成報
SING PAO
SINCE 1939

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

(Incorporated in the Cayman Islands with limited liability)
Stock Code：8010

Interim Report 2011

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.

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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.

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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: (i) the information contained in this report is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this report misleading; and (iii) 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.

HALF YEAR RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

The board of directors of the Company (the "Board") announces the unaudited consolidated financial results of the Company and its subsidiaries (collectively the "Group") for the three months and six months ended 30 September 2011, together with the comparative unaudited figures for the corresponding periods in 2010. These interim consolidated accounts have not been audited but have been reviewed by the Company's Audit Committee.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and six months ended 30 September 2011

		Three months ended 30 September		Six months ended 30 September	
		2011	2010	**2011**	2010
		(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	Notes	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Turnover	5	**8,111**	8,646	**18,597**	17,169
Cost of sales		**(8,788)**	(14,567)	**(22,783)**	(27,868)
Gross loss		**(677)**	(5,921)	**(4,186)**	(10,699)
Other revenue and other gain		**323**	176	**984**	355
Distribution costs		**(7)**	(193)	**(221)**	(457)
Administrative and other operating expenses		**(10,856)**	(8,282)	**(16,404)**	(12,897)
Finance costs	7	**(3,364)**	(5,519)	**(7,849)**	(9,587)
Loss before income tax	6	**(14,581)**	(19,739)	**(27,676)**	(33,285)
Income tax	8	**–**	–	**–**	9
Loss for the period		**(14,581)**	(19,739)	**(27,676)**	(33,276)
Other comprehensive income		**–**	–	**–**	–
Total comprehensive income for the period		**(14,581)**	(19,739)	**(27,676)**	(33,276)
Loss for the period and total comprehensive income for the period attributable to owners of the Company		**(14,581)**	(19,739)	**(27,676)**	(33,276)
Dividend	14	**–**	–	**–**	–
Loss per share	9				
Basic and diluted (HK cents)		**(0.74)**	(1.00)	**(1.40)**	(1.69)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2011

	Notes	**As at 30 September 2011 (Unaudited) HK$'000**	As at 31 March 2011 (Audited) HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**2,507**	2,587
Leasehold land		**110**	110
Deposits and prepayments		**4**	8,061
		2,621	10,758
Current assets			
Inventories		**–**	238
Trade and other receivables	10	**12,611**	9,017
Cash and cash equivalents		**6,531**	1,490
		19,142	10,745
Current liabilities			
Borrowings	12	**335,658**	87,454
Trade and other payables	11	**25,715**	20,483
Tax payable		**338**	488
		361,711	108,425
Net current liabilities		**(342,569)**	(97,680)
TOTAL ASSETS LESS CURRENT LIABILITIES		**(339,948)**	(86,922)

	Notes	As at 30 September 2011 (Unaudited) HK$'000	As at 31 March 2011 (Audited) HK$'000
Non-current liabilities			
Borrowings	12	**(115,352)**	(340,962)
NET LIABILITIES		**(455,300)**	(427,884)
CAPITAL AND RESERVES			
Share capital	13	**98,584**	98,584
Reserves		**(553,884)**	(526,468)
DEFICIENCY IN CAPITAL		**(455,300)**	(427,884)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2011

	Attributable to owners of the Company							
	Share capital HK$'000	Share premium HK$'000	Convertible note equity reserve HK$'000	Shareholders' contributions HK$'000	Exchange reserve HK$'000	Distribution reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2010 (Audited)	97,584	140,573	741	72,894	43	231,340	(929,593)	(386,418)
Total comprehensive income for the period (Unaudited)	–	–	–	–	–	–	(33,276)	(33,276)
Conversion of convertible note (Unaudited)	1,000	370	(370)	–	–	–	–	1,000
Adjustment for expiration of convertible note (Unaudited)	–	–	(371)	–	–	–	371	–
At 30 September 2010 (Unaudited)	98,584	140,943	–	72,894	43	231,340	(962,498)	(418,694)
At 1 April 2011 (Audited)	98,584	140,943	–	80,744	43	231,340	(979,538)	(427,884)
Capital portion of advance from a substantial shareholder (Unaudited)	–	–	–	260	–	–	–	260
Total comprehensive income for the period (Unaudited)	–	–	–	–	–	–	(27,676)	(27,676)
At 30 September 2011 (Unaudited)	98,584	140,943	–	81,004	43	231,340	(1,007,214)	(455,300)

