnover for the nine months ended 31 December 2005.

In the past nine months, SPDN organized a wide range of promotional activities in order to attract readers.

On 25 May 2005, SPDN Appreciation Meeting was held for the first time in Shenzhen to furnish further information and analyze the advertising effectiveness of SPDN to local advertisers. This was designed to help bring SPDN closer to its clients, and to ensure that SPDN could better serve them.

SPDN had entered into an agreement with The Hong Kong Jockey Club (“HKJC”) becoming its official media partner. During the 2005/06 horse racing season, SPDN was granted an exclusive right to distribute its horse racing section at all of HKJC off-course betting centers. This is an excellent opportunity for SPDN to increase its exposure and an effective way to improve the advertising revenue of the newspaper.

Sing Pao Horse Racing Fans Club had organized a great number of events during the past four years. The annual Masters’ Preferences Competition and its presentation ceremony was Event of the Year. In addition, interested SPDN readers were invited to a free racecourse visit on 4 September 2005.

HKJC and SPDN jointly invited 400 SPDN readers to attend the 11th Hong Kong International Sale 2005 at Sha Tin Racecourse on 10 December. SPDN readers would have an opportunity to win two tickets for admission to the “Hong Kong International Sale” offered by HKJC if they get the right answer to the quiz on the newspaper while members of the Horse Racing Fans Club had the priority to get such tickets. In addition, people who attended the “Hong Kong International Sale” on that day would get two tickets for admission to the “Cathay Pacific International Races” on 11 December and had the opportunity to win a 3G video mobile phone by participating on-site prize-rewarding games.

Since the first quarter of this year to November, SPDN had teamed up with Shell Oil Company to launch a promotional edition at all Shell gasoline retail stations. The contents of the promotional edition include special feature stories, entertainment news and articles featuring automobile industry and its latest car models. Again, this adventure with the retail gasoline stations made it possible for SPDN to target specific advertisers of the automobile industry.

SPDN will continue to work closely with Education and Manpower Bureau (“EMB”) in organizing more education based talks in a bid to help the students and their parents. One such lecture was held earlier this year focusing mainly on the impact of the reforms to the existing education system. The talk managed to address a great many aspects of the educational reforms which featured essentially a schooling timeframe from secondary to university of “3-year preliminary secondary; 3 year higher secondary and 4-year undergraduate”.

Another talk was jointly organized by SPDN and EMB after the release of HKCEE results in an effort to offer guidance and options to the secondary graduate for their career planning.

A seminar on “Offensive Strategy — Selecting Secondary Schools Guidelines” was held on 17 December 2005, co-organized by SPDN and EMB supported by Hong Kong Direct Subsidy Scheme Schools Council. It aimed at empowering parents of primary school students to understand how to select secondary schools. More than 500 parents attended the seminar, which drew one of the highest attendance amongst educational activities. The guests speakers gave a thorough and in-depth explanation of tactics in selecting secondary schools precisely and the parents present at the seminar also responded enthusiastically in the Q & A session.

Following the success of the first two workshops of the Students Page Scheme (“SPS”), SPDN gained the support of EMB and HKU SPACE Community College (“HKUSCC”) in the third workshop of the Scheme. A total of 19 secondary schools applied to join the workshop, among them, 16 participated in the programme for the first time. Students who took part in the workshop would have the opportunity to learn interviewing skills and to better prepare themselves to be SPS Reporters. In addition, the lecturers from HKUSCC made available their expertise and professional advice to the students. The fourth workshops, held in November, was also actively participated by students.

Supported by both EMB and HKUSCC, the Sing Pao Students' Journal was well received since its launching last year and 52 schools have been enrolled to involve the issue of the Students' Journal which brought to additional sales of newspaper especially the subscriptions from schools.

The Ocean Park Halloween Bash was a popular event embraced by people from all walks of life in Hong Kong as well as tourists over the past years. During the Halloween Bash 2005, a free trial night for VIP members was held on 28 September. Over 2,000 readers applied to participate in the event, but only one hundred lucky readers of SPDN were offered a free visit to experience the five popular horrifying booths at the party. Successful readers also got the chance to preview the Halloween Bash after the opening ceremony. Readers' recognition could certainly help promote SPDN reader loyalty.

