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 2013

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 Stock 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.

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 gazette 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.

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 2013

The board of directors (the "Board") of the Company announces herewith the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2013 together with comparative figures for the year ended 31 March 2012 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2013

		2013	2012
	Notes	***HK$'000***	*HK$'000*
Turnover	*6*	**62,042**	48,873
Cost of sales and services		**(36,286)**	(40,849)
Gross profit		**25,756**	8,024
Other revenue and other gains	*7*	**4,919**	2,704
Distribution costs		**(490)**	(256)
Administrative and other operating expenses		**(16,703)**	(27,567)
Finance costs	*8*	**(24,352)**	(23,371)
Loss before income tax	*9*	**(10,870)**	(40,466)
Income tax	*10*	**–**	–
Loss for the year		**(10,870)**	(40,466)
Other comprehensive income		**–**	–
Total comprehensive income for the year		**(10,870)**	(40,466)
Loss for the year and total comprehensive income for the year attributable to owners of the Company		**(10,870)**	(40,466)
Loss per share	*11*		
Basic and diluted		**(0.55 cents)**	(2.05 cents)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2013

	Notes	2013 HK$'000	2012 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**5,305**	2,394
Deposits and prepayments	*12*	**–**	2,124
		5,305	4,518
Current assets			
Trade and other receivables	*12*	**38,218**	20,059
Cash and cash equivalents		**5,794**	3,624
		44,012	23,683
Current liabilities			
Borrowings	*14(a)*	**415,950**	381,951
Trade payables, accruals and other payables	*13*	**20,580**	22,986
Taxation		**–**	38
		(436,530)	(404,975)
Net current liabilities		**(392,518)**	(381,292)
TOTAL ASSETS LESS CURRENT LIABILITIES		**(387,213)**	(376,774)
Non-current liabilities			
Borrowings	*14(a)*	**(91,747)**	(91,316)
NET LIABILITIES		**(478,960)**	(468,090)
CAPITAL AND RESERVES			
Share capital	*15*	**98,584**	98,584
Reserves		**(577,544)**	(566,674)
DEFICIENCY IN CAPITAL		**(478,960)**	(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 was 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 GEM of 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 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 Group are the publication of newspapers and books and provisions of advertising services and promotion services.

2. Basis of preparation

Going concern assumption

The Group sustained consolidated loss for the year of approximately HK$10,870,000 (2012: approximately HK$40,466,000) for the year ended 31 March 2013. At 31 March 2013, the Group had consolidated net current liabilities and net liabilities of approximately HK$392,518,000 (2012: approximately HK$381,292,000) and HK$478,960,000 (2012: approximately HK$468,090,000), 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 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 new loan facility of HK$100,000,000 was granted by a company jointly owned by an executive director of the Company and a former executive director of the Company (the "Lender"). In the prior year, a loan facility of HK$100,000,000 was granted by a company owned by a director (the "Old Loan Facility"). HK$15,594,000 out of the new loan of HK$18,394,000 from the new loan facility was applied to repay the outstanding balance of the Old Loan Facility. The Old Loan Facility was terminated during the year. The new 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; and

(iv) 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 Group, related parties or other third parties of which an amount of approximately HK$15,349,000 are amounts under dispute as further detailed in Note 14(b). The Directors had considered that the shareholder of Billion Wealth Group Limited ("Billion Wealth"), a company incorporated in the British Virgin Islands, 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 non-current liabilities as current assets and current 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 April 2012

Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets

The adoption of these revised standards 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:

HKFRSs (Amendments)	Annual Improvements 2009-2011 Cycle[2]
Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income[1]
Amendments to HKAS 32	Presentation – Offsetting Financial Assets and Financial Liabilities[3]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
HKAS 27 (2011)	Separate Financial Statements[2]

Effective dates:

[1] *Effective for annual periods beginning on or after 1 July 2012*

[2] *Effective for annual periods beginning on or after 1 January 2013*

[3] *Effective for annual periods beginning on or after 1 January 2014*

[4] *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 the People's Republic of China (the "PRC") amounted to approximately HK$27,920,000 (2012: approximately HK$29,937,000) and HK$34,122,000 (2012: HK$18,936,000), respectively.

All operating assets of the Group during the years ended 31 March 2013 and 2012 were substantially located in Hong Kong.