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2011

	Six months ended 30 September	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Net cash used in operations	**(9,883)**	(29,611)
Net cash used in investing activities	**(119)**	(16)
Net cash generated from financing activities	**15,043**	24,867
Net increase/(decrease) in cash and cash equivalents	**5,041**	(4,760)
Cash and cash equivalents at 1 April	**1,490**	5,627
Cash and cash equivalents at 30 September	**6,531**	867
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	**6,531**	867

ACCOUNTING POLICIES AND EXPLANATORY NOTES

1. Basis of presentation and principal accounting policies

The unaudited condensed consolidated interim financial statements of the Company have been prepared in accordance with the applicable disclosure requirements of the GEM Listing Rules and the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial information of the Company for the year ended 31 March 2011 as announced by the Company on 28 June 2011. The accounting policies and basis of preparation used in the preparation of these condensed consolidated interim financial statements are consistent with those applied in the Company's audited consolidated financial information for the year ended 31 March 2011. The condensed consolidated financial statements have been prepared on the historical cost basis.

2. Basis of preparation – material uncertainties relating to the going concern basis

The Group sustained an unaudited consolidated loss attributable to owners of the Company of approximately HK$27,676,000 for the six months ended 30 September 2011 (six months ended 30 September 2010: loss of approximately HK$33,276,000).

During the current and prior corresponding periods, the Group experienced financial difficulties, especially, in the past periods, the Group was unable to meet the payment obligations and various parties took legal actions against the Group to recover amounts due to them.

In view of the liquidity problems faced by the Group, the directors of the Company (the "Directors") planned to adopt the following proposed measures with the view to improve the Group's financial and cash flow position and to maintain the Group's existence on a going concern basis:

(a) the Directors plan to seek financial support from potential investors to provide adequate funds for the Group to meet its liabilities as they fall due, both present and future;

(b) the Directors have identified and have been negotiating with potential investors for proposed capital injection arrangements; and

(c) the Directors have adopted various cost control measures to reduce general administrative expenses and operating costs.

In the opinion of the Directors, upon successful implementation of these measures, the Group will have sufficient cash resources to satisfy its future working capital and other financing requirements. Accordingly, the Directors are of the view that it is appropriate to prepare the financial statements on a going concern basis.

Should the Group be unable to achieve the above and fail to continue in business as a going concern, adjustments would have to be made to restate the values of the assets to their immediate recoverable amounts, to provide for any further liabilities, which might arise, and to reclassify non-current assets and liabilities as current assets and liabilities respectively. The effects of these adjustments have not been reflected in the financial statements.

3. Significant accounting policies

In the current interim period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 April 2011. HKFRSs comprise Hong Kong Financial Reporting Standards, HKAS and Interpretations. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting policies and amounts reported for the current period and prior years.

4. Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs")

In the current interim period, the Group has applied, for the first time, the following new or revised standards and interpretations (the "new HKFRSs") issued by the HKICPA, which are or have become effective for the financial year beginning on 1 April 2011:

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010 except for the amendments to HKFRS 3 (as revised in 2008), HKFRS 7, HKAS 1 and HKAS 28
HKFRS 1	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
HKFRS 3	Business Combination (2008) – Improvements to HKFRSs (2010)
HKAS 1 (Amendments)	Presentation of Financial Statements – Improvements to HKFRSs (2010)
HKAS 24 (as revised in 2009)	Related Party Disclosures
HK (IFRIC) – Int 13 (Amendments)	Customer Loyalty Programmes – Improvements to HKFRSs (2010)
HK (IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement
HK (IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

HKAS 24 Related Party Disclosures (as revised in 2009) modifies the definition of a related party and simplifies disclosures for government-related entities. The disclosure exemptions introduced in HKAS 24 (as revised in 2009) do not affect the Group because the Group is not a government-related entity.

