# SING TAO NEWS CORPORATION LIMITED

# 星島新聞集團有限公司*

*(Incorporated in Bermuda with limited liability)*

**(Stock Code : 1105)**

# ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2007

The Board of Directors (the "Board") of Sing Tao News Corporation Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2007 (the "Year") together with the comparative figures for the previous year as follows:

## CONDENSED CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2007

| | Notes | **2007** | 2006 |
|---|---|---|---|
| | | **HK$'000** | HK$'000 |
| REVENUE | 3 | **2,254,223** | 1,974,394 |
| Cost of sales | | **(1,642,999)** | (1,438,747) |
| Gross profit | | **611,224** | 535,647 |
| Other income and gains, net | | **24,305** | 184,681 |
| Distribution costs | | **(275,223)** | (250,178) |
| Administrative expenses | | **(305,186)** | (305,788) |
| Other expenses | | **(5,844)** | (3,738) |
| Recovery of fair value losses on derivative financial instruments | 4 | **98,671** | - |
| Reversal of impairment of a loan receivable | | **-** | 57,416 |
| Head office relocation expenses | | **-** | (12,540) |
| Finance costs | | **(7,002)** | (3,679) |
| Excess over the cost of a business combination | | **22,241** | - |
| Share of profits and losses of: | | | |
| Jointly-controlled entities | | **11,406** | (14,314) |
| Associates | | **(24)** | (10) |
| Reversal of impairment of amounts due from jointly-controlled entities | | **11,291** | 5,866 |
| Impairment of an amount due from a jointly-controlled entity | | **(3,788)** | (2,988) |
| PROFIT BEFORE TAX | 5 | **182,071** | 190,375 |
| Tax | 6 | **(22,454)** | (12,233) |
| PROFIT FOR THE YEAR | | **159,617** | 178,142 |

** For identification purpose only*

# CONDENSED CONSOLIDATED INCOME STATEMENT

(continued)
Year ended 31 December 2007

| | Notes | **2007** **HK$'000** | 2006 HK$'000 |
|---|---|---|---|
| Attributable to: | | | |
| Equity holders of the Company | | **159,617** | 178,142 |
| Minority interests | | **-** | - |
| | | **159,617** | 178,142 |
| DIVIDENDS | 7 | | |
| Interim | | **21,194** | 17,641 |
| Proposed final | | **21,201** | 22,001 |
| | | **42,395** | 39,642 |
| Earnings per share attributable to ordinary equity holders of the Company – (HK cents) | 8 | | |
| Basic | | **18.52** | 20.06 |
| Diluted | | **18.05** | 19.74 |

# CONDENSED CONSOLIDATED BALANCE SHEET

31 December 2007

| | Notes | 2007<br>HK$'000 | 2006<br>HK$'000<br>(Restated) |
|---|---|---|---|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | **678,345** | 277,278 |
| Investment properties | | **35,268** | 29,217 |
| Prepaid land lease payments | | **27,013** | - |
| Goodwill | | **857** | - |
| Other intangible assets | | **16,214** | 17,725 |
| Interests in jointly-controlled entities | | **175,058** | 232,630 |
| Interests in associates | | **38,998** | 39,009 |
| Available-for-sale investments | | **7,512** | 7,799 |
| Deferred tax assets | | **7,932** | 6,630 |
| Deposits paid | | **56,600** | 25,942 |
| Total non-current assets | | **1,043,797** | 636,230 |
| | | | |
| CURRENT ASSETS | | | |
| Inventories | | **88,903** | 80,374 |
| Trade receivables | 9 | **397,168** | 364,173 |
| Prepayments, deposits and other receivables | | **144,457** | 44,016 |
| Financial assets at fair value through profit or loss | | **366,230** | 630,665 |
| Derivative financial instruments | | **7,242** | 4,957 |
| Loans to jointly-controlled entities | | **63,675** | 12,604 |
| Tax recoverable | | **8,925** | 387 |
| Pledged time deposits | | **22,560** | 26,787 |
| Cash and cash equivalents | | **397,386** | 323,146 |
| Total current assets | | **1,496,546** | 1,487,109 |
| | | | |
| CURRENT LIABILITIES | | | |
| Trade and bills payables | 10 | **129,344** | 103,217 |
| Other payables and accruals | | **272,794** | 318,637 |
| Derivative financial instruments | | **109,410** | 28,473 |
| Tax payable | | **84,718** | 85,425 |
| Interest-bearing bank borrowings | | **220,000** | - |
| Finance lease and hire purchase contract payables | | **1,346** | 968 |
| Total current liabilities | | **817,612** | 536,720 |
| | | | |
| NET CURRENT ASSETS | | **678,934** | 950,389 |
| | | | |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | **1,722,731** | 1,586,619 |