Revenue of operation of approximately HK$30,260,000 (2012: approximately HK$18,936,000) 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 services, net of estimated customer returns, rebates and other similar allowances, and are summarised as follows:

	2013	2012
	HK$'000	*HK$'000*
Sale of newspapers and books	**13,963**	14,213
Advertising income	**45,861**	34,549
Service income	**2,218**	111
	62,042	48,873

Included in advertising income is an amount of approximately HK$2,201,000 (2012: approximately HK$1,373,000) in respect of barter transactions entered into during the year.

7. Other revenue and other gains

	2013	2012
	HK$'000	*HK$'000*
Other revenue:		
Reversal of other payables	**–**	201
Sundry income	**1,244**	1,703
	1,244	1,904
Other gains:		
Gain on disposal of an associate	**3,675**	–
Gain on disposal of property, plant and equipment	**–**	800
	3,675	800
	4,919	2,704

8. Finance costs

	2013	2012
	HK$'000	*HK$'000*
Interest on other borrowings wholly repayable:		
– within five years	**21,874**	16,621
– after five years	**2,913**	2,913
Reversal of accrued interest expenses	**(1,600)**	–
Effective interest expenses on other borrowings *(Note 14(a)(i))*	**1,165**	3,837
	24,352	23,371

9. Loss before income tax

Loss before income tax is arrived at after charging/(crediting):

	2013	2012
	HK$'000	HK$'000
Auditor's remuneration	780	830
Depreciation	1,105	723
Reversal of impairment loss on trade receivables	(247)	–
Impairment loss on trade receivables	–	1,198
Impairment loss on deposits and prepayment	–	4,885
Employee benefit expenses (including Directors' emoluments)		
– salaries, wages and other benefits	23,072	22,738
– contributions to defined contribution retirement scheme	891	915
Minimum lease payments under operating leases on		
– machinery	324	256
– leasehold land and buildings	2,201	5,809
– motor vehicles	90	127

10. Income tax

No provision for Hong Kong profits tax (2012: HK$Nil) has been provided as the Group has sufficient unrecognised tax losses brought forward to offset against estimated assessable profits arising from Hong Kong during the year. In the prior year, the Group had no estimated assessable profits generated in Hong Kong.

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$10,870,000 (2012: approximately HK$40,466,000) and the weighted average number of 1,971,685,971 (2012: 1,971,685,971) ordinary shares in issue during the year.

(b) *Diluted loss per share*

Diluted loss per share amounts for the current year and the prior year are the same as the basic loss per share amounts since the Group had no potentially dilutive ordinary shares in issue during both years.

12. Trade and other receivables

Included in trade and other receivables are trade receivables, net of allowance for doubtful debts of approximately HK$877,000 (2012: approximately HK$3,948,000), with the following aging analysis based on invoice date as of the end of reporting period:

	2013	2012
	HK$'000	*HK$'000*
0 to 30 days	**4,921**	5,338
31 to 60 days	**3,301**	7,671
61 to 120 days	**5,185**	3,786
Over 120 days	**17,051**	345
	30,458	17,140
Other receivables	**3,698**	45
Deposits and prepayments*	**4,062**	4,998
	38,218	22,183
Less: Non-current portion	**–**	(2,124)
	38,218	20,059

* *In the prior year, the amount mainly represented prepayments for the decoration of the new office premises.*

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

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:

	2013	2012
	HK$'000	*HK$'000*
0 to 30 days	**1,464**	1,478
31 to 90 days	**92**	316
Over 90 days	**5,444**	5,512
	7,000	7,306
Accruals	**9,318**	8,781
Other payables	**4,262**	6,899
	20,580	22,986

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

14. Borrowings

(a) Borrowings

	2013	2012
	HK$'000	*HK$'000*
Loans from a substantial shareholder, unsecured *(Note (i))*	**336,674**	328,019
Loans from related companies, unsecured *(Note (ii))*	**23,802**	12,427
Loans from third parties, unsecured *(Note (iii))*	**147,221**	132,821
	507,697	473,267
Analysed as:		
Current	**415,950**	381,951
Non-current	**91,747**	91,316
	507,697	473,267

Notes:

(i) The amount includes 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 (2012: approximately HK$139,545,000), granted by Billion Wealth to the Group. They comprise: (1) a facility of HK$60,000,000 (2012: HK$60,000,000) fully utilised by the Group in prior years. The loan is unsecured, interest-free and repayable on demand; (2) another facility of HK$50,000,000 (2012: HK$50,000,000) was fully utilised by the Group in prior years. The loan is unsecured, interest-free and repayable on the date falling upon the resumption of trading in the shares of the Company on the Stock Exchange. In the opinion of Directors, the loan was reclassified to current liability since the prior year; and (3) a facility of HK$50,000,000 (2012: HK$50,000,000) which the Group has utilised approximately HK$29,545,000 (2012: approximately HK$29,545,000) as at the end of the reporting period. As of 31 March 2013, the loan is unsecured, interest-free and repayable on demand or repayable within one year. In the prior year, advances of approximately HK2,743,000 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 in the prior year.

An imputed interest expense of approximately HK$1,165,000 (2012: approximately HK$3,837,000) 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. As at 31 March 2013, accumulated effect on imputed interest on the third facility granted by Billion Wealth as above, not yet recognised in the financial statements, was HK$22,000 (2012: HK$1,187,000) for the Group.

Included in the borrowings were also a loan balance assigned from a former shareholder of the Company in aggregate amount of approximately HK$133,961,000 (2012: approximately HK$128,475,000). 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 (2012: repayable on demand).

The amount also includes loans assigned from another former shareholder and its subsidiary of approximately HK$63,190,000 (2012: approximately HK$61,186,000) 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.

(ii) As at the end of the reporting period, an amount of approximately HK$5,408,000 (2012: approximately HK$4,327,000) was granted to the Group by a company under common control of the beneficial shareholder of Billion Wealth. The amount is unsecured, bearing interest at 36% (2012: 36%) per annum and is repayable on demand.

As further detailed in Note 2(i), a new loan facility of HK$100,000,000 (2012: the Old Loan Facility of HK$100,000,000 granted by another lender) was granted by the Lender to the Group of which an amount of HK$18,394,000 (2012: HK$8,100,000) 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 includes loans granted by third parties of approximately HK$36,816,000 (2012: approximately HK$36,816,000) to the Group. These loans are unsecured, interest-free and repayable on demand.

The amount also includes loans granted by third parties of approximately HK$28,557,000 (2012: approximately HK$27,647,000) 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$81,848,000 (2012: approximately HK$68,358,000) due by the Group are unsecured and bearing interest at the rates ranging from 5.0% to 36.0% per annum (2012: ranging from 5.0% to 36.0% 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 had accrued interest expenses of approximately HK$277,000 (2012: approximately HK$277,000) which were included in the finance costs of the Group for the year ended 31 March 2013. 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:

	2013	2012
	HK$'000	*HK$'000*
Loans from third parties, unsecured	**23,921**	23,644
Analysed as:		
Current	**15,349**	15,349
Non-current	**8,572**	8,295
	23,921	23,644

15. Share capital

	2013		2012	
	Number of shares	**Amount**	Number of shares	Amount
	'000	***HK$'000***	*'000*	*HK$'000*
Authorised:				
Ordinary shares of HK$0.05 each				
At beginning and 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 and end of the 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 and end of the year	**1,971,686**	**98,584**	1,971,686	98,584

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

16. Contingent liabilities

During the year ended 31 March 2013 and 2012, the Group has the following pending 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 (2012: approximately HK$517,000). In the Directors' opinion, the liabilities are unlikely to crystallise and no provision had therefore been made in respect of these claims as at 31 March 2013 and 2012.

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 announcement. In the Directors' opinion, the liabilities are unlikely to crystallise and no provision had therefore been made in respect of the claim.

17. Event after reporting period

Subsequent to the end of the financial year, on 17 June 2013, the Group received a claim made against a subsidiary and two employees of the subsidiary for damages in respect of alleged defamation. The directors consider that no provision to be made in the financial statements as at the end of the financial period. A legal advisor is appointed to follow up the claim who is still in the process of collecting information on 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 2013 are borrowings of approximately HK$23,921,000 and HK$14,349,000; and as at 31 March 2012 were borrowings of approximately HK$23,644,000 and HK$14,129,000, respectively due to several parties. Included in the finance costs in the statements of comprehensive income of the Group for the year ended 31 March 2013 are accrued interest expenses of approximately HK$277,000; and for the year ended 31 March 2012 were accrued interest expenses of approximately HK$277,000 based on the amounts due and the applicable interest rates. As discussed in Note 14(b), 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 represent 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 2013 and of the Group's losses for the year then ended. We qualified our opinion in respect of a similar limitation of scope in the our report dated 20 June 2012 for the year ended 31 March 2012. 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 2012 and the results of the Group for the year ended 31 March 2013.

