

Management Discussion and Analysis

管理層論述及分析

REVIEW OF OPERATIONS

The principal activities of the Group comprise Media and Media-related operations including Newspapers, Magazines, Recruitment Media, Media Services, Books and Content Services. In addition, the Group is also engaged in Trading, Broadband Content and Distribution, and E-learning and Corporate Training. In February 2005, the Company was renamed Sing Tao News Corporation Limited to better reflect the Group's focus on its core Media business.

During the first half of 2005, the Group enjoyed considerable growth across its key business segments in light of the continuing strength of the local economy. The consolidated revenue of the Group for the six months ended 30 June 2005 ("Period") increased by 26% to approximately HK\$854.9 million, as compared with approximately HK\$678.2 million for the six months ended 30 June 2004 ("Previous Period"), attributable to the revival in advertising spending in particular in the print media market. In addition, the Trading business of the Group also recorded substantial growth in turnover. Despite the increase in the price of newsprint, which represents a major component of cost of sales, gross profit for the Period increased by 25% as compared with the Previous Period. With the Media operations as a key profit contributor and the benefit of a one-off gain on waiver of a payable relating to a joint venture investment, the Group recorded a profit attributable to equity holders of approximately HK\$43.5 million, reversing the loss of approximately HK\$11.7 million for the Previous Period.

MEDIA AND MEDIA-RELATED OPERATIONS

Results of the Group's Media operations improved significantly, with an increase in revenue of 14%, from approximately HK\$560.9 million in the Previous Period to approximately HK\$636.7 million in the Period, and segment results achieved a turnaround from the Previous Period's loss to a profit of approximately HK\$21.3 million. The improvement in performance was mainly attributable to the Newspaper business of the Group.

營運回顧

本集團之主要業務為媒體及媒體相關業務，包括報章、雜誌、招聘媒體、媒體服務、圖書與內容服務。此外，本集團亦從事貿易、寬頻內容與服務和網上進修及企業培訓。於二零零五年二月，本公司已更名為星島新聞集團有限公司，以更有效地反映本集團對其核心媒體業務之專注。

於二零零五年上半年，鑒於本地經濟持續強勁，本集團之各項主要業務均有可觀的增長。截至二零零五年六月三十日止六個月（「本期內」），本集團之綜合收益約為854,900,000港元，相較於二零零四年六月三十日止六個月（「去年同期」）之約為678,200,000港元，上升26%；而收益的增加主要受惠於廣告開支回升，尤其是平面媒體市場之廣告開支。此外，本集團貿易業務之營業額亦錄得顯著增長。儘管佔銷售成本中主要部份之一的報紙紙張價格上升，本期內毛利仍較去年同期增加了25%。由於媒體業務的盈利情況良好，再加上從一項合營投資之應付款項獲豁免而錄得一次性收益，本集團於本期內錄得股本持有人應佔溢利約為43,500,000港元，扭轉了去年同期約為11,700,000港元的虧損。

媒體及媒體相關業務

本集團之媒體業務業績於本期內有綽著改善，其收入由去年同期約為560,900,000港元增加至本期內約為636,700,000港元，升幅為14%；其業績亦扭轉去年同期之虧損並錄得約為21,300,000港元之溢利。媒體業務表現得以改善主要有賴於本集團之報章業務的貢獻。

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Newspapers

Sing Tao Daily, the flagship newspaper of the Group, achieved outstanding improvements in results during the Period, benefiting from the local economic growth and buoyant property market. The newspaper recorded sales growth across most of its advertising sectors and, in particular, reinforced its leadership position in property advertising where it surpassed its competitors by a major extent in terms of both display and classified advertisements. In addition, advertisements for the education and finance sectors also saw major advances, thanks to editorial improvements in these sections of the newspaper. Circulation continued its rising momentum, a testimony to the success of the newspaper's market positioning and brand image, which identifies with the middle class readers in Hong Kong. The Monday supplement Investment Weekly, which celebrated its first anniversary in April 2005, has become a well-recognised product in the segment and further drove up circulation.

