# 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)**

## ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2012

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

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**



*This announcement, 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 announcement 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 announcement misleading; and (iii) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

## ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2012

The board of directors (the "Board") of the Company announces herewith the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2012 together with comparative figures for the year ended 31 March 2011 as follows:

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31 March 2012*

| | Notes | **2012** | 2011 |
|---|---|---|---|
| | | ***HK$'000*** | *HK$'000* |
| Turnover | *6* | **48,873** | 42,392 |
| Cost of sales and services | | **(40,849)** | (55,541) |
| Gross profit/(loss) | | **8,024** | (13,149) |
| Other revenue and other gain | *7* | **2,704** | 1,659 |
| Distribution costs | | **(256)** | (2,068) |
| Administrative and other operating expenses | | **(27,567)** | (25,347) |
| Finance costs | *8* | **(23,371)** | (23,022) |
| Loss before income tax | *9* | **(40,466)** | (61,927) |
| Income tax | *10* | **–** | 11,611 |
| Loss for the year | | **(40,466)** | (50,316) |
| Other comprehensive income | | **–** | – |
| Total comprehensive income for the year | | **(40,466)** | (50,316) |
| Loss for the year and total comprehensive income for the year attributable to owners of the Company | | **(40,466)** | (50,316) |
| Dividend | | **–** | – |
| Loss per share | *11* | | |
| Basic and diluted | | **(2.05 cents)** | (2.55 cents) |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 March 2012*

| | Notes | 2012 HK$'000 | 2011 HK$'000 |
|---|---|---|---|
| **ASSETS AND LIABILITIES** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | **2,394** | 2,697 |
| Deposits and prepayments | *12* | **2,124** | 8,061 |
| | | **4,518** | 10,758 |
| **Current assets** | | | |
| Inventories | | **–** | 238 |
| Trade and other receivables | *12* | **20,059** | 9,017 |
| Cash and cash equivalents | | **3,624** | 1,490 |
| | | **23,683** | 10,745 |
| **Current liabilities** | | | |
| Borrowings | *14(a)* | **381,951** | 87,454 |
| Trade payables, accruals and other payables | *13* | **22,986** | 20,483 |
| Taxation | | **38** | 488 |
| | | **(404,975)** | (108,425) |
| **Net current liabilities** | | **(381,292)** | (97,680) |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **(376,774)** | (86,922) |
| **Non-current liabilities** | | | |
| Borrowings | *14(a)* | **91,316** | 340,962 |
| | | **(91,316)** | (340,962) |
| **NET LIABILITIES** | | **(468,090)** | (427,884) |
| **CAPITAL AND RESERVES** | | | |
| Share capital | *15* | **98,584** | 98,584 |
| Reserves | | **(566,674)** | (526,468) |
| **DEFICIENCY IN CAPITAL** | | **(468,090)** | (427,884) |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the year ended 31 March 2012*

| | Attributable to owners of the Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Share capital** | **Share premium** | **Convertible note equity reserve** | **Shareholders' contributions** | **Exchange reserve** | **Distributable reserve** | **Accumulated losses** | **Total** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| At 1 April 2010 | 97,584 | 140,573 | 741 | 72,894 | 43 | 231,340 | (929,593) | (386,418) |
| Capital portion of advance from a substantial shareholder | – | – | – | 10,726 | – | – | – | 10,726 |
| Release of shareholders' contributions resulted from change in terms of a shareholder's loan | – | – | – | (2,876) | – | – | – | (2,876) |
| Total comprehensive income for the year | – | – | – | – | – | – | (50,316) | (50,316) |
| Conversion of convertible note | 1,000 | 370 | (370) | – | – | – | – | 1,000 |
| Expiry of convertible note | – | – | (371) | – | – | – | 371 | – |
| At 31 March 2011 and 1 April 2011 | 98,584 | 140,943 | – | 80,744 | 43 | 231,340 | (979,538) | (427,884) |
| Capital portion of advance from a substantial shareholder *(Note 14(a)(i))* | – | – | – | 260 | – | – | – | 260 |
| Total comprehensive income for the year | – | – | – | – | – | – | (40,466) | (40,466) |
| At 31 March 2012 | 98,584 | 140,943 | – | 81,004 | 43 | 231,340 | (1,020,004) | (468,090) |