(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$10,870,000 for the year ended 31 March 2013. At 31 March 2013, the Group had consolidated net current liabilities and net liabilities of approximately HK$392,518,000 and HK$478,960,000, 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 arrangements 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 jointly owned by an executive director of the Company and a former executive director of the Company (the "Lender") and that the borrowings classified as current portion of HK$415,950,000 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 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 arrangements 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 non-current liabilities as current assets and current 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 2013, the Group recorded a turnover of approximately HK$62,042,000, representing an increase of approximately HK$13,169,000 or 26.9% as compared with approximately HK$48,873,000 for the previous year. The increase in turnover was contributed by the increase in advertising income and promotion services income as compared to the previous year.

The Group recorded a gross profit margin of approximately 41.5% during the year, showing a significant improvement in its operations as compared with approximately 16.4% as recorded for last year. The improvement was mainly attributable to (i) increase in turnover; (ii) decrease in printing cost of approximately HK$3,863,000 when compared with previous year; and (iii) decrease in cost for literary contribution fee and news agent subscription fee.

Administrative and other operating expenses was decreased by approximately HK$10,864,000 or 39.4% as compared with approximately HK$27,567,000 recorded last year. The decrease in administrative and other operating expenses was mainly attributable to (i) factory set-up and closure costs of approximately HK$7,788,000 was recorded last year; (ii) reduction in provision for bad and doubtful debts, as results of better debt control was placed by management; (iii) reduction in office rental and running expenses since the removal to the new office in April 2012; and (iv) slightly increase in staff cost so as to recruit and retain high standard manpower.

During the year, upon the completion of the disposal of investment in an associated company in PRC, a gain of approximately HK$3,675,000 was recorded.

Loss attributable to the Company's shareholders for the year ended 31 March 2013 was approximately HK$10,870,000, representing a decrease in loss of approximately HK$29,596,000 or 73.1% as compared with loss of approximately HK$40,466,000 for the previous year.

Financial Resources and Liquidity

As at 31 March 2013, the Group did not maintain sufficient liquid funds and had net current liabilities of approximately HK$392,518,000 (2012: approximately HK$381,292,000). Cash and bank balances were approximately HK$5,794,000 (2012: approximately HK$3,624,000).

As at 31 March 2013, the Group's total loans and borrowings amounted to approximately HK$507,697,000 (2012: approximately HK$473,267,000). Among the total amounts of such loans and borrowings, approximately HK$415,950,000 (2012: approximately HK$381,951,000) was payable within one year and approximately HK$91,747,000 (2012: approximately HK$91,316,000) payable after one year.

On 10 November 2011, a loan facility with principal amount of not exceeding HK$100,000,000 ("Old Loan Facility") was granted by the lender ("First Investor") to the Group, mainly for the Group's working capital needs.

As an additional investor, an Executive Director (the "Second Investor"), has participated in providing working capital loan to the Company, a new loan agreement has been entered into on 21 March 2013 between the Company and a newly incorporated company, as the new investor, which is a limited company held equally by the First Investor and the Second Investor, as a replacement to the Old Loan Facility. The amount of the loan facility remains unchanged.

As at 31 March 2013, total unutilised loan facilities amounted to HK$81,606,000 (2012: HK$91,900,000).

As at 31 March 2013, the Group recorded a total deficiency in capital of approximately HK$478,960,000 (2012: approximately HK$468,090,000).

Share Capital Structure

There was no change in the Company's share capital structure during the year. As at 31 March 2013, 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 2013, no assets of the Group were pledged for loan facilities granted to the Group (2012: Nil).

Exposure to Fluctuation in Exchange Rates and Any Related Hedges

The Group's transactional currency is Hong Kong dollars. As substantial amount of the turnover is in Hong Kong dollar, the Group's transactional foreign exchange exposure is insignificant. There is no hedging policy with respect to the foreign exchange exposure.