In July 2005, the Group made its foray into the free newspaper market through the launch of a new publication, Headline Daily. A general newspaper distributed freely from Monday to Friday, Headline Daily has quickly become the number one free newspaper in Hong Kong in terms of circulation volume and distribution coverage. Under a wholly advertising-driven model, Headline Daily is tailored to advertisers who target the mass-market consumers. Response on the advertising front since launch has exceeded expectations, and operating costs have been controlled within budget.

報章

受惠於本地經濟增長及樓市活躍，本集團之旗艦報章《星島日報》業績於本期內顯著提升。《星島日報》各分類行業廣告之銷售額均錄得增長，尤其進一步鞏固了其於地產廣告市場之領導地位，無論在商業廣告及分類廣告方面皆明顯超越其競爭對手。此外，教育及財經類別廣告量亦大幅增加，這有賴於《星島日報》教育版及財經版在內容方面的改善。發行量持續上升，足以證明《星島日報》在市場定位及品牌形象方面取得成功，廣受香港中產階層讀者認同。另外，逢周一隨報附送之《投資王》周刊已成為業界廣泛認可的刊物，進一步刺激了報章的發行量，並於今年四月慶祝創刊一周年。

於二零零五年七月，本集團透過推出新刊物《頭條日報》首度進軍免費報章市場。《頭條日報》是一份綜合性報章，逢周一至五免費派發，並已迅速成為全港發行量第一及派發網絡覆蓋最廣的免費報章。《頭條日報》以廣告收入作為其商業模式，充份配合以普羅消費者為主要顧客群的廣告商之需要。自推出以來廣告反應比預期理想，而經營成本亦控制在預算之內。

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The Group's English-language business newspaper, The Standard, saw significant growth in circulation as a result of a number of marketing and editorial initiatives. The latter included the launch of a weekly Property section, a weekly Macau section, a Monday Money feature section as well as a re-launched version of Weekend Standard. In addition, a free supplement Leisure Standard has been introduced as a monthly publication in August 2005. The increased content quality not only served to lift the newspaper's average circulation for the Period, which went up by 18% as compared with the Previous Period, but also generated new sources of advertisements and helped to diversify the revenue base of the newspaper.

The overseas operations of Sing Tao Daily performed satisfactorily, registering growth in advertising and circulation revenue in all its major markets during the Period. In particular, in the US markets we continued to expand our market share despite intense competition. In San Francisco, we remained as the market leader notwithstanding the entry of new players, who have proven not to be a real threat to our position. In New York, we have strengthened our editorial offering and distribution network, and continued our upward trend in both circulation and advertising. In Los Angeles, we completed the construction of a brand new printing and production plant, which commenced full operations in August 2005. With our own printing facility, we shall be able to achieve lower cost of sales and be better positioned to develop our business in a more cost effective manner.

透過展開一系列的市場推廣及強化編採內容，本集團之英文商務及財經資訊報章《英文虎報》的發行量顯著增長。在加強編採內容方面，包括每週加插地產版、澳門版、Monday Money版及推出全新《周末虎報》。此外，《英文虎報》更於今年八月推出免費月刊《英文虎報消閑版》。由於內容質素的提升，《英文虎報》不但於本期內平均發行量相較去年同期上升18%，同時亦帶來新的廣告收入來源，有助分散其收入基礎。

《星島日報》之海外業務於本期內表現理想，其主要市場的廣告及發行收入均錄得增長。儘管競爭激烈，本集團仍然繼續擴大在美國市場的市場佔有率。在三藩市，縱使有新的競爭對手加入，但並未對《星島日報》在市場上的領導地位造成威脅。在紐約方面，《星島日報》已加強編採內容及發行網絡，發行量及廣告量均保持上升趨勢。在洛杉磯，全新之印刷及製作廠房經已建成，並已於二零零五年八月全面投入運作。由於擁有自設的印刷設施，《星島日報》於洛杉磯業務將能降低銷售成本，從而能更有成本效益地發展業務。