The amendments to HK (IFRIC) – Int 14 require entities to recognise as an economic benefit any prepayment of minimum funding requirement contributions. As the Group has no defined benefit scheme, the amendments are unlikely to have any financial impact on the Group. HK (IFRIC) – Int 19 clarifies that equity instruments issued to a creditor to extinguish a financial liability are "consideration paid" in accordance with paragraph 41 of HKAS 39. As a result, the financial liability is derecognised and the equity instruments issued are treated as consideration paid to extinguish that financial liability. The interpretation states that equity instruments issued in a debt for equity swap should be measured at the fair value of the equity instruments issued, if this can be determined reliably. If the fair value of the equity instruments issued is not reliably determinable, the equity instruments should be measured by reference to the fair value of the financial liability extinguished as of the date of extinguishment. Any difference between the carrying amount of the financial liability that is extinguished and the fair value of the equity instruments issued is recognised immediately in profit or loss.

Save as described above, there is no material effect on the unaudited condensed consolidated financial statements of the Group for the current or prior accounting periods by adopting the new HKFRSs. Thus no prior period adjustment has been required.

The Group has not early applied the following new HKFRSs that have been issued but are not yet effective:

HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[1]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[1]
HKFRS 9 (Revised)	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[4]
HKFRS 11	Joint Arrangements[4]
HKFRS 12	Disclosures of Interests in Other Entities[4]
HKFRS 13	Fair Value Measurement[4]
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[3]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[2]
HKAS 19 (as revised in 2011)	Employee Benefits[4]
HKAS 27 (as revised in 2011)	Separate Financial Statements[4]

1 Effective for annual periods beginning on or after 1 July 2011.

2 Effective for annual periods beginning on or after 1 January 2012.

3 Effective for annual periods beginning on or after 1 July 2012.

4 Effective for annual periods beginning on or after 1 January 2013.

5. Turnover and segment information

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions.

The Group operates one business segment, which is the publication of newspaper and books as well as provisions of advertising services and therefore, no further business segment analysis is presented.

All operating assets and operations of the Group during the periods ended 30 September 2011 and 2010 were substantially located and carried out in Hong Kong.

The Group's revenue from external customers is principally derived from its operations in Hong Kong. The Group's customer base is diversified and there was no customer with whom transactions have exceeded 10% of the Group's revenue.

Turnover represents gross proceed received and receivable derived from the sale of newspapers and books and advertisement income arising therefrom.

6. Loss before income tax

Loss before income tax is arrived at after charging:

	Three months ended 30 September		Six months ended 30 September	
	2011 (Unaudited) HK$'000	2010 (Unaudited) HK$'000	**2011 (Unaudited) HK$'000**	2010 (Unaudited) HK$'000
Minimum lease payments under operating leases	**1,901**	3,305	**3,277**	4,212
Impairment on other receivables	**4,185**	–	**4,185**	–
Employee benefit expenses (including directors' emoluments)				
– salaries, wages and other benefit	**5,641**	7,637	**12,620**	15,349
– contributions to defined contribution retirement scheme	**234**	331	**529**	603
Depreciation and amortisation of property, plant and equipment	**(356)**	200	**199**	401

7. Finance costs

	Three months ended 30 September		Six months ended 30 September	
	2011	2010	**2011**	2010
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	HK$'000	**HK$'000**	HK$'000
Interest expenses on other borrowings wholly repayable:				
within five years	**2,850**	2,785	**5,521**	5,442
after five years	**734**	734	**1,459**	1,459
Effective interest expenses on interest-free borrowings wholly repayable within five years	**(220)**	2,000	**869**	2,600
Effective interest expense on convertible note	**–**	–	**–**	86
	3,364	5,519	**7,849**	9,587

8. Income tax

Income tax credit in the consolidated statement of comprehensive income represents:

	Three months ended 30 September		Six months ended 30 September	
	2011	2010	**2011**	2010
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	HK$'000	**HK$'000**	HK$'000
Deferred tax:				
Current period	**–**	–	**–**	(9)

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 estimated assessable profits in other jurisdictions for both periods.