# NOTES:

**1. General information**

Pursuant to a special resolution passed on 17 April 2012 and with the approval of the Registrar of Companies of Cayman Islands and Registrar of Companies of Hong Kong on 17 April 2012 and 11 May 2012, respectively, the name of the Company has been changed from SMI Publishing Group Limited to Sing Pao Media Enterprises Limited (the "Company").

The Company is a public limited liability company incorporated in the Cayman Islands and its shares are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of its registered office is Cricket Square Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. On 8 April 2012, the principal place of business of the Company was changed from the 3rd Floor, CWG Building, No. 3, A Kung Ngam Village Road, Hong Kong to 8th Floor, United Overseas Plaza, 11 Lap Yip Street, Kwun Tong, Kowloon, Hong Kong.

The consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") are the publication of newspapers and books and provisions of advertising and promotion services.

The Directors consider Billion Wealth Group Limited ("Billion Wealth"), which was incorporated in the British Virgin Islands, is the ultimate holding company and a substantial shareholder of the Company with effect from 12 May 2010 and up to the end of the reporting period.

On 11 November 2011, a proposal was submitted to the Stock Exchange for the resumption of trading in the Company's shares on the GEM of the Stock Exchange. Up to the date of this report, the Group is still in the process of collecting more information in response to the enquiries made by the Stock Exchange in connection with the resumption proposal.

**2. Basis of preparation**

***Going concern assumption***

The Group sustained consolidated loss for the year of approximately HK$40,466,000 (2011: approximately HK$50,316,000) for the year ended 31 March 2012. At 31 March 2012, the Group had consolidated net current liabilities and net liabilities of approximately HK$381,292,000 (2011: approximately HK$97,680,000) and HK$468,090,000 (2011: approximately HK$427,884,000), respectively. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

In the prior year, the Group were financially supported by 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 during the year. 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, the Group started a new consultancy services business relating to the organisation of promotion events in Hong Kong for overseas customers. The business is not capital intensive and is expected to generate reasonable income to the Group. Up to the date of the 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 renewed without significant cost upon expiry. The Group recorded more advertising income contributed from PRC based customers and advertising agents during the year; and

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

The Directors believe the current portion of borrowings as stated in Note 14(a) shall not be called for repayment by the respective loan providers within the next twelve months because they are either a substantial shareholder of the Company, related parties or other third parties of which an amount of approximately HK$15,349,000 are amounts being under dispute as further detailed in Note 14(b). The Directors had considered that the shareholder of Billion Wealth is legally restricted to deal with his personal assets because he is under prosecution by the court (the "Prosecution"). Therefore, he has no right to extend or defer repayment term advanced by Billion Wealth nor to determine to call or not to call repayment. The Directors are aware that the result of Prosecution may have impact on the proposed restructuring plans and consequently on the proposed capital injection arrangements.

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 write-down 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. Adoption of Hong Kong Financial Reporting Standards ("HKFRSs")

### *(a) Adoption of new/revised HKFRSs – effective 1 January 2011*

| | |
|---|---|
| HKFRSs (Amendments) | Improvements to HKFRSs 2010 |
| Amendments to HK(IFRIC) – Interpretation 14 | Prepayments of a Minimum Funding Requirement |
| HK(IFRIC) – Interpretation 19 | Extinguishing Financial Liabilities with Equity Instruments |
| HKAS 24 (Revised) | Related Party Disclosures |

The adoption of these new/revised standards and interpretations has no significant impact on the Group's financial statements.