## **CONDENSED CONSOLIDATED BALANCE SHEET** (continued)

31 December 2007

| | **2007**<br>**HK$'000** | 2006<br>HK$'000<br>(Restated) |
|---|---|---|
| NON-CURRENT LIABILITIES | | |
| Finance lease and hire purchase contract payables | **3,438** | 3,492 |
| Deferred tax liabilities | **48,034** | 20,452 |
| Total non-current liabilities | **51,472** | 23,944 |
| Net assets | **1,671,259** | 1,562,675 |
| EQUITY | | |
| Equity attributable to equity holders of the Company | | |
| Issued capital | **169,611** | 176,176 |
| Reserves | **1,480,447** | 1,364,498 |
| Proposed final dividend | **21,201** | 22,001 |
| | **1,671,259** | 1,562,675 |
| Minority interests | **-** | - |
| Total equity | **1,671,259** | 1,562,675 |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. Basis of preparation

The accounting policies and methods of computation used in the preparation of these consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2006 except that the Group has changed certain of its accounting policies and disclosures following the adoption of new/revised Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for accounting periods commencing on or after 1 January 2007.

The consolidated financial statements have been prepared in accordance with the HKFRSs and complied with accounting standards issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, leasehold land and buildings, derivative financial instruments and certain investments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except where otherwise indicated.

## 2. Impact of new and revised Hong Kong Financial Reporting Standards

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised standards and interpretations has had no material effect on these financial statements.

| | |
|---|---|
| HKFRS 7 | Financial Instruments: Disclosures |
| HKAS 1 Amendment | Capital Disclosures |
| HK(IFRIC)-Int 8 | Scope of HKFRS 2 |
| HK(IFRIC)-Int 9 | Reassessment of Embedded Derivatives |
| HK(IFRIC)-Int 10 | Interim Financial Reporting and Impairment |

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 7 *Financial Instruments: Disclosures*

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results of operations of the Group, comparative information has been included/revised where appropriate.

## 2. Impact of new and revised Hong Kong Financial Reporting Standards (continued)

(b) Amendment to HKAS 1 *Presentation of Financial Statements – Capital Disclosures*

This amendment requires the Group to make disclosures that enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. These new disclosures are shown as a note to the financial statements.

(c) HK(IFRIC)-Int 8 *Scope of HKFRS 2*

This interpretation requires HKFRS 2 to be applied to any arrangement in which the Group cannot identify specifically some or all of the goods or services received, for which equity instruments are granted or liabilities (based on a value of the Group's equity instruments) are incurred by the Group for a consideration, and which appears to be less than the fair value of the equity instruments granted or liabilities incurred. As the Company has only issued equity instruments to the Group's employees in accordance with the Company's share option schemes, the interpretation has had no effect on these financial statements.

(d) HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives*

This interpretation requires that the date to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative is the date that the Group first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. As the Group has no embedded derivative requiring separation from the host contract, the interpretation has had no effect on these financial statements.

(e) HK(IFRIC)-Int 10 *Interim Financial Reporting and Impairment*

The Group has adopted this interpretation as of 1 January 2007, which requires that an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument classified as available-for-sale or a financial asset carried at cost is not subsequently reversed. As the Group had no impairment losses previously reversed in respect of such assets, the interpretation has had no impact on the financial position or results of operations of the Group.