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

9. Loss per share

Basic

Basic loss per share is calculated by dividing the loss attributable to owners of the Company by weighted average number of ordinary shares in issue during the periods:

	Three months ended 30 September		**Six months ended 30 September**	
	2011 (Unaudited)	2010 (Unaudited)	**2011 (Unaudited)**	2010 (Unaudited)
Loss attributable to owners of the Company (HK$'000)	**(14,581)**	(19,739)	**(27,676)**	(33,276)
Weighted average number of ordinary shares in issue	**1,971,685,971**	1,971,685,971	**1,971,685,971**	1,968,625,971
Basic loss per share (HK cents)	**(0.74)**	(1.00)	**(1.40)**	(1.69)

Diluted

Diluted loss per share for the current and prior corresponding periods is the same as the basic loss per share as the potential ordinary shares outstanding during both periods had an anti-dilutive effect on the basic loss per share for the current and corresponding prior periods.

10. Trade and other receivables

Included in trade and other receivables are trade receivables, net of allowance for doubtful debts of approximately HK$3,461,000 (31 March 2011: approximately HK$2,750,000), with the following aging analysis based on invoice dates as at the end of the reporting period:

	As at 30 September 2011 (Unaudited) HK$'000	As at 31 March 2011 (Audited) HK$'000
0 to 30 days	**3,419**	1,394
31 to 60 days	**481**	1,066
61 to 120 days	**1,078**	1,599
Over 120 days	**1,233**	810
Trade receivables	**6,211**	4,869
Deposits, prepayments and other receivables	**6,404**	10,177
Amounts due from a related company (Note)	**–**	2,032
	12,615	17,078
Less: non-current portion	**(4)**	(8,061)
	12,611	9,017

Note:

The balance with a related company, of which the beneficial owner of a corporate substantial shareholder is the director of the related company, is unsecured, interest-free and has no fixed terms of repayment.

11. Trade and other payables

The following is the aging analysis of trade payables at the end of the reporting period:

	As at 30 September 2011 (Unaudited) HK$'000	As at 31 March 2011 (Audited) HK$'000
0 to 30 days	**1,558**	1,526
31 to 90 days	**192**	279
Over 90 days	**5,477**	5,417
Trade payables	**7,227**	7,222
Amount due to a related company (Note)	**1,140**	–
Accruals and other payables	**17,348**	13,261
	25,715	20,483

Note:

The balance with a related company, of which the beneficial owner of a corporate substantial shareholder is the director of the related company, is unsecured, interest-free and has no fixed terms of repayment.

12. Borrowings

	As at 30 September 2011 (Unaudited) HK$'000	As at 31 March 2011 (Audited) HK$'000
Loans from a substantial shareholder, unsecured (Note (i))	**321,323**	314,226
Loans from related companies, unsecured (Note (ii))	**8,762**	3,582
Loans from third parties, unsecured	**120,925**	110,608
	451,010	428,416
Analysed as:		
Current	**335,658**	87,454
Non-current	**115,352**	340,962
	451,010	428,416

Notes:

(i) As at 30 September 2011, the unsecured loans represent loans from Billion Wealth Group Limited ("Billion Wealth"), a substantial shareholder of the Company, shares of which is wholly and beneficially owned by Mr. Yeung Ka Sing, Carson ("Mr. Yeung").

As at 30 September 2011, loan balances amounting to approximately HK$233,163,000 are repayable within one year. Included in the borrowings were loans assigned from a former shareholder of the Company in aggregate amount of approximately HK$125,746,000, interest bearing at Hong Kong prime rate plus 1% per annum. The remaining loan balances of approximately HK$107,417,000 were granted to the Company under the HK$110,000,000 loan facilities from Billion Wealth, which are interest-free and repayable within one year according to the terms of the facilities.