### *(b) New/revised HKFRSs that have been issued but not yet effective*

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group:

| | |
|---|---|
| Amendments to HKAS 32 | Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities[5] |
| Amendments to HKFRS 7 | Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities[4] |
| Amendments to HKFRS 7 | Disclosure – Transfers of Financial Assets[1] |
| Amendments to HKAS 12 | Deferred Tax – Recovery of Underlying Assets[2] |
| Amendments to HKAS 1 (Revised) | Presentation of Items of Other Comprehensive Income[3] |
| Amendments to HKAS 1 (Revised) | Clarification of the Requirements for Comparative Information[4] |
| Amendments to HKAS 16 | Classification of Servicing Equipment[4] |
| Amendments to HKAS 32 | Tax Effect of Distribution to Holders of Equity Instruments[4] |
| HKFRS 9 | Financial Instruments[6] |
| HKFRS 10 | Consolidated Financial Statements[4] |
| HKFRS 11 | Joint Agreements[4] |
| HKFRS 12 | Disclosure of Interests in Other Entities[4] |
| HKFRS 13 | Fair Value Measurement[4] |
| HKAS 19 (2011) | Employee Benefits[4] |
| HKAS 27 (2011) | Separate Financial Statements[4] |
| HKAS 28 (2011) | Investments in Associates and Joint Ventures[4] |

*Effective dates:*

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 *Effective for annual periods beginning on or after 1 January 2014*
6 *Effective for annual periods beginning on or after 1 January 2015*

The Group is in the process of making an assessment of the potential impact of these new/revised HKFRSs and the directors so far concluded that the application of these new/revised HKFRSs will have no material impact on the Group's financial statements.

4. **Significant accounting policies**

***Basic of measurement***

These financial statement have been prepared under the historical cost convention.

5. **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 and promotion 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$29,937,000 (2011: approximately HK$42,392,000) and HK$18,936,000 (2011: Nil), respectively.

All operating assets of the Group during the years ended 31 March 2012 and 2011 were substantially located in Hong Kong.

Revenue of operation of approximately HK$18,936,000 (2011: approximately HK$6,032,000) was derived from advertising sales to a single customer.

6. **Turnover**

Turnover, which is also revenue, represents the gross proceeds received and receivable derived from the publication of newspapers and books as well as provisions of advertising and promotion services.

Included in advertising income is an amount of approximately HK$1,373,000 (2011: approximately HK$3,158,000) in respect of barter transactions entered into during the year.

## 7. Other revenue and other gain

| | 2012 | 2011 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Other revenue: | | |
| Reversal of provision for tax penalty | **–** | 628 |
| Reversal of other payables | **201** | 205 |
| Sundry income | **1,703** | 826 |
| | **1,904** | 1,659 |
| Other gain: | | |
| Gain on disposal of property, plant and equipment | **800** | – |
| | **2,704** | 1,659 |

## 8. Finance costs

| | 2012 | 2011 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Interest on other borrowings wholly repayable: | | |
| – within five years | **16,621** | 10,941 |
| – after five years | **2,913** | 2,909 |
| Effective interest expenses on convertible note | **–** | 86 |
| Effective interest expenses on other borrowings | **3,837** | 9,086 |
| | **23,371** | 23,022 |

## 9. Loss before income tax

Loss before income tax is arrived at after charging:

| | 2012 | 2011 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Auditor's remuneration | **830** | 1,150 |
| Depreciation | **723** | 821 |
| Impairment loss on trade receivables | **1,198** | 55 |
| Impairment loss on deposits and prepayment *(Note 12)* | **4,885** | – |
| Employee benefit expenses (including Directors' emoluments) | | |
| – salaries, wages and other benefits | **22,738** | 28,822 |
| – contributions to defined contribution retirement scheme | **915** | 1,197 |
| Minimum lease payments under operating leases on | | |
| – machinery | **256** | 255 |
| – leasehold land and buildings | **5,809** | 9,092 |
| – motor vehicles | **127** | 245 |

## 10. Income tax

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

| | 2012 | 2011 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Hong Kong profits tax | | |
| – over-provision in respect of prior years | **–** | (11,602) |
| Deferred tax | **–** | (9) |
| | **–** | (11,611) |

No provision for Hong Kong profits tax (2011: Nil) has been provided as the Group has no assessable profit generated during the year.

