SING PAO

SINCE 1939

SING PAO MEDIA ENTERPRISES LIMITED
成報傳媒集團有限公司*

(formerly known as SMI Publishing Group Limited)
(Incorporated in the Cayman Islands with limited liability)
(Stock Code：8010)

First Quarterly Report 2012

* For identification purposes only

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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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 of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This Report, for which the directors (the "Directors") of Sing Pao Media Enterprises 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 or deceptive; (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.

FIRST QUARTERLY RESULT FOR THE THREE MONTHS ENDED 30 JUNE 2012

The board of directors (the "Board") herewith announces the unaudited consolidated financial results of the Company and its subsidiaries (collectively the "Group") for the three months ended 30 June 2012, together with the comparative unaudited figures for the corresponding period ended 30 June 2011 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 30 June 2012

		Three months ended 30 June	
		2012	2011
		(Unaudited)	(Unaudited)
	Notes	**HK$'000**	HK$'000
Turnover	4	**16,066**	10,486
Cost of sales and services		**(9,042)**	(13,995)
Gross profit/(loss)		**7,024**	(3,509)
Other revenue and other gain		**353**	661
Distribution costs		**(334)**	(214)
Administrative and other operating expenses		**(5,107)**	(5,548)
Finance costs	5	**(6,810)**	(4,485)
Loss before income tax	6	**(4,874)**	(13,095)
Income tax	7	**–**	–
Loss for the period		**(4,874)**	(13,095)
Total comprehensive income for the period attributable to owners of the Company		**(4,874)**	(13,095)
Dividend	10	**–**	–
Loss per share	8		
Basic and diluted		**(0.25 cents)**	(0.66 cents)

ACCOUNTING POLICIES AND EXPLANATORY NOTES

1. Basis of preparation and principal accounting policies

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

These unaudited condensed consolidated financial statements should be read in conjunction with the 2012 audited consolidated financial statements of the Company. The accounting policies and basis of preparation used in the preparation of these condensed consolidated financial statements are consistent with those applied in the Company's audited financial statements for the year ended 31 March 2012. These unaudited condensed consolidated financial statements have been prepared on the historical cost convention.

2. Basis of preparation – basis of measurement and going concern assumption

The Group sustained an unaudited consolidated loss attributable to owners of the Company of approximately HK$4,874,000 for the three months ended 30 June 2012 (2011: HK$13,095,000).

In the prior period, the Group were financially supported by Billion Wealth Group Limited ("Billion Wealth"). In July 2011, the shareholder of Billion Wealth reported that he may be unable to deal with the loans granted to the Group by Billion Wealth and any other companies beneficially owned by him and also unable to offer any new financial support to the Group. In order to address this situation, management has successfully obtained new financial support from the Lender (as defined below).

In view of the liquidity problems faced by the Group, the Directors have adopted or plan to adopt the following measures in order to improve the Group's financial and cash flow positions and to maintain the Group as a going concern:

(i) a loan facility of HK$100,000,000 was granted by a company owned by an executive Director (the "Lender"). HK$8,100,000 of this loan facility was utilised up to 30 June 2012. The loan facility granted is mainly for the Group's working capital at present. The Directors plan to seek further financial support, when necessary, from the Lender to provide adequate funds for the Group to meet its liabilities as when they fall due in the future;

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

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

(iv) during the year ended 31 March 2012, the Group started a new promotion services business relating to the organisation of promotion events in Hong Kong for overseas customers. The business is not capital intensive and can generate reasonable income to the Group. Up to the date of this financial statements, several other promotion events are committed and other potential events are under final stage negotiation.

In addition, the Group had entered into a 12-month based distribution agreement with an independent distributor in the Peoples' Republic of China ("PRC") in connection to the distribution of the Group's daily newspaper into PRC. The Directors believe that the distribution agreement can be renew without significant cost upon expiry. The Group recorded more advertising income contributed from PRC based customers and advertising agents during the period; and

(v) the Directors have engaged professional consultants to propose restructuring plans for the Group.

The Directors believe borrowings under current portion shall not be call for repayment by respective loan providers because they are either a substantial shareholder of the Company, related parties and amounts being under dispute.