Magazines

The magazine market in Hong Kong experienced keen competition, with a proliferation of new titles hitting the market and imposing pressure on both the circulation and advertising fronts. In spite of this market environment, the Group's Magazine business made solid progress during the Period, following efforts on strengthening its titles in the three core topics of current affairs and entertainment, lifestyle, and IT and digital products. Advertising and circulation revenue rose considerably, and profit margins improved markedly. Most notably, the flagship magazine East Week achieved double-digit increases in advertising revenue and average circulation for the Period as compared with the Previous Period, whilst at the same time increasing its average advertising page rates. In addition, the magazine made successful in-roads into new advertising sectors, including high end and brand advertisers, through a number of highly regarded marketing events as well as editorial improvements. The lifestyle magazine East Touch enhanced its content targeting female readers, through a book B "Choco", and created a new advertising platform for fashion, cosmetics and other women's products. PC Market maintained its position as one of the most authoritative IT magazines in Hong Kong and achieved advances in circulation and advertising. The positive momentum of the magazine business is expected to continue into the second half, in particular with East Week's operations expected to turn profitable, although market competition will likely remain intense and increasing pressure will result from rising paper price.

雜誌

由於有大量新刊物湧現市場，香港雜誌市場競爭激烈，並對發行量和廣告量構成壓力。儘管面對此市場環境，但隨著雜誌業務重點發展三個核心類別：時事財經和綜合娛樂、文化潮流與及科技資訊和數碼產品，本集團之雜誌業務於本期內仍有穩步增長。在廣告和發行收入方面均有相當升幅，而溢利率亦有顯著改善。其中以旗艦雜誌《東周刊》的表現最為突出，其於本期內之廣告收入和平均發行量相較去年同期有雙位數增長，同時其平均廣告頁收費亦有所上升。此外，本集團的雜誌亦透過多項備受好評之市場推廣活動以及編採內容的改善，成功打入新廣告領域，包括高檔及品牌廣告商。文化潮流雜誌《東Touch》透過B書《Choco》增強以女性讀者為對象之內容，並為時裝、化妝品及其他女性用品提供新廣告平台。另外，《電腦廣場》仍為香港最權威電腦科技雜誌之一，而其發行量及廣告量均錄得增長。縱然市場競爭將維持劇烈，以及紙張價格上升將繼續帶來壓力，本集團預計其雜誌業務的強勁勢頭將持續至下半年，尤其預期《東周刊》之業務將於下半年錄得利潤。

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Recruitment Media

The Group's Recruitment Media business comprises the recruitment advertising title JobMarket and the continuing education advertising title Education Plus. During the Period, the business delivered double-digit growth in revenue as compared with the Previous Period. JobMarket benefited from the recovery in the employment market, and from increase in page rates which in turn was the result of a strong product. The business also leveraged on its multi-media platform to capture the market's trend towards online recruitment and continuing education advertising, and to provide a one-stop solution to serve customers' varied and changing needs.

Media Services

The Group's print media distribution business in the PRC, Greater China Media Services Ltd. (大華媒體服務有限責任公司), progressed steadily during the Period. The magazine distribution business in Beijing and southern China focused on improving its operational efficiencies, and at the same time a new joint venture operation has been set up in Nanjing to extend the distribution capabilities to the eastern part of the country.

Books and Content Services

The Book publishing business remained its focus on parenting and educational topics and has increased the total number of titles published to over 285. The Group continued to provide Chinese-language financial content under licence from Dow Jones through its joint venture company in the PRC, and re-packaged information and content of the Group were also sold to media and other customers in Hong Kong, Mainland China as well as overseas.

招聘媒體

本集團之招聘媒體業務包括招聘廣告刊物《JobMarket求職廣場》及持續教育廣告刊物《EDUplus進修指南》。該業務於本期內收入相較去年同期有雙位數增長。由於就業市場復甦，加上平均廣告頁收費因產品日趨強勁而得以提升，均令《JobMarket求職廣場》受惠。同時，該業務亦憑藉其多媒體中介平台抓緊於網上刊登招聘及持續進修廣告之市場趨勢，並提供一站式解決方案，以配合客戶的不同和不斷變化的需求。

媒體服務

本集團於國內之平面媒體發行業務大華媒體服務有限責任公司，於本期內業績穩步進展。於北京及華南之期刊發行業務專注於提高經營效率，與此同時更在南京設立新的合資經營業務，以擴展華東地區之發行網絡。

圖書及內容服務

圖書出版業務繼續專注於親子及教育題材為主的書目，而其出版總書目已超過285本。另外，本集團繼續透過於國內的合資經營公司代理提供道瓊斯中文財經新聞內容。同時，透過重新整理及包裝，本集團繼續向香港、國內及海外的媒體及其他客戶提供本集團的資訊和內容。