In prior year, an over-provision of income tax payable of approximately HK$11,602,000 was recognised in the profit or loss after a dispute was settled with the Inland Revenue Department.

## 11. 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$40,466,000 (2011: approximately HK$50,316,000) and the weighted average number of 1,971,685,971 (2011: 1,970,151,724) ordinary shares in issue during the year.

### (b) *Diluted loss per share*

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

## 12. Trade and other receivables

Included in trade and other receivables are trade receivables, net of allowance for doubtful debts of approximately HK$3,948,000 (2011: approximately HK$2,750,000), with the following aging analysis based on invoice date as of the end of reporting period:

| | **2012** | 2011 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 0 to 30 days | **5,338** | 1,394 |
| 31 to 60 days | **7,671** | 1,066 |
| 61 to 120 days | **3,786** | 1,599 |
| over 120 days | **345** | 810 |
| Trade receivables | **17,140** | 4,869 |
| Other receivables | **45** | 206 |
| Deposits and prepayments *(Note (i))* | **4,998** | 9,971 |
| Amount due from a related company *(Note (ii))* | **–** | 2,032 |
| | **22,183** | 17,078 |
| *Less:* Non-current portion | **(2,124)** | (8,061) |
| | **20,059** | 9,017 |

The average credit period on sale of goods is normally settled within 60 days from the invoice date.

*Note:*

(i) The amount mainly represents prepayments for the decoration of the new office premises which was in use subsequent to the end of the reporting period. In the prior year, the amount mainly represented deposits and prepayments for the setting up of a factory for the printing business, of which approximately HK$4,885,000 was impaired during the year due to change of development plan of the Group.

(ii) 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.

## 13. Trade payables, accruals and other payables

The following is the aging analysis of trade payables based on invoice date at the end of the reporting period:

| | 2012 | 2011 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| 0 to 30 days | **1,478** | 1,526 |
| 31 to 90 days | **316** | 279 |
| Over 90 days | **5,512** | 5,417 |
| Trade payables | **7,306** | 7,222 |
| Accruals | **8,781** | 7,955 |
| Other payables | **6,899** | 5,306 |
| | **22,986** | 20,483 |

The trade payables are non-interest bearing and are normally settled within 30 days from the invoice date.

## 14. Borrowings

### *(a) Borrowings*

| | 2012 | 2011 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Loans from a substantial shareholder, unsecured *(Note (i))* | **328,019** | 314,226 |
| Loans from related companies, unsecured *(Note (ii))* | **12,427** | 3,582 |
| Loans from third parties, unsecured *(Note (iii))* | **132,821** | 110,608 |
| | **473,267** | 428,416 |
| Analysed as: | | |
| Current | **381,951** | 87,454 |
| Non-current | **91,316** | 340,962 |
| | **473,267** | 428,416 |

*Notes:*

(i) The amount represents loans granted by Billion Wealth. As at the end of the reporting period, the amount comprises three loan facilities, with their principal amounts in aggregate of approximately HK$139,545,000 (2011: approximately HK$136,802,000), granted by Billion Wealth to the Group. They comprises: (1) a facility of HK$60,000,000 (2011: HK$60,000,000) fully utilised by the Group in prior years. The loan is unsecured, interest-free and repayable on demand. In the prior year, the loan was repayable on the expiry of 36 months from the date on which the loan was made or any other later date as may be mutually agreed in writing by the Group and Billion Wealth; (2) another facility of HK$50,000,000 (2011: approximately HK$50,000,000) was fully utilised by the Group in prior years. The loan is unsecured, interest-free and repayable on demand. In the prior year, the loan was repayable on the date falling upon the resumption of trading in the shares of the Company on the Stock Exchange; and (3) a facility of HK$50,000,000 (2011: HK$50,000,000) which the Group has utilised approximately HK$29,545,000 (2011: approximately HK$26,802,000) as at the end of the reporting period. The loan is unsecured and interest-free. During the year, advances of approximately HK$2,743,000 (2011: approximately HK$26,802,000) were made by Billion Wealth which were repayable on the expiry of 24 months from the date on which the loans were made. The remaining balance was repayable on demand. An amount of approximately HK$260,000 was credited to equity of the Group as deemed shareholder's contribution.