As at 30 September 2011, loans amounting to approximately HK$88,160,000 are not repayable within one year, included in the borrowings were loan balances of approximately HK$60,188,000 bear interest at Hong Kong prime rate per annum and are repayable on the expiry of 30 calendar months after the year end of the first profitable financial year of the Company since 24 January 2003 but not later than the twentieth anniversary of 24 January 2003. The remaining loan balances of approximately HK$27,972,000 were granted to the Company under the HK$50,000,000 loan facilities from Billion Wealth, which are interest-free and repayable within the second year from 30 September 2011.

As at 31 March 2011, the total unsecured loans from Billion Wealth was classified as non-current and were not repayable within one year.

(ii) As at 30 September 2011, loans of HK$5,000,000 represent loans granted to the Group from L'Sea Yanming Lake (Hong Kong) Investment Limited, a company incorporated in Hong Kong, wholly and beneficially owned by Mr. Xie Hai Yu, an executive director and Chairman of the Company. The amounts are unsecured, interest-free and repayable within one year.

As at 30 September 2011, loan of approximately HK$3,762,000 (31 March 2011: approximately HK$3,582,000) represents loan granted by Birmingham International Holdings Limited ("Birmingham"), which is under common control of the beneficial holder of Billion Wealth. Such loan is unsecured, bearing interest at 12% per annum and is repayable within one year.

13. Share capital

	At 30 September 2011 (Unaudited) Number of shares '000	Amount HK$'000	At 31 March 2011 (Audited) Number of shares '000	Amount HK$'000
Authorised capital:				
Ordinary shares of HK$0.05 each				
At beginning of the period/year	**100,000,000**	**5,000,000**	4,000,000	200,000
Increase during the year (Note (i))	**–**	**–**	96,000,000	4,800,000
At end of the period/year	**100,000,000**	**5,000,000**	100,000,000	5,000,000
Convertible preference shares of HK$0.05 each				
At beginning the period/year	**50,000,000**	**2,500,000**	–	–
Increase during the year (Note (i))	**–**	**–**	50,000,000	2,500,000
At end of the period/year	**50,000,000**	**2,500,000**	50,000,000	2,500,000
Issued and fully paid:				
Ordinary shares of HK$0.05 each				
At beginning of the period/year	**1,971,686**	**98,584**	1,951,686	97,584
Conversion of convertible note (Note (ii))	**–**	–	20,000	1,000
At end of the period/year	**1,971,686**	**98,584**	1,971,686	98,584

Notes:

(i) Pursuant to an ordinary resolution passed by the shareholders at the annual general meeting of the Company on 30 June 2010, the authorised share capital of the Company has been increased from HK$200,000,000 divided into 4,000,000,000 ordinary shares of HK$0.05 each ("Ordinary Shares") to HK$7,500,000,000 divided into 100,000,000,000 Ordinary Shares and 50,000,000,000 convertible preference shares of HK$0.05 each by the creation of 96,000,000,000 Ordinary Shares and 50,000,000,000 convertible preference shares.

(ii) On 29 April 2010, 20,000,000 ordinary shares of the Company were issued as a result of partial conversion of the convertible note by the note-holders.

14. Dividend

The Directors resolved that no interim dividend be declared for the six months ended 30 September 2011 (six months ended 30 September 2010: Nil).

15. Related party transactions

Name of related parties	Relationship
Billion Wealth	A substantial shareholder of the Company
Birmingham	Mr. Yeung, who has deemed substantial interest in the Company, is also a director of Birmingham
SMI Corporation Limited ("SMI Corporation")	Strategic Media International Limited ("SMIL"), a former substantial shareholder of the Company, had been a common shareholder of SMI Corporation and the Company up to 11 May 2010

In addition to the transactions disclosed elsewhere in the financial statements, the Group also entered into the following related party transactions during the period under review:

	Six months ended 30 September	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Advertising income from Birmingham	**828**	68
Interest expenses on other borrowings from Billion Wealth	**3,746**	2,907
Effective interest expenses on interest-free borrowings from Billion Wealth	**869**	2,600
Interest expenses on borrowings from Birmingham	**180**	140
Interest on loan from SMI Corporation	**–**	25

16. Contingent liabilities

At 30 September 2011, there were several cases brought forward from prior periods related to defamation and infringement of copyright that remained unresolved. All of them were brought against Sing Pao Newspaper Company Limited ("SPNCL"), a wholly-owned subsidiary of the Group. Court judgments have not been stated and the amounts claimed were in aggregate totaling to approximately HK$517,000. In the Directors' opinion, the liabilities are unlikely to crystallize and no provision had therefore been made in respect of these claims.