In October 2005, SPDN had entered into a collaboration agreement with Today Daily News, a Chinese-language newspaper group in Canada. Pursuant to the agreement, SPDN and Today Daily News will have access to each other's news materials and publication contents, keeping Hong Kong emigrants in Canada posted of the latest social, economic and political developments in Hong Kong. Furthermore, Today Daily News will act as the sole agent of the Sing Pao Publishing Ltd. to promote books sales in North America.

Sing Pao has been encouraging social harmony and caring for the disadvantage. Sing Pao staff and readers jointly participated in the annual Charity Walk organised by Yan Chai Hospital at the Shing Mun Valley Sports Ground in Tsuen Wan on 6 November. The whole journey, thrilled with excitement, took about one hour and most readers were able to complete.

"World Tour", the brand-new tourist page of Sing Pao, changed its edition from 28 November. In order to promote the brand-new tourist page, Sing Pao held the two-stage **"World Tour" — a guide for your marvelous travel Lucky Draw** from 19 December and last for three weeks. Other than the chance of winning the tickets for Star Cruises, all participants would automatically take part in the ultimate grand prize draw in the second stage. The winner would win two

roundtrip air tickets to Australia. More than 20,000 entries for this activity were received. The award-giving ceremony was held at the office of Qantas Airways Limited on 3 January 2006.

“On Show” Movie Express was published by SPDN and has been distributed with the newspaper on Thursdays commencing from 1 December 2005. Free copies of the Movies Express were also available for audiences at the UA cinemas. 100 free movies tickets were given away in each issue to readers who have got the right answer for the question appearing in “On Show” Movie Express.

Books — Sing Pao Publishing Limited (“SPP”)

The turnout at Sing Pao booth in the annual Hong Kong Book Fair was impressive. The fair was highlighted by the offering of free health check-ups. Most titles published by SPP are among the best sellers in Hong Kong.

NUMBER OF EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2005, the Group has 357 (2004: 389) employees. Employees’ remuneration packages are reviewed and determined by reference to the market pay and individual performance.

PROSPECTS

To improve its business performance, the Group will undertake the following strategic moves:

- (i) Preliminary agreement has been reached during the period under review for the granting of a license of SPDN archive materials to one of the eight universities in Hong Kong.
- (ii) To further develop this growing books publishing business through the operation of SPP.
- (iii) The Group will continue to focus on its core business of SPDN and will explore the business opportunity in publishing industry and digital media markets of the Greater China Region in order to broaden the source of revenue.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2005, the interest and short positions of the Directors and chief executives of the Company and their respective associates in the shares (the "Shares"), underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing by directors as referred to in Rule 5.46 of the GEM Listing Rules were as follows:

Associated Corporation — SMI Corporation Limited

Share option

Name of Director	Date of grant	Exercise period	Exercise price per Share HK\$	Number of share options outstanding as at 31 December 2005
XING Jing	28.7.2003	28.1.2004–27.1.2007	0.033	43,000,000

Save as disclosed above, as at 31 December 2005, none of the Directors and chief executives of the Company and their respective associates has any interests and short positions in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing by directors as referred to in Rule 5.46 of the GEM Listing Rules.

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.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2005, the following persons (other than the Directors and chief executives of the Company) had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Name of shareholders	Capacity	No. of Shares held	Approximate percentage of shareholding
QIN Hui	Held by controlled corporation	259,779,945 <i>(Note 1)</i>	26.20%
Strategic Media International Limited	Beneficial owner	259,779,945 <i>(Note 1)</i>	26.20%
LAM Ka Chung William	Held by controlled corporation	71,873,415 <i>(Note 2)</i>	7.25%
LAM Wong Yuk Sin Mary	Held by controlled corporation	71,873,415 <i>(Note 2)</i>	7.25%
CHOI Koon Shum Jonathan	Held by controlled corporation	71,873,415 <i>(Note 2)</i>	7.25%
KWAN Wing Kum Janice	Held by spouse	71,873,415 <i>(Note 2)</i>	7.25%
Kingsway International Holdings Limited	Held by controlled corporation	71,873,415 <i>(Note 2)</i>	7.25%
Innovation Assets Limited	Held by controlled corporation	71,873,415 <i>(Note 2)</i>	7.25%