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NON-MEDIA OPERATIONS

Trading

The Group's Trading business recorded a remarkable increase in revenue of 91%, from approximately HK\$112.5 million in the Previous Period to approximately HK\$215.1 million in the Period. This was largely attributable to the continued expansion in the demand for digital cameras in the PRC, as well as to persistent efforts on expanding the business' sales channels and improving its sales and marketing capabilities. Although competition was severe in the market, the Trading business was successful in maintaining its margins, and recorded an increase in operating profit to approximately HK\$6.1 million in the Period as compared with approximately HK\$1.8 million in the Previous Period. In addition, the business has continued to diversify its revenue base. Sales of the "Jeep" brand of camera and video bags were satisfactory and the sales network has been extended nationwide. Further ahead, a new line of watches is planned to be launched.

Broadband Content and Distribution

Results of the Broadband Content and Distribution business were stable during the Period. The subscriber base of Beelink Information Science & Technology Co., Ltd. (百靈信息科技有限公司) ("Beelink") reached over 108,000 as at the end of June 2005, with increases mainly in individual subscriptions. Although Beelink remained as the largest broadband service provider in Jinan, price competition has put a cap on revenue growth and margins. In response, Beelink has continued to broaden its businesses into value-added services as well as system integration and software development.

非媒體業務

貿易

本集團之貿易業務收入於本期內錄得明顯升幅，由去年同期約為112,500,000港元增至本期內約為215,100,000港元，升幅為91%。這全賴於國內對數碼相機需求不斷增加，以及集團持續擴大其貿易業務的銷售渠道和改善其銷售及市場策略所致。儘管市場競爭激烈，貿易業務的溢利率仍獲維持，其經營溢利更由去年同期約為1,800,000港元增長至本期內約為6,100,000港元。此外，貿易業務持續使其收入基礎更趨多元化。「Jeep」品牌之相機及攝錄機袋銷量理想，而銷售網絡亦已擴展至全國各地。於未來，貿易業務將計劃推出新的手錶系列。

寬頻內容及服務

寬頻內容及服務業務之業績於本期內保持平穩。百靈信息科技有限公司（「百靈」）的用戶人數於二零零五年六月底超越108,000名，而主要用戶增長均為個人用戶。儘管百靈仍為濟南市最大的寬頻服務供應商，但價格競爭限制了其收入增長及溢利率。有見及此，百靈會繼續拓闊其業務至增值服務以及系統集成和軟件開發等業務。

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E-learning and Corporate Training

During the Period, China Human Capital Management Company Limited (北京經華智業教育科技有限公司) recorded respectable increase in revenue and profit. The business focused on the provision of e-learning in co-operation with the University of International Business and Economics in Beijing, whilst seeking growth and diversification through corporate training programmes with renowned overseas education institutes such as the University of Toronto. As at June 2005, over 17,000 students were enrolled at the web-based distant learning university, eUIBE.

PROSPECTS

The existing Media operations of the Group have capitalised on the favourable operating environment during the first half to deliver respectable performance and, given the positive outlook on the local economy and the market's expectation of continued advertising growth, the Group is optimistic about the prospects for the remainder of the year. However, with the increase in commodity prices the economy is expected to enter an inflationary phase and increasing pressure will be felt on profit margins from escalations in materials as well as human capital costs. The Group will be rigorous in improving operational efficiencies to keep costs under control.

With the launch of Headline Daily, and the recently announced weekend newspaper leveraging on the MTR distribution channel, the Group will be able to access new market segments and new opportunities for growth and expansion. Results in the second half will be impacted by the start-up costs of these new ventures, but we are confident that the investments will yield promising returns in the medium and longer term. In July 2005, we announced the sale of our office building in Kowloon Bay. The transaction is expected to be completed in December 2005 and upon completion, a one-off profit will be booked into the Group's accounts for the 2005 financial year.

With the core Media operations turning around and gaining momentum, and the initial response to our new Media projects exceeding expectations, the Group is announcing an interim dividend for the Period. The Group is confident that its core operations will continue its upward trend and that it will continue to return value to shareholders through the distribution of dividends out of recurring profits.