In July 2007, a licensee of SPNCL acts as the defendant in a legal claim in relation to an action for copyright infringement, issued a third party notice to SPNCL. The defendant claimed against SPNCL for indemnity against the plaintiff's claims and the cost of the action or contribution in respect of the plaintiff's claims. A defense was filed by the Group in March 2008 denying all allegations against the Group. Judgments have not been stated up to the date of this report. In the Directors' opinion, the liabilities are unlikely to crystallize and no provision had therefore been made in respect of the claim.

17. Comparative figures

The comparative figures for the year ended 31 March 2011 are based on the audited annual results as announced by the Company on 28 June 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the six months ended 30 September 2011, the Group recorded a turnover of approximately HK$18,597,000, representing an increase of approximately 8.3% as compared with the turnover of approximately HK$17,169,000 for the same period last year. The gross loss margin for the current period decreased to approximately 22.5% from approximately 62.3% as recorded in the corresponding period last year, showing a significant improvement in the Group's operation. However, the Group continues to fact the fierce competition in the newspaper publication market, especially from the free-of-charge newspaper.

Loss attributable to the owners of the Company for the current period was approximately HK$27,676,000, representing a decrease of approximately 16.8% as compared with the net loss of approximately HK$33,276,000 for the same period last year. The decrease in net loss for the current period was contributed to the various cost control measures taken by the management which can be shown from the drop of approximately 17.6% in the staff costs as compared to the same period last year.

The increase of approximately 27.2% in the administrative and other operating expenses was mainly due to the provisions made for discontinuing the operation of the printing factory to reduce the Group's long-term cost commitment. As a result, (i) impairment loss of approximately HK$4,185,000 was provided for the prepayments and deposits incurred for the new equipments and parts for upgrading of the existing printing machines and the leasehold improvement of the printing factory, after taking into account of its recoverable values; and (ii) a reinstatement cost of HK$1,500,000 was further provided for the printing factory upon termination of the tenancy agreement. If these costs were excluded from the administrative and other operating expenses, the Group will record a drop of approximately 16.9% in the administrative and other operating expenses as compared to same period last year.

Financial Resources and Liquidity

As at 30 September 2011, the Group did not maintain sufficient liquid funds and had net current liabilities of approximately HK$342,569,000 (31 March 2011: approximately HK$97,680,000). As at 30 September 2011, the Group's cash on hand amounted to approximately HK$6,531,000 (31 March 2011: approximately HK$1,490,000).

As at 30 September 2011, the Group's total borrowings amounted to approximately HK$451,010,000 (31 March 2011: approximately HK$428,416,000), among of which approximately HK$335,658,000 (31 March 2011: approximately HK$87,454,000) was payable within one year and approximately HK$115,352,000 (31 March 2011: approximately HK$340,962,000) payable after one year.

During the period under review, (i) additional loans amounted to HK$9,100,000 were granted to the Group from independent third parties, such loans are unsecured, bearing interest rate at 1% per month and repayable within one year; (ii) loans amounted to HK$5,000,000 were also granted to the Group from a company, which is incorporated in Hong Kong, beneficially and wholly owned by Mr. Xie Hai Yu, an executive director and Chairman of the Company. Such loans are unsecured, interest-free and repayable within one year; and (iii) loans amounted approximately HK$2,743,000 had been drawn down from the loan facilities of HK$50,000,000 granted from Billion Wealth on 9 November 2010.