On 12 May 2010, Billion Wealth extended the repayment terms of its non-interest bearing facility of HK$60,000,000 granted to the Group. Unamortised imputed interest expense on the loan as on that date of approximately HK$2,876,000 was released and debited to the equity of the Group. In addition, an amount of approximately HK$10,726,000 was credited to equity of the Group as deemed shareholders' contributions. Prior to Billion Wealth was a shareholder of the Company, an imputed interest income of HK$6,000,000 was credited to the profit or loss in connection to its provisions of interest-free loans to the Group.

An imputed interest expense of approximately HK$3,837,000 (2011: approximately HK$9,086,000) was debited to the consolidated statement of comprehensive income of the Group. Imputed interest expenses on the facilities are calculated using the effective interest method by applying the effective interest rate of 5% per annum.

Included in the borrowings were also a loan balance assigned from a former shareholder of the Company in aggregate amount of approximately HK$128,475,000 (2011: approximately HK$123,003,000). As at the end of reporting period, the assigned loan is unsecured, interest bearing at Hong Kong prime rate plus 1% per annum and is repayable on demand (2011: Not repayable within one year).

The amount also comprises loans assigned from another former shareholder and its subsidiary of approximately HK$61,186,000 (2011: approximately HK$59,185,000) for the Group. The loans are unsecured, bearing interest in 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 no later than the twentieth anniversary of 24 January 2003.

(ii) As at the end of the reporting period, an amount of approximately HK$4,327,000 (2011: approximately HK$3,582,000) was granted to the Group by a company under common control of the beneficial holder of Billion Wealth. The amount is unsecured, bearing interest at 36% (2011: 12%) per annum and are repayable on demand.

As further detailed in Note 2(i), a loan facility of HK$100,000,000 was granted by the Lender to the Group of which an amount of HK$8,100,000 (2011: Nil) was utilised during the year. The amount is unsecured, interest-free and repayable on demand.

(iii) As at the end of the reporting period, the balance comprised loans granted by third parties of approximately HK$36,816,000 (2011: approximately HK$24,616,000) to the Group. These loans are unsecured, interest-free and repayable on demand.

The amount also comprised loans granted by third parties of approximately HK$27,647,000 (2011: approximately HK$26,736,000) to the Group. The loans are unsecured, bearing 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 no later than the twentieth anniversary of 24 January 2003.

The remaining amount of approximately HK$68,358,000 (2011: approximately HK$59,256,000) due by the Group are unsecured and bearing interest at the rates ranging from 5.0% to 36.0% per annum (2011: ranging from 0.5% to 24.0% per annum). These balances are repayable within one year from the end of reporting period or on demand.

As at the end of reporting period, certain of the above balances were in dispute with the respective parties, details of which are set out in Note 14(b) below.

***(b) Borrowings under dispute***

Included in the borrowings as at the end of the reporting period were certain loan balances under dispute by the Group with various parties. The Directors are of the opinion that several transactions with the counterparties did not have formal agreements nor were there evidence of such arrangements. Further, in the opinion of the Directors, even when there were formal agreements, the services to be provided by those counterparties under those arrangements were never provided. The Company has instructed a legal advisor to handle the legal aspect of the dispute.

The Group accrued interest expenses of approximately HK$277,000 (2011: approximately HK$277,000) and included in the finance costs of the Group for the year ended 31 March 2012. Despite the borrowings from above being under dispute as at the reporting date, interest expenses were charged based on the amounts due and the applicable interest rates.