## 3. Segment Information – business segments

| | Media | | Trading | | Corporate and others | | Eliminations | | Consolidated | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2007** | 2006 | **2007** | 2006 | **2007** | 2006 | **2007** | 2006 | **2007** | 2006 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| | | (Restated) | | | | (Restated) | | | | (Restated) |
| **Segment revenue:** | | | | | | | | | | |
| Sales to external customers | **1,637,392** | 1,468,955 | **613,248** | 492,950 | **3,583** | 12,489 | **-** | - | **2,254,223** | 1,974,394 |
| Intersegment sales | **328** | 13,474 | **-** | - | **109,148** | 93,417 | **(109,476)** | (106,891) | **-** | - |
| Other income and gains, net | **8,203** | 7,981 | **6,330** | 11,106 | **108,443** | 165,594 | **-** | - | **122,976** | 184,681 |
| Intersegment other income | **4** | 4 | **-** | - | **1,025** | 964 | **(1,029)** | (968) | **-** | - |
| Total | **1,645,927** | 1,490,414 | **619,578** | 504,056 | **222,199** | 272,464 | **(110,505)** | (107,859) | **2,377,199** | 2,159,075 |
| **Segment results** | **41,842** | 16,241 | **15,634** | 14,175 | **90,471** | 130,208 | | | **147,947** | 160,624 |
| Reversal of impairment of a loan receivable | | | | | | | | | **-** | 57,416 |
| Head office relocation expenses | | | | | | | | | **-** | (12,540) |
| Finance costs | | | | | | | | | **(7,002)** | (3,679) |
| Excess over the cost of a business combination | **22,241** | - | **-** | - | **-** | - | | | **22,241** | - |
| Share of profits and losses of: | | | | | | | | | | |
| Jointly-controlled entities | **23,290** | 17,050 | **-** | - | **(11,884)** | (31,364) | | | **11,406** | (14,314) |
| Associates | **-** | - | **-** | - | **(24)** | (10) | | | **(24)** | (10) |
| Reversal of impairment of amounts due from jointly-controlled entities | **10,425** | 5,866 | **-** | - | **866** | - | | | **11,291** | 5,866 |
| Impairment of an amount due from a jointly-controlled entity | **-** | - | **-** | - | **(3,788)** | (2,988) | | | **(3,788)** | (2,988) |
| Profit before tax | | | | | | | | | **182,071** | 190,375 |
| Tax | | | | | | | | | **(22,454)** | (12,233) |
| Profit for the year | | | | | | | | | **159,617** | 178,142 |

## 3. Segment Information – business segments (continued)

| | Media | | Trading | | Corporate and others | | Eliminations | | Consolidated | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2007** | 2006 | **2007** | 2006 | **2007** | 2006 | **2007** | 2006 | **2007** | 2006 |
| | **HK$'000** | HK$'000 (Restated) | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 (Restated) | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| **Assets and liabilities** | | | | | | | | | | |
| Segment assets | **1,028,842** | 779,753 | **136,036** | 117,000 | **1,080,877** | 935,326 | **-** | - | **2,245,755** | 1,832,079 |
| Interests in jointly-controlled entities | **157,885** | 193,855 | **-** | - | **17,173** | 38,775 | **-** | - | **175,058** | 232,630 |
| Loans to jointly-controlled entities | **-** | - | **-** | - | **63,675** | 12,604 | **-** | - | **63,675** | 12,604 |
| Interests in associates | **12** | 12 | **-** | - | **38,986** | 38,997 | **-** | - | **38,998** | 39,009 |
| Unallocated assets | | | | | | | | | **16,857** | 7,017 |
| Total assets | | | | | | | | | **2,540,343** | 2,123,339 |
| Segment liabilities | **278,310** | 232,278 | **35,993** | 48,419 | **197,245** | 169,630 | **-** | - | **511,548** | 450,327 |
| Unallocated liabilities | | | | | | | | | **357,536** | 110,337 |
| Total liabilities | | | | | | | | | **869,084** | 560,664 |

## 4. Recovery of fair value losses on derivative financial instruments

The treasury function of the Group has been managed by a treasurer, who is an employee of the Group (the "Treasurer"). As a result of her non-compliance with certain of the Group's investment guidelines during the year ended 31 December 2007, on 7 December 2007, the Treasurer entered into two deeds of settlement (the "Deeds") with the Group pursuant to which any and all losses, costs, expenses, damages and liabilities incurred in connection with certain gold and forward foreign exchange derivative financial instruments (the "Contracts") would be borne by the Treasurer.