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. The Directors are of the opinion that the above measures will be successfully implemented. 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 successfully implement the above measures and continue as a going concern, it may be unable to continue realising its assets and discharging its liabilities in the normal course of business. Adjustments would have to be made to restate the values of the assets to their 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 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 2012. 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.

The Group has not applied those new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of those new and revised HKFRSs but is not yet in a position to state whether those new and revised HKFRSs would have a material impact on its results of operations and financial position.

4. 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 newspapers and books as well as provisions of advertising services and therefore, no further business segment analysis is presented.

The Group's revenue from external customers located in Hong Kong and PRC amounting to approximately HK$8,529,000 (2011: HK$10,486,000) and HK$7,537,000 (2011: Nil), respectively.

All operating assets and operations of the Group during the periods ended 30 June 2012 and 2011 were substantially located and carried out in Hong Kong.

Turnover represents gross proceeds received and receivable derived from the sale of newspapers and books, as well as provision of advertising and promotion services.

Revenue of operation of approximately HK$6,949,000 (2011: Nil) was derived from advertising sales to a single customer.

5. Finance costs

	Three months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Interest on other borrowings wholly repayable:		
– within five years	**5,642**	2,671
– after five years	**729**	725
Effective interest expenses on other borrowings	**439**	1,089
	6,810	4,485

6. Loss before income tax

Loss before income tax is arrived at after charging:

	Three months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Minimum payment under operating leases	**717**	1,376
Employee benefit expenses (including directors' emoluments)		
– salaries, wages and other benefit	**5,845**	6,979
– contributions to defined contribution retirement scheme	**217**	295
Depreciation	**257**	555

7. Income tax

No provision for Hong Kong profits tax has been made in the condensed consolidated 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.

8. Loss per share

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to owners of the Company of approximately HK$4,874,000 (2011: HK$13,095,000) and the weighted average number of 1,971,685,971 (2011: 1,971,685,971) ordinary shares in issue during the period.

(b) Diluted loss per share

Diluted loss per share amounts for the current and prior periods are the same as the basic loss per share amounts. The Group had no potentially dilutive ordinary shares in issue during the current period. In the prior period, the potential ordinary shares outstanding had an anti-dilutive effect on the basic loss per share.

9. Reserves

	Share premium HK$'000	**Shareholders' contributions** HK$'000	**Exchange reserve** HK$'000	**Distributable reserve** HK$'000	**Accumulated losses** HK$'000	**Total** HK$'000
At 1 April 2011 (Audited)	140,943	80,744	43	231,340	(979,538)	(526,468)
Total comprehensive income for the period (Unaudited)	–	–	–	–	(13,095)	(13,095)
Capital portion of advance from substantial shareholder (Unaudited)	–	260	–	–	–	260
At 30 June 2011 (Unaudited)	140,943	81,004	43	231,340	(992,633)	(539,303)
At 1 April 2012 (Audited)	140,943	81,004	43	231,340	(1,020,004)	(566,674)
Total comprehensive income for the period (Unaudited)	–	–	–	–	(4,874)	(4,874)
At 30 June 2012 (Unaudited)	140,943	81,004	43	231,340	(1,024,878)	(571,548)

10. Dividend

The Directors resolved that no interim dividend be declared for the three months ended 30 June 2012 (2011: Nil).

11. Contingent liabilities

At 30 June 2012, 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 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 who acted 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the three months ended 30 June 2012, the Group recorded a turnover of approximately HK$16,066,000, representing an increase of approximately 53.2% as compared with the turnover of approximately HK$10,486,000 for the same period last year. The increase in turnover was contributed by the increase in advertising income as compared to the previous period.

Loss attributable to the Company's shareholders for the three months ended 30 June 2012 was approximately HK$4,874,000, representing a decrease in loss of approximately 62.8% as compared with loss of approximately HK$13,095,000 for the same period last year. The decrease in loss was mainly attributable to (i) the increase in advertising income; and (ii) the effective cost control measures taken by the management, especially on the printing cost and staff cost.

Financial Resources and Liquidity

On 10 November 2011, a loan facility with principal amount of not exceeding HK$100,000,000 was granted to the Group from a company wholly owned by an executive Director of the Company, mainly for the Group's working capital needs. As at 30 June 2012, total unutilized loan facilities amounted to HK$91,900,000 (as at 30 June 2011: HK$20,455,000).