An analysis of the borrowings under dispute is as follows:

| | **2012** | 2011 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Loans from third parties, unsecured | **23,644** | 23,367 |
| Analysed as: | | |
| Current | **15,349** | 15,349 |
| Non-current | **8,295** | 8,018 |
| | **23,644** | 23,367 |

## 15. Share capital

| | **2012** | | 2011 | |
|---|---|---|---|---|
| | **Number of shares** | **Amount** | Number of shares | Amount |
| | ***'000*** | ***HK$'000*** | *'000* | *HK$'000* |
| *Authorised:* | | | | |
| **Ordinary shares of HK$0.05 each** | | | | |
| At beginning of the 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 year | **100,000,000** | **5,000,000** | 100,000,000 | 5,000,000 |
| **Convertible preference shares of HK$0.05 each** | | | | |
| At beginning of the year | **50,000,000** | **2,500,000** | – | – |
| Increase during the year *(Note (i))* | **–** | **–** | 50,000,000 | 2,500,000 |
| At end of the year | **50,000,000** | **2,500,000** | 50,000,000 | 2,500,000 |
| **Ordinary shares, issued and fully paid:** | | | | |
| At beginning of the year | **1,971,686** | **98,584** | 1,951,686 | 97,584 |
| Conversion of the Note *(Note (ii))* | **–** | **–** | 20,000 | 1,000 |
| At end of the 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 had been increased from HK$200,000,000 divided into 4,000,000,000 ordinary shares of HK$0.05 each ("Ordinary Shares") to HK$5,000,000,000 divided into 100,000,000,000 Ordinary Shares and 50,000,000,000 convertible preference shares of HK$0.05 each ("Convertible Preference Shares") 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 Note by a note-holder.

**16. Contingent liabilities**

During the year ended 31 March 2012 and 2011, the Group have the following material litigations:

There were several cases brought forward from prior years 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 Company. Court judgments have not been stated and the amounts claimed were in aggregate approximately HK$517,000 (2011: approximately HK$517,000). In the Directors' opinion, the liabilities are unlikely to crystallise and no provision has therefore been made in respect of these claims as at 31 March 2012 and 2011.

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 defence 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 crystallise and no provision had therefore been made in respect of the claim.

## AN EXTRACT OF AUDITOR'S REPORT

### Basis for disclaimer of opinion

***(1) Scope limitation – borrowings under dispute***

Included in the borrowings of the Group and of the Company as at 31 March 2012 are borrowings of approximately HK$23,644,000 and HK$14,129,000; and as at 31 March 2011 were borrowings of approximately HK$23,367,000 and HK$13,910,000, respectively due to several parties. Included in the finance costs in the statements of comprehensive income of the Group and the Company for the year ended 31 March 2012 are accrued interest expenses of approximately HK$277,000 and HK$219,000; and for the year ended 31 March 2011 were accrued interest expenses of approximately HK$277,000 and HK$219,000, respectively based on the amounts due and the applicable interest rates. As discussed in Note 14(b) to the consolidated financial statements, the Group and the Company are in dispute with these parties over these balances. We were unable to obtain representation from the directors on the accuracy of these borrowings which were carried forward since prior years. The directors consider that there was either no formal agreement entered or there was no evidence of such arrangement in the past. In addition, we were unable either to obtain direct confirmations from these parties or other supporting evidence to satisfy ourselves as to whether the borrowings and interest expenses are free from material misstatement because these lenders were either no longer in contact with the Group or did not reply to our confirmation requests. There was no other satisfactory audit procedure that we could adopt to satisfy ourselves as to whether the borrowings and interest expenses were fairly stated, which would have a consequential effect on net current liabilities and net liabilities of the Group and the Company as at 31 March 2012 and their losses for the year then ended. We qualified our opinion in respect of a similar limitation of scope in our report dated 20 December 2011 for the year ended 31 March 2011. Therefore, the comparative amounts may not be comparable and any adjustment to these amounts may also have a consequential effect on the opening balance of the accumulated losses of the Group and the Company at 1 April 2011 and their results for the year ended 31 March 2012.