At the same time, in order for the Group, as a primary obligor under the Contracts, to mitigate its future potential losses so arising, the Group has facilitated the Treasurer, by way of trading facilities, to hedge against the potential losses from the Contracts by entering into certain restricted derivative contracts subsequent to the balance sheet date (the "Subsequent Contracts"), and the Treasurer will be solely responsible for any and all losses arising therefrom. The Treasurer is required to settle within the following month after each month end the realised losses arising from the Contracts, after taking account of any realised gains or losses arising from the Subsequent Contracts.

Up to 31 December 2007, fair value losses arising from the Contracts of approximately HK$98,671,000 were recorded in the consolidated income statement for the year ended 31 December 2007, of which an amount of HK$2,400,000 was settled by the Treasurer before the balance sheet date. Income from recovery of fair value losses of approximately HK$98,671,000 was also recorded in the consolidated income statement for the year ended 31 December 2007. As at 31 December 2007, the unsettled fair value losses arising from the Contracts of approximately HK$96,271,000 were included in derivative financial liabilities and the corresponding receivable from the Treasurer of approximately HK$96,271,000 was recorded under prepayments, deposits and other receivables in the consolidated balance sheet as at that date.

Continuous settlements made by the Treasurer subsequent to the balance sheet date were noted and an aggregate sum of HK$54,600,000 was settled by the Treasurer up to the date of approval of these financial statements. The unsettled portion of the receivable at the balance sheet date of approximately HK$41,671,000, which has not been due at the date of approval of these financial statements, is adequately covered by a bank guarantee of US$7,400,000 (approximately HK$57,720,000) dated 14 April 2008 given in favour of the Group by a major shareholder of the Company, Mr. Ho Tsu Kwok, Charles. In view of the continuous settlements and no history of default by the Treasurer, and the availability of the bank guarantee to cover the unsettled receivable at the balance sheet date, the directors are of the opinion that no provision for impairment of the receivable is necessary as at 31 December 2007.

## 5. Profit before tax

The Group's profit before tax is arrived at after charging/(crediting):

| | **2007** | 2006 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Investment income | **(24,842)** | (23,239) |
| Dividend income from an unlisted investment | **(789)** | (1,053) |
| Dividend income from listed investments | **(4,616)** | (5,336) |
| Fair value losses/(gains), net on: | | |
| Available-for-sale investments | **(3,678)** | - |
| Financial assets at fair value through profit or loss | **(155,193)** | (107,455) |
| Derivative financial instruments – transactions not qualifying as hedges | **208,105** | (4,127) |
| Cost of inventories sold | **867,538** | 751,121 |
| Depreciation | **51,595** | 36,151 |
| Amortisation of intangible assets | **1,115** | 1,115 |

## 6. Tax

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

| | **2007** | 2006 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Current: | | |
| Charge for the year: | | |
| The People's Republic of China: | | |
| Hong Kong | **9,465** | 11,076 |
| Elsewhere | **72** | 40 |
| Elsewhere | **10,918** | 4,062 |
| Overprovision in prior years | **(4,531)** | (381) |
| Deferred | **6,530** | (2,564) |
| Total tax charge for the year | **22,454** | 12,233 |

## 7. Dividends

| | 2007 HK$'000 | 2006 HK$'000 |
|---|---|---|
| Interim – HK2.5 cents (2006: HK2.0 cents) per ordinary share | **21,194** | 17,641 |
| Proposed final dividend – HK2.5 cents (2006: HK2.5 cents) per ordinary share | **21,201** | 22,001 |
| | **42,395** | 39,642 |

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

## 8. Earnings per share attributable to ordinary equity holders of the Company

The calculation of basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares in issue during the year.