Operating Lease Commitments

As at 31 March 2013 and 2012, the total future minimum lease payments under operating leases are payable as follows:

	2013	2012
	HK$'000	*HK$'000*
Within one year	**2,213**	2,157
In the second to fifth year inclusive	**2,267**	4,409
	4,480	6,566

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.

CAPITAL COMMITMENTS

Capital commitments outstanding at the end of reporting period not provided for in the financial statements were as follows:

	2013	2012
	HK$'000	*HK$'000*
Leasehold improvement of office:		
– contracted but not provided for	**–**	530

CONTINGENT LIABILITIES

As at 31 March 2013, the Group did not have any material contingent liabilities (2012: nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2013, the Group employed 119 (2012: 119) staffs who are normally situated in Hong Kong. Employee remuneration, including directors' remuneration, for the year ended 31 March 2013 was approximately HK$23,963,000 (2012: approximately HK$23,653,000). Year-end bonus based on individual performance will be paid to employees as recognition of and regard for their contributions. The remuneration packages of the Group's employees are rewarded on individual performance-related basis and by reference to the market conditions.

BUSINESS REVIEW AND PROSPECTS

Within the challenging operating environment during the year 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 early April 2013, the Company submitted the second draft resumption proposal, the revised forecasts and the revised pro forma financial statements of the Group to the Stock Exchange for its consideration.

After setting up its journalist stations in Guangzhou and Beijing in March 2012, the Group lodged applications to relevant government departments for the setting up of several journalist stations in various locations in PRC in January 2013. Such applications are pending for the approval by relevant government departments. As the results of such enhancement, the Group had gathered more comprehensive information, first hand information or exclusive news in PRC and in return it enhanced the content of our newspaper.

Since March 2012, the Group's newspaper has been distributed in PRC, including Guangdong and Fujian Provinces through China National Publications Import and Export Corporation Shenzhen Branch（"中國圖書進出口深圳公司"）. The Group has scheduled down the volume by 86.7% since January 2013. Such change did not have significant change in the Group's turnover in regard to newspaper distribution due to the price (full and simplified version) and volume of order i.e. subscription income but it scheduled down cost of printing. Such move was a remarkable decision and management believed that the influence of Sing Pao Daily by way of internet has been significantly recognised and the reduction in the distribution in PRC does not affect the Group's advertisement income.

During the year, the Group holds a number of events and the results were encouraging. The contribution from the promotion services provided was not significant as compared with sales of newspapers and books and advertising income, but positive contribution were noted. In the mean time, the Group is liaising with various entrepreneurs in PRC and Hong Kong for co-operation in holding promotion events in the coming years.

During the year, the Group has launched its new iPad apps Xiang Gang Cheng Bao HD （"香港成報HD"）, Sing Pao WeChat（"香港成報微信"）, Sing Pao Weibo（"香港成報微博"）and acts as one of the news provider to Sohu News app（"搜狐新聞客戶端"）. These electronic media have strengthened the Group's influence and customer base in PRC.

Finally, the Group is still in the process of establishing an advertising company in PRC. The management believes that establishing journalist stations and the advertising company will not only act as an important platform for the expansion of the Group's media and advertising business in the Great China region, but also strengthen the Group's core business in Hong Kong.

AUDIT COMMITTEE

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

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

The Group's audited annual results for the year ended 31 March 2013 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 2013 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.

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 2013.

CONTINUED SUSPENSION OF TRADING IN THE SHARES

Trading in the shares of the Company has been suspended since 28 April 2005 and will remain in suspension until further notice.

By order of the Board of
Sing Pao Media Enterprises Limited
Tian Bing Xin
Chairman

Hong Kong, 19 June 2013

As at the date of this announcement, the Board comprises thirteen directors of which seven are executive directors, namely, Messrs. Tian Bing Xin, Xu Dao Bin, Ma Shui Cheong, Gu Li Jun, Chen Zhi Ming, Wang Jun and Xu Feng; and six are independent non-executive directors, namely Messrs. Liu Shang Ping, Kong Tze Wing, Xu Wei, Cai Hai Ning, Feng Jian and She Yong.

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*