A Restraint and Charging Order was issued by the High Court of Hong Kong to among others, Mr. Yeung (being the ultimate beneficial owner of Billion Wealth) on 6 July 2011. Accordingly, Billion Wealth may be unable to provide further financial support to the Company under the terms of the HK$50,000,000 loan facility granted by Billion Wealth to the Company on 9 November 2010 in light of the Restraint and Charging Order.

As at 30 September 2011, no assets of the Group were pledged for loan facilities granted to the Group.

As at 30 September 2011, the Company had a total of 1,971,685,971 ordinary shares in issue with par value of HK$0.05 each. There is not any change in the capital structure of the Company during the period under review.

Number of Employees and Remuneration Policies

As at 30 September 2011, the Group employed 114 (30 September 2010: 166) employees. Employees' remuneration packages are determined by reference to market rate and individual performance.

Business Review and Prospects

The Group's newspaper publication business has been continuously facing the fierce competition from other competitors in the newspaper publication market in Hong Kong, the market situation will be even worse in the light of the increasing number of free-of-charge newspapers emerging in the market recently.

Although the various cost control measures have taken effect on the improvements in the Group's operating functions, the Group needs to broaden its income bases by exploring new market such as Great China region. Upon the appointments of the new management team in August 2011, the new management has formulated a detailed business plan for the Group's development in the coming years. The new management's experiences in PRC's property development market and media industry will offer a great opportunity for the Group to penetrate into the PRC market. As the first step, applications have been made to the related governmental departments for the right to set up the Group's journalist stations in certain major cities in PRC as well as an advertising company in PRC in the near future. The management believes that the journalist stations and the advertising company of the Group will not only act an important platform for the expansion of the Group's media and advertising business in the Great China, but also strengthen the Group's core business in Hong Kong.

The new management team will strive for inviting potential strategic partners and potential investors joining the Group and raising new funds to support the Group's future financial needs for the expansion.

On 27 May 2011, the Company was informed by the Stock Exchange that the GEM Listing Committee has decided to proceed to cancellation of the Company's listing status pursuant to Rule 9.15 of the GEM Listing Rules. The Company is required to submit a viable resumption proposal within six months from 27 May 2011 to the Stock Exchange to demonstrate that the Company has a sufficient level of operations and management expertise on the business pursuits of the Company to warrant the continued listing of the Company's securities on the Stock Exchange.

The resumption proposal to be submitted to the Stock Exchange will cover aspects including inter alias, (i) the business plan of the Company in the near future to demonstrate that the Group's operation level will meet the requirements of the Stock Exchange; (ii) the proposed debts restructuring exercise to reduce the substantial liabilities of the Group; and (iii) the raising of new funds from the potential investor and existing shareholders by way of equity financing and if possible, other new loan facilities available for the Group for its working capital needs and to improve its financial positions.

In all the time, the Group will continue to monitor and control its costs carefully to ensure the efficiency of the use of existing resources. Even so, the Group will never falter in its missions, to deliver truth and fair information with the highest standards of quality and professionalism to their readers

DIRECTORS', SUBSTANTIAL SHAREHOLDERS' AND CHIEF EXECUTIVE'S INTERESTS AND POSITIONS IN SHARES AND UNDERLYING SHARES

Directors' and Chief Executive's Interests and Positions in Shares and Underlying Shares

The Company has adopted the required standards of dealings regarding securities transactions by directors as set out in Rules 5.48 to 5.69 of the GEM Listing Rules. All the Directors have confirmed that they have complied with the required standards as set out in the GEM Listing Rules.

As at 30 September 2011, none of the Directors and chief executive of the Company had any interests and short positions in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register of the Company required to be kept under section 352 of the SFO or notified to the Company and the Stock Exchange of Hong Kong Limited pursuant to the required standard of dealings by directors as referred to in Rule 5.46 of the GEM Listing Rules.

Save as disclosed above, at no time during the period under review was the Company or its subsidiaries 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.