The calculation of diluted earnings per share is based on the profit for the year attributable to ordinary equity holders of the Company, as used in the basic earnings per share calculation. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

| | 2007 HK$'000 | 2006 HK$'000 |
|---|---|---|
| Earnings | | |
| Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation | **159,617** | 178,142 |

| | Number of shares 2007 | 2006 |
|---|---|---|
| Shares | | |
| Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation | **862,056,781** | 887,851,775 |
| Effect of dilution – weighted average number of ordinary shares: | | |
| Share options | **22,235,299** | 14,613,391 |
| | **884,292,080** | 902,465,166 |

## 9. Trade receivables

| | **2007** | 2006 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Trade receivables | **412,239** | 379,068 |
| Impairment | **(15,071)** | (14,895) |
| | **397,168** | 364,173 |

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally for a period of one month, extending up to three months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An aged analysis of trade receivables as at the balance sheet date, based on the payment due date, is as follows:

| | **2007** | 2006 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Current to 30 days | **264,107** | 217,066 |
| 31 to 60 days | **56,742** | 47,018 |
| 61 to 90 days | **33,767** | 49,287 |
| 91 to 120 days | **16,410** | 24,559 |
| Over 120 days | **41,213** | 41,138 |
| | **412,239** | 379,068 |

The movements in provision for impairment of trade receivables are as follows:

| | **2007** | 2006 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| At 1 January | **14,895** | 14,660 |
| Impairment losses recognised | **2,067** | 2,765 |
| Amounts written off as uncollectible | **(1,999)** | (2,702) |
| Exchange realignment | **108** | 172 |
| At 31 December | **15,071** | 14,895 |

The individually impaired trade receivables of HK$15,071,000 (2006: HK$14,895,000) relate to customers that were in financial difficulties or were in default of payments and from whom only a portion of the receivables is expected to be recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

## 9. Trade receivables (continued)

An aged analysis of the trade receivables that are not considered to be impaired is as follows:

| | 2007 HK$'000 | 2006 HK$'000 |
|---|---|---|
| Current to 30 days | **264,077** | 217,066 |
| 31 to 60 days | **56,673** | 47,018 |
| 61 to 90 days | **33,687** | 49,287 |
| 91 to 120 days | **16,323** | 24,559 |
| Over 120 days | **26,408** | 26,243 |
| | **397,168** | 364,173 |

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

## 10. Trade and bills payables

An aged analysis of trade and bills payables as at the balance sheet date, based on the payment due date, is as follows:

| | 2007 HK$'000 | 2006 HK$'000 |
|---|---|---|
| Current to 30 days | **118,125** | 97,233 |
| 31 to 60 days | **5,207** | 3,374 |
| 61 to 90 days | **1,510** | 121 |
| 91 to 120 days | **2,766** | 228 |
| Over 120 days | **1,736** | 2,261 |
| | **129,344** | 103,217 |

The trade payables are non-interest-bearing and are normally settled on 60-day terms.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Business Review

### Media and Media-related Operations

The Group's Media business benefited from a robust economy and a vibrant advertising market in 2007. Overall advertising spending in Hong Kong rose by 12% during the year, and print media was amongst the major beneficiaries with advertising spending on newspapers and magazines recording gains of 7% and 11%, respectively. Against this background, the Group's Media Operations accomplished a strong set of results for the year. Revenue of the Media Operations increased from approximately HK$1,469.0 million to approximately HK$1,637.4 million, or by 11%, in 2007 as compared with 2006. Operating profit of the Media Operations (before share of profit of jointly-controlled entities) jumped by over 150%, from approximately HK$16.2 million in 2006 to approximately HK$41.8 million in 2007. This is mainly attributable to the growth in the Group's Chinese-language newspaper and magazine operations in Hong Kong, as well as improved profitability in its overseas newspaper business.

***Newspapers***

With a balanced and complementary portfolio of newspaper products, the Group was able to take maximum advantage of the favourable market conditions in 2007, mainly through its traditional flagship paid newspaper, Sing Tao Daily, and its up-and-coming free newspaper, Headline Daily, in Hong Kong, as well as its English-language and overseas newspapers.