***(2) Scope limitation – Appropriateness of using the going concern basis in preparing the consolidated financial statements***

The Group sustained consolidated loss for the year of HK$40,466,000 for the year ended 31 March 2012. At 31 March 2012, the Group had consolidated net current liabilities and net liabilities of approximately HK$381,292,000 and HK$468,090,000, respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

As explained in Note 2 to the consolidated financial statements, the Directors have adopted or planned to adopt certain measures (the "Measures") including, among others, entering into negotiations with potential investors in respect of possible capital injection arrangement into the Group and taking steps to propose restructuring plans for the Group in order to improve the Group's financial and cash flow positions and to maintain the Group as a going concern. The Directors are of the opinion that the Measures will be successfully implemented. The Directors have prepared a cash flow forecast for the next twelve months (the "Forecast") based on certain underlying assumptions including obtaining adequate funding from a loan facility granted by a company owned by an executive director (the "Lender") and that the borrowings classified as current portion of HK$381,951,000 from the substantial shareholder, related parties and third parties (the "Loan Providers") will not be called for payment within the next twelve months.

These financial statements have been prepared on a going concern basis, the validity of which depends upon the successful outcome of the Measures to be undertaken in order to satisfy the Group's working capital needs, improve its cash flow position and address its capital deficiency. However, due to the circumstances as further explained in Note 2 to the consolidated financial statements, we are unable to obtain sufficient information from the Lender to satisfy us that the Lender is able to provide the loan facility nor have we received confirmation from the Loan Providers that they undertake not to request payment of the loans within the next twelve months. The directors of the Company are taking steps to prepare restructuring plans for the Group and negotiate with potential investors in respect of possible capital injection arrangement into the Group. However, these two measures had not yet been concluded as of the date of approval of the financial statements. Accordingly, we are unable to determine whether the underlying assumptions of the Forecast are valid and whether the capital injection and restructuring plan can be successfully completed, and therefore whether it is appropriate to use the going concern basis in preparing the consolidated financial statements. There were no other satisfactory audit procedures that we could adopt in this regard.

Should the use of the going concern basis in preparing the consolidated financial statements be determined to be inappropriate, adjustments might have to be made to reduce the value of 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.

**Disclaimer of opinion**

Because of the significance of the matters described in the "Basis for disclaimer of opinion" paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### Review of Results

For the year ended 31 March 2012, the Group recorded a turnover of approximately HK$48,873,000, representing an increase of approximately HK$6,481,000 or 15.3% as compared with approximately HK$42,392,000 for the previous year. The increase in turnover was contributed by the increase in advertising income as compared to the previous year.

Loss attributable to the Company's shareholders for the year ended 31 March 2012 was approximately HK$40,466,000, representing a decrease in loss of approximately HK$9,850,000 or 19.6% as compared with loss of approximately HK$50,316,000 for the previous year. The decrease in losses was mainly attributable to (i) the increase in turnover of approximately HK$6,481,000 when compared with approximately HK$42,393,000 for the previous year; (ii) the decrease in printing cost of approximately HK$10,355,000 when compared with previous year; (iii) the decrease in staff cost by approximately HK$6,366,000 when compared with approximately HK$30,019,000 for the previous year; and (iv) there was no tax credit recorded during the year as compared with approximately HK$11,611,000 recorded in the prior year.

### Financial Resources and Liquidity

As at 31 March 2012, the Group did not maintain sufficient liquid funds and had net current liabilities of approximately HK$381,292,000 (2011: approximately HK$97,680,000). Cash and bank balances were approximately HK$3,624,000 (2011: approximately HK$1,490,000).

As at 31 March 2012, the Group's total loans and borrowings amounted to approximately HK$473,267,000 (2011: approximately HK$428,416,000). Among the total amounts of such loans and borrowings, approximately HK$381,951,000 (2011: approximately HK$87,454,000) was payable within one year and approximately HK$91,316,000 (2011: approximately HK$340,962,000) payable after one year.

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 31 March 2012, total unutilized loan facilities amounted to HK$91,900,000 (2011: NIL).

As at 31 March 2012, the Group recorded a total deficiency in capital of approximately HK$468,090,000 (2011: approximately HK$427,884,000).

**Share Capital Structure**

There was no change in the Company's share capital structure during the year. As at 31 March 2012, the Company's total issued share capital was approximately HK$98,584,000. This amount was made up of approximately 1,971,686,000 shares with a par value of HK$0.05 each.