As at 30 June 2012, no assets of the Group was pledged for loan facilities granted to the Group.

Capital Structure

As at 30 June 2012, the Company had a total of 1,971,685,971 ordinary shares in issue with par value of HK$0.05 each.

Number of Employees and Remuneration Policies

As at 30 June 2012, the Group employed 131 (as at 30 June 2011: 168) employees. Employees' remuneration packages are determined by reference to market rate and individual performance.

Business Review and Prospects

On 27 May 2011, the Company was informed by the Stock Exchange that the GEM Listing Committee had decided to proceed to cancellation of the Company's listing status pursuant to Rule 9.15 of the GEM Listing Rules. The Company was required to submit a viable resumption proposal within six months from 27 May 2011 to the Stock Exchange to demonstrate that the Company had 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 submitted to the Stock Exchange for its consideration in November 2011 has not been cleared, but the Company will continue to execute its business plan.

During the period under review, the Group had streamlined its publication business without deteriorating its advertising income. New management's contribution is remarkable.

The promotion service business which is relating to organising promotion events for PRC based customers, has fruitful results for the period. Although its contribution is not significant when compared with advertising income, its contribution to the revenue of the Group is expected to increase in the coming financial periods.

Negotiations with major loan providers of the Company have been carried on. In between, the Group will ensure the efficiency of the use of existing resources. In all the time, 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 and advertisers.

DIRECTORS' 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 5.67 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 June 2012, 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 of its 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 pursuant to the required standard of dealings by directors as referred to in Rules 5.48 to 5.67 of the GEM Listing Rules.

At no time during the period 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.

Equity-Settled Share-based Transactions

On 30 June 2010, the shareholders approved the adoption of a new share option scheme (the "Option Scheme") and termination of the then existing share option scheme, which was adopted on 15 January 2002. Under the Option Scheme, the board of directors of the Company may at its discretion offer to any director, employee, consultant, customer, supplier, agent, partner or adviser of or contractor to the Group or the Company in which the Group holds an interest or a subsidiary of such company (the "Eligible Persons") of the 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 motivate, attract and retain or otherwise maintain ongoing relationship with the Eligible Persons to the long term 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 and such limit might be refreshed by the shareholders of the Company in general meetings. The Option Scheme commenced on 30 June 2010 and will end on the day immediately prior to the tenth anniversary of 30 June 2010. The share options vested immediately at the time when granted.

The Company had not granted any options under the Option Scheme during the three months ended 30 June 2012.

At 30 June 2012, the Company had no outstanding exercisable share options.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2012, 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 which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of shareholders	Capacity	No. of shares of the Company held	Long (L)/ Short (S) position	Approximate percentage of shareholding
Yeung Ka Sing, Carson	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 Strategic Media International Limited ("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 Ka Sing, Carson.

Save as disclosed above, as at 30 June 2012, 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.

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 three months ended 30 June 2012.

COMPETING INTERESTS

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

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and enhance the performance of the Group.

The Company has applied the code provisions as set out in Appendix 15: "The Code on Corporate Governance Practices" (the "CG Code") of the GEM Listing Rules.

In the opinion of the Directors, the Company has complied with the code provisions as set out in the CG Code during the three months ended 30 June 2012.

REVIEW OF THE FIRST QUARTERLY REPORT

The Company has established an audit committee ("Audit Committee") with written terms of reference.

The Audit Committee currently comprises three independent non-executive directors, namely Messrs. Liu Shang Ping (as the chairman of the Audit Committee), Kong Tze Wing and Xu Wei.

The Group's financial results and information therein for the three months ended 30 June 2012 have not been reviewed by the external auditors. Instead, the unaudited consolidated financial results for the three months ended 30 June 2012 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that the adequate disclosures 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 cleared with the Stock Exchange.

By Order of the Board
Sing Pao Media Enterprises Limited
Tian Bing Xin
Executive Director

Hong Kong, 9 August 2012

As at the date of this report, the board of directors of the Company comprises nine directors, of which six are executive directors, namely, Messrs. Xie Hai Yu, Tian Bing Xin, Dong Bao Qing, Xu Dao Bin, Deng Yu Hui and Ma Shui Cheong; and three are independent non-executive directors, namely Messrs. Liu Shang Ping, Kong Tze Wing and Xu Wei.