Sing Tao Daily maintained its market positioning as a high-quality newspaper for middle-class families, and continued to enhance its editorial competence on finance, property, education and lifestyle content. This business strategy has been proven successful, as attested by the growth in popularity of the newspaper among both readers and advertisers. According to an independent survey, the readership of Sing Tao Daily ranked 4th among Chinese-language paid newspapers in Hong Kong at the end of 2007. Indeed, Sing Tao Daily's readership has increased for five consecutive years from 2002 to 2007, the only paid newspaper in Hong Kong to have achieved this. This is thanks to the unwavering efforts and professionalism of the editorial team in producing the highest quality and most tailored content for the target readers. As in previous years, the editorial excellence of Sing Tao Daily has won acclaim in a number of industry awards in 2007, including the Hong Kong News Awards organized by The Newspaper Society of Hong Kong, in which Sing Tao Daily received a total of seven accolades.

In terms of advertising, Sing Tao Daily enjoyed good growth in revenue in 2007 especially from the banking / investment and education advertisers. This demonstrated not only that Sing Tao Daily's standing in the Finance and Education sectors has gained increasing recognition, but also that the newspaper's advertising client base and revenue source have been consistently broadened.

Headline Daily, the Group's Chinese-language free newspaper positioned for mass market readers, made significant contribution to the Group's turnover and profit during the year. Headline Daily has established a clear leadership position in the free newspaper market. To meet readers' demand, average circulation was raised to over 700,000 copies, as audited by the Hong Kong Audited Bureau of Circulations Limited. According to an independent survey in September 2007, Headline Daily's readership climbed to 1,711,000, an increase of 35% compared to the figure in May 2006, and 76% more than the readership of its closest competitor. Notwithstanding its lead, Headline Daily strived persistently to enrich and refine its editorial content, in order to provide a superior product to its readers. During the year, a number of dignitaries were brought in to write insightful columns on political, financial and current affairs topics; a range of exclusive news stories were generated by the strengthened editorial team; and special editions were issued to keep readers abreast of the latest news on the most pertinent happenings. The website www.hkheadline.com also made big strides forward, with traffic increasing progressively during the year. Average visitor sessions have tripled, and the number of registered members has surpassed the 100,000 mark. In terms of advertising, remarkable growth in revenue was recorded during the year, especially in the banking, pharmaceuticals and education sectors, giving the Group an enlarged share of the advertising market.

The Standard recorded satisfactory results for first half of the year, as the active financial markets fueled advertising by listed companies, new issuers and financial product suppliers. At the end of the second quarter, the Hong Kong Stock Exchange's abolition of the requirement for paid announcements in newspapers by listed issuers started to take effect, and came into full force at the end of 2007, causing a negative impact on revenue and profit. In part a result of this policy shift, The Standard took an important strategic step in September 2007 and switched to a free newspaper model. The free newspaper targets business people and young professionals with a quality lifestyle and high spending power. Since the change, The Standard has become the largest-circulating English-language newspaper in Hong Kong. Feedback from readers has been positive, and new sources of advertising revenue are being opened up.

The overseas operations of Sing Tao Daily performed well for most of 2007, but the sub-prime mortgage crisis in the last quarter and the ensuing economic downturn in the US dampened the business growth in the latter part of the year. In addition, competition was intense, from both incumbent competitors as well as new comers to the market including online media and free publications. Nevertheless, the overseas operations spared no effort on further strengthening the business base and maximizing operational efficiency, through upgrading their production capabilities, sharpening their focus on core advertisers, developing new circulation channels, streamlining distribution overheads and exercising stringent cost control measures. Owing to these efforts, the overseas operations turned in sound growth in operating profit for the year as a whole.

***Magazines***

The Group's Magazine unit made notable progress in 2007. The local magazine market enjoyed an 11% increase in advertising spending, and competition was relatively stable with the previous price war in cover prices calming down. Thanks to the firm business foundation and strong brand standing of our product portfolio, the Magazine unit outperformed the industry in terms of advertising revenue growth, and all titles in the unit registered solid operating results.