**Pledge of Assets**

At 31 March 2012, no assets of the Group were pledged for loan facilities granted to the Group (2011: Nil).

**Exposure to Fluctuation in Exchange Rates and Any Related Hedges**

The Group's transactional currency is Hong Kong dollars. As substantially all the turnover is in Hong Kong dollar, the Group's transactional foreign exchange exposure is insignificant. Also, there is no hedging policy with respect to the foreign exchange exposure.

**Operating Lease Commitments**

As at 31 March 2012 and 2011, the total future minimum lease payments under operating leases are payable as follows:

| | **2012** | 2011 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within one year | **2,157** | 6,572 |
| In the second to fifth year inclusive | **4,409** | 2,801 |
| | **6,566** | 9,373 |

Operating lease payments represent rentals payable by the Group for certain of its office premises, machinery and motor vehicles. Leases are negotiated for an average term of three years and rentals are fixed throughout the respective lease periods.

## BUSINESS REVIEW AND PROSPECTS

Within the challenging operating environment in during the period under review, the Group's operation continued to be affected by inflation and global economic uncertainties. A few changes had been encountered during the year.

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. On 11 November 2011, a resumption proposal was submitted to the Stock Exchange for its consideration.

In between the turbulent, the Group's management team has undergone some changes. In August 2011, the Board was restructured. New Board members and management team in journalism have been introduced to the Group. Both the new Board members and management team are highly experienced in the PRC media and publishing industry. Under the leadership of the new management team together with various effective cost control measures taken, the Group recorded a gross profit from its operations during the year.

Further in December 2011, the Group has obtained licenses to establish two journalist stations in PRC, Beijing and Guangzhou. As such, the Group can gather more comprehensive information, first-hand information or exclusive news in the PRC. In return, it enhanced the content of our newspaper.

After that in March 2012, the Group's newspaper (full and simplified version – with less pages of around 12 to 16 pages) has been distributed in PRC, including Guangdong and Fujian Provinces through China National Publication and Export Corporation. Directly momentary contribution from distribution in PRC is not material when compared with existing distribution revenue in Hong Kong. However, with the enlarged group of reader, growth of advertising revenue is expected.

At last but not the least, the Group's management targets to develop a new promotion service business relating to the organisation of promotion events in Hong Kong for overseas customers. The Group's management considers that promotion service business can improve the advertising income as well as creating a new source of promotion income from the events. Positive contribution had been recorded in the financial year and increase in its contribution in the coming financial year is expected.

To further improve the financial situation of the Group, the management has conducting various negotiations with the major loan providers to consider the proposal of capitalization and waive of most of the borrowings. In between, the Group will continue its various cost control measures to 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.

## EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2012, the Group employed 119 (2011: 168) staffs who are normally situated in Hong Kong. Employee remuneration, including directors' remuneration, for the year ended 31 March 2012 was approximately HK$23,653,000 (2011: approximately HK$30,019,000). The remuneration packages of the Group's employees are rewarded on individual performance-related basis and by reference to the market conditions.

## DIVIDEND

The Directors do not recommend the payment of final dividend for the year ended 31 March 2012 (2011: Nil).

## PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the year ended 31 March 2012. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year ended 31 March 2012 (2011: Nil).

## COMPLIANCE WITH THE 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 year ended 31 March 2012.

## AUDIT COMMITTEE

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 audited annual results for the year ended 31 March 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.

## SCOPE OF WORK OF BDO LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 March 2012 as set out in this preliminary announcement have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagement or Hong Kong Standards on Assurance Engagement issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on this preliminary announcement.

## SUSPENSION OF TRADING

Trading in the shares of the Company has been suspended since 28 April 2005 and 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, 20 June 2012

*As at the date of this announcement, 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.*

*This announcement is available for reference on the Company's website at http://www.singpao.com and will remain on the "Latest Company Announcements" page of the GEM website at http://www.hkgem.com for at least 7 days from the date of its publication.*

* *For identification purpose only*