Name of shareholders	Capacity	No. of Shares held	Approximate percentage of shareholding
World Developments Limited	Held by controlled corporation	71,873,415 (Note 2)	7.25%
SW Kingsway Capital Holdings Limited	Held by controlled corporation	71,873,415 (Note 2)	7.25%
Kingsway China Holdings Limited	Held by controlled corporation	71,873,415 (Note 2)	7.25%
Festival Developments Limited	Held by controlled corporation	71,873,415 (Note 2)	7.25%
Kingsway Lion Spur Technology Limited	Beneficial owner	71,873,415 (Note 2)	7.25%
JIAO Erli	Beneficial owner	93,000,000 (Note 3)	9.38%
SINA Corporation	Beneficial owner	51,769,817 (Note 3)	5.22%
PENG Chi Hui	Beneficial owner	50,000,000 (Note 3)	5.04%

Notes:

1. Strategic Media International Limited is wholly owned by Mr. QIN Hui.
2. 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. 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 Madam 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 the Shares in which Mr. Choi is interested.

3. Mr. JIAO Erli, SINA Corporation and Mr. PENG Chi Hui are independent third parties (as defined in the GEM Listing Rules).

Save as disclosed above, as at 31 December 2005, the Directors are not aware of any other person (other than the Directors and chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

SHARE OPTION SCHEME

Pursuant to the Share Option Scheme (the “Option Scheme”) adopted and approved at the extraordinary general meeting of the Company held on 15 January 2002, the Company has granted share options to the eligible persons including the Directors, executives and employees of the Group and the contracted celebrity, the movement of which during the nine months ended 31 December 2005 is as follows:

	Date of grant	Exercisable period	Exercise price per Share (HK\$)	Number of share options		
				Balance as at 31.3.2005	Lapsed upon resignation	Balance as at 31.12.2005
<i>Category 1:</i>						
Director						
LIN Ning	13.8.2003	13.8.2003–12.8.2013	0.395	6,434,400	6,434,400	—
Sub-total				6,434,400	6,434,400	—
<i>Category 2:</i>						
Employees	13.8.2003	13.8.2003–12.8.2013	0.395	16,086,000	6,434,400	9,651,600
Total				22,520,400	12,868,800	9,651,600

During the nine months ended 31 December 2005, no share option has been granted and exercised pursuant to the Option 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 PRACTICE AND PROCEDURE

The Company had complied with the code provisions as set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules concerning board practices and procedures throughout the nine months ended 31 December 2005.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors, namely, Mr. SHI Bin Hai, Mr. YAN Chun and Mr. CHAN Ngai Sang, Kenny, who had been appointed as members of the Audit Committee of the Company on 6 April 2004, 29 September 2004 and 7 July 2005, respectively.

The duties of the Audit Committee of the Company are to review the annual report and accounts, half-yearly reports and quarterly reports and to provide advice and comment to the Board. In addition, it is responsible for reviewing and supervising the financial reporting process and internal control procedures of the Group.

The Audit Committee has already reviewed the Group's third quarterly results for the nine months ended 31 December 2005.

REMUNERATION COMMITTEE

The Remuneration Committee was established on 27 July 2005 with specific terms of reference as in compliance with "Appendix 15: Code on Corporate Governance Practices" to the GEM Listing Rules. The Remuneration Committee comprises three members, one of which is executive Director, namely, Mr. XING Jing, and two are independent non-executive Directors, namely, Mr. SHI Bin Hai and Mr. CHAN Ngai Sang, Kenny. Following its establishment, the Remuneration Committee has been drafting working plans under its working rules, and will review and make recommendations to the Board on the remuneration system of the Company.

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 nine months ended 31 December 2005.

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

Hong Kong, 13 February 2006