East Week's consistent efforts on upgrading its quality and lifting its brand image, positioning itself as a premium infotainment magazine, have paid off again in 2007. Advertising revenue saw a double-digit increase, especially from high-quality advertisers, including fashion, watches and branded products. At the same time, circulation and readership continued their uptrend. According to an independent survey, East Week has raised its average readership to 437,000 in 2007, an increase of 8% compared with 2006, and has taken the third place in magazine readership in Hong Kong. In addition, with the launch of a Macau edition, East Week has become the number 1 infotainment magazine in Macau.

East Touch retained its sterling reputation as a magazine leader in trend and style. It provided an effective advertising platform for a number of luxury brands and products that were keen on promoting an in-vogue image and appealing to the younger high-profile consumers. Accordingly, advertising revenue recorded a considerable increase in 2007. It also launched its website www.easttouch.com.hk to increase interaction with and loyalty among its readers. JET focused on the top range of the advertising market, and has established a niche among the most high-end advertisers. By working closely with clients to create value-added advertising formats, JET was able to grow its revenue and profit substantially. PC Market continued on a steady trend, reinforcing its position in the professional IT market. In order to complement its portfolio of magazine titles, the Magazine unit acquired a local leading watch magazine, Spiral, in 2007, which has augmented its presence in the high-end segment.

***Recruitment Media***

The recruitment advertising market in Hong Kong continued to be highly competitive in 2007. Although the unemployment rate fell to an almost 10-year low and new job positions were opened up in various industries, both recruiters and jobseekers have shifted increasingly from print media to online media. In addition, price competition in both the print and online recruitment media markets was intense. The average page rate of print recruitment advertisements dropped 9% in 2007 as compared with 2006. Against this industry background, JobMarket maintained its print market share and made committed initiatives to expand its online recruitment business, which grew by 22% in 2007, and won the top prize in Hong Kong Leader's Choice 2007 – Excellent Brand of Recruitment Website.

In order to extend its market reach, the Group's recruitment media unit launched the first ever interactive intelligent recruitment platform in Hong Kong, headlinejobs.hk, in October 2007. The website targets young graduate jobseekers and, by utilizing a sophisticated recruitment software system, significantly enhances job matching effectiveness between applicants and employers. Since its launch, the website has already captured a sizable membership base of young and active jobseekers.

### *Printing Operations*

In order to facilitate and support the growth of the Group's media business and in particular to cater for the printing needs of its free newspapers, the Group has invested in a new printing factory in Tseung Kwan O Industrial Park, which came into operation at the end of 2007. The total capital investment in the new facilities, including land, building and printing machinery, amounted to approximately HK$370 million as at the end of 2007. In addition, the Group also acquired the outstanding 50% interest in its newspaper printing joint venture in October 2007. These have significantly augmented the Group's printing capacity, which had previously reached its limit as the circulation volume of the Group's newspapers grew continually. The increased capacity not only provides the Group with higher production flexibility and efficiency, but also allows it to have better control over its printing expenses. This is especially important given the mounting inflationary pressure on the Group's costs of production.

## Non-Media Operations

### *Trading*

The Trading unit delivered stable performance, recording a 24% increase in revenue and a 10% increase in segment profit in 2007 as compared with 2006. The buoyant economy and consumption markets in the PRC contributed to high demand for digital cameras, and the Trading unit expanded its sales and marketing resources to capture the growing volume in the market. However, unit price came under pressure from a maturing market and competition from other brands. The Trading unit will continue to explore new product areas to leverage on its existing distribution network and bolster its revenue and profit performance.

### *Other Non-Media Operations*

The 40%-owned Broadband Content and Distribution unit continued to face a difficult market environment in 2007 and recorded an operating loss in 2007. In view of the relatively weak competitive position and negative outlook on the business, the joint venture has disposed of its broadband assets at the beginning of 2008.

The 70%-owned E-Learning and Corporate Training unit delivered respectable results for the year. The distant learning business in co-operation with the University of International Business and Economics proceeded steadily, and new opportunities in the corporate training business, especially in online English and Mandarin training courses, were being developed.