網上進修及企業培訓

於本期內，北京經華智業教育科技有限公司的收入和溢利錄得可觀的增長。其業務以與北京對外經濟貿易大學合辦之遠程教育課程為核心，同時亦與海外著名教育機構如多倫多大學合辦企業培訓課程，以求達致業務增長及使之多元化。截至二零零五年六月，網上遠程大學「eUIBE」已有超過17,000名學生就讀。

展望

本集團之現有媒體業務於上半年因受惠於良好經營環境而表現理想，加上本地經濟前景樂觀及市場預期廣告量將持續增長，本集團對餘下年度之展望亦感到樂觀。然而，由於物價上漲，預期經濟將進入通脹期；而物料及人工成本的上升將對溢利率構成更大壓力。本集團將嚴格提高營運效率以控制成本。

透過推出《頭條日報》和近期宣佈出版以地鐵發行渠道派發的免費周報，本集團已進入新市場領域，並能帶來新的擴展業務機會。下半年之業績雖然將受這些新項目的前期開支所影響，但本集團對中、長遠期可獲得的投資回報充滿信心。於二零零五年七月，本集團宣佈出售位於九龍灣之辦公大樓。有關交易預料於二零零五年十二月完成，交易完成後，本集團之二零零五年財政年度帳目將記帳一筆一次性的利潤。

隨著核心媒體業務扭轉形勢及其上升勢頭之持續，加上本集團新媒體項目的初步反應超越預期，本集團宣佈於本期內派發中期股息。本集團深信其核心業務將繼續其升勢，並在未來會繼續努力從經常溢利中分派股息以回饋股東。

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LIQUIDITY AND FINANCIAL RESOURCES, GEARING RATIO, CHARGES ON THE GROUP'S ASSETS

The Group maintained a strong financial position with a net cash position throughout the Period under review. As at 30 June 2005, the Group had a net cash balance (calculated with reference to the Group's cash balances and total borrowings) of approximately HK\$352 million (31 December 2004: approximately HK\$468 million).

The gearing ratio, defined as long-term borrowings to equity, was zero as at 30 June 2005 (31 December 2004: zero). As at 30 June 2005, the Group had pledged time deposits of approximately HK\$149 million (31 December 2004: approximately HK\$42 million) to secure banking facilities granted to the Group.

CAPITAL STRUCTURE, EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

The Group adopts a prudent approach in managing its treasury function and uses different hedging methods to minimize the impact of foreign exchange fluctuations on its financial performance.

EMPLOYEES

As at 30 June 2005, the Group had approximately 2,100 employees.

The Group remunerates its employees based on individual and business performance and competitive salaries and benefits are paid to attract and retain quality staff. Other employee benefits include medical insurance, discretionary bonus, share options and provident fund schemes.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK0.5 cents (Previous Period: Nil) per share for the Period payable on Tuesday, 25 October 2005 to shareholders whose names appear on the register of members of the Company on Tuesday, 18 October 2005.

流動資金及財務資源、資本負債比率、本集團資產抵押

本集團回顧於本期內維持穩健之財政狀況並有現金淨額。截至二零零五年六月三十日，本集團現金結餘淨額（根據本集團現金結餘及借貸總額計算）約為352,000,000港元（二零零四年十二月三十一日：約為468,000,000港元）。

截至二零零五年六月三十日，本集團之資本負債比率（即長期借貸除以股本）為零（二零零四年十二月三十一日：零）。截至二零零五年六月三十日，本集團已向銀行抵押定期存款約為149,000,000港元（二零零四年十二月三十一日：約為42,000,000港元），作為本集團所獲銀行信貸之擔保。

資本結構、外匯波動風險

本集團採取審慎方式管理其財資運作及使用各種對沖方法以減低因外匯波動而對其財務表現造成之影響。

僱員

於二零零五年六月三十日，本集團共有約2,100名員工。

本集團根據其僱員之個人表現及其業務之業績向其僱員給予具競爭性之薪酬及福利，以吸引及挽留優質員工。其他僱員福利包括醫療保險、酌情花紅、認股權及強積金計劃。

中期股息

董事會議決宣佈就本期內派發中期股息每股0.5港仙（去年同期：無），並於二零零五年十月二十五日（星期二）派予於二零零五年十月十八日（星期二）名列於本公司股東名冊內的股東。