Substantial Shareholders' Interests and Positions in Shares and Underlying Shares

As at 30 September 2011, the persons or corporations (not being a Director or chief executive of the Company) who had interests or short positions (directly or indirectly) in the shares or underlying shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who are substantial shareholders 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:

Name of shareholders	Capacity	No. of shares of the Company held	Long (L)/ Short (S) position	Approximate percentage of shareholding
Mr. Yeung	Held by controlled corporation	261,473,945 (Note)	(L)	13.26%
Billion Wealth	Beneficial owner	261,473,945 (Note)	(L)	13.26%

Note: The shares were taken over by Billion Wealth from SMIL by the execution of a share charge on 12 May 2010, pursuant to a share charge agreement dated 23 April 2008 entered between Billion Wealth and SMIL in relation with a loan facility of HK$60,000,000 granted by Billion Wealth to the Company. The entire issued share capital of Billion Wealth is wholly owned by Mr. Yeung.

Save as disclosed above, as at 30 September 2011, 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 as recorded in the register required to be kept under Section 336 of the SFO.

EQUITY-SETTLED SHARE-BASED TRANSACTIONS

On 15 January 2002, the Company adopted a share option scheme (the "Option Scheme"). The Board may at its discretion offer to any director (including non-executive director), executive, employee and contracted celebrity (the "Eligible Persons") of the Group options to subscribe for shares in the Company in accordance with the terms of the Option Scheme and Chapter 23 of the GEM Listing Rules. The principal purposes of the Option Scheme are to recognize 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 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 Option Scheme by the shareholders of the Company and such limit might be refreshed by the shareholders of the Company in general meetings. The Option Scheme commenced on 15 January 2002 and will end on the day immediately prior to the tenth anniversary of 15 January 2002. The share options vested immediately at the time when granted.

The Company had not granted any options under the Option Scheme during the six months ended 30 September 2011.

At 30 September 2011, the Company had no outstanding exercisable share option.

PURCHASE, SALE AND REDEMPTION OF 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 2011.

COMPETING INTERESTS

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

CODE ON CORPORATE GOVERNANCE PRACTICES

During the six months ended 30 September 2011, the Company was in compliance with the code provisions as set out in Appendix 15: "The Code on Corporate Governance Practices" (the "CG Code") of the GEM Listing Rules, except for the following:

1. Due to practical reasons, 14 days' advanced notifications have not been given to all meetings of the Board. Reasons have been given in the notifications in respect of those meetings of the Board where it is not practical to give 14 days' advanced notification. The Board will use its best endeavors to give 14 days' advanced notifications of Board meeting to the extent practicable (Code Provisions A.1.3);

2. Non-executive Directors were not appointed for a specific term but were subject to retirement at the first general meeting after their appointment and thereafter to retirement by rotation at least once every three years and in accordance with the Articles of Association of the Company (Code Provision A.4.1); and

3. No nomination committee was established to review the structure, size and composition of the Board on a regular basis (Code Provision A.4.4).

Save as those mentioned above, in the opinion of the Directors, the Company has met with the code provisions as set out in the CG Code during the six months ended 30 September 2011.

REVIEW OF THE INTERIM REPORT

The Company has established an audit committee (the "Audit Committee") with written terms of reference. Currently, the Audit Committee comprises three independent non-executive directors, namely Messrs. Liu Shang Ping (as the chairman of the Audit Committee), Kong Tze Wing and Xu Wei.

Mr. Liu Shang Ping and Mr. Xu Wei have been appointed as independent non-executive directors of the Company with effect from 5 August 2011 and 15 August 2011, respectively, to replace Mr. Hung Yat Ming (resigned as independent non-executive director of the Company on 5 August 2011) and Mr. Pan Chik (resigned as independent non-executive director of the Company on 15 August 2011) as members of the Audit Committee.

The Group's interim financial results and information therein for the six months ended 30 September 2011 have not been reviewed by the external auditor. Instead, the unaudited financial results for the six months ended 30 September 2011 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such financial results complied with the applicable accounting standards and requirements and adequate disclosure have been made.

SUSPENSION OF TRADING

Suspension in the trading of the shares of the Company since 28 April 2005 will continue until the Company submits a viable resumption proposal.

By Order of the Board
SMI Publishing Group Limited
Tian Bing Xin
Executive Director

Hong Kong, 9 November 2011