# Prospects

The deteriorating external economic environment brought on by the sub-prime mortgage crisis in the US and the decline in the financial markets are putting a less positive note on the outlook for 2008. However, given the healthy fundamentals of the Hong Kong economy we are still cautiously optimistic about the advertising market in 2008. On the cost side, inflation is on the rise and the costs of materials, notably newsprint prices, have already seen some substantial escalation since the beginning of the year. Salary costs are also subject to the strain of inflation. These factors will put pressure on the profitability of the Group's business in 2008. Management will monitor the market changes closely and make necessary adjustments promptly, and will drive efficiency improvements and cost savings where possible.

Over the last few years, the Group has initiated a range of undertakings, including its free newspaper business and the new printing factory in Tseung Kwan O Industrial Park, which have strengthened its competitiveness in the print media market. Through effective allocation of its resources, the Group has amassed a portfolio of products that complement each other over the economic cycle. The more traditional newspaper and magazine operations offer a strong business foundation and profit base, while the budding free newspapers, including Headline Daily and The Standard, will provide the impetus for the Group's future development. The Group will continue to ride on its successful experience and focus its resources on developing its core media business.

## Employees

As at 31 December 2007, the Group had approximately 2,316 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.

# DIVIDEND

The Board recommends a final dividend of HK2.5 cents per ordinary share for the Year payable on Friday, 23 May 2008 to shareholders whose names appear on the register of members of the Company on Thursday, 8 May 2008. Together with the interim dividend of HK2.5 cents per ordinary share paid to shareholders on 8 October 2007, the total annual dividend will amount to HK5 cents per ordinary share for the financial year (2006: HK4.5 cents).

# CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 5 May 2008 to Thursday, 8 May 2008, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the final dividend and be eligible to attend and vote at the forthcoming annual general meeting of the Company, all share transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrars in Hong Kong, Tricor Tengis Limited of 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 2 May 2008.

# PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

The Company has repurchased a total of 33,126,000 shares at prices ranging from HK$1.14 to HK$1.30 per share on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") during the Year. All these repurchased shares were subsequently cancelled by the Company during the Year. Apart from this, the Company had not redeemed, and neither the Company nor any of its subsidiaries had purchased or sold, any of the Company's listed securities in 2007.

## CORPORATE GOVERNANCE

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange and complied with the CG Code throughout the review period with deviations from certain code provisions of the CG Code specified and explained below.

The Board held three regular meetings instead of four as required by the code provision A.1.1 for efficiency consideration during the Year. The regular meetings were held to consider and approve, among other things, the annual results, interim results and annual budget of the Group.

According to the code provision E.1.2, the Chairman of the Board shall attend the annual general meeting of the Company. The Chairman of the Board did not attend the annual general meeting held in 2007 due to an unexpected business engagement.

## COMPLIANCE OF THE MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has made specific enquiries to all directors of the Company who have confirmed that they have complied with the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules throughout the Year.

## REVIEW OF FINANCIAL STATEMENTS

The audit committee of the Company has reviewed the consolidated financial statements of the Group for the Year, including the accounting principles and accounting standards adopted by the Company, and discussed matters relating to auditing, internal controls and financial reporting.

## PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT

This announcement is published on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.singtaonewscorp.com. The 2007 annual report will also be published on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.singtaonewscorp.com and will be despatched to the shareholders of the Company.

By Order of the Board
**Sing Tao News Corporation Limited**
**HO Tsu Kwok, Charles**
*Chairman*

Hong Kong, 15 April 2008

*As at the date of this announcement, the Board comprises: (1) executive directors: Mr. HO Tsu Kwok, Charles (Chairman), Mr. LO Wing Hung (Chief Executive Officer), Ms. Judy INN, Mr. JIA Hongping, Mr. LAI Ting Yiu, Mr. LAU Chung Man, Louis, Mrs. SY WONG Chor Fong and Mr. YANG Yiu Chong, Ronald Jeffrey; (2) non-executive director: Mr. LEUNG Chun Ying; and (3) independent non-executive directors: Mr. Timothy David DATTELS, Ms. HO Chiu King, Pansy Catilina, Mr. KING Richard Yun Zing, Mr. LEE Cho Jat and Mr. TUNG Chee Chen.*