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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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

The Board of Directors (“Board”) of Sing Tao News Corporation Limited (“Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (“Group”) for the six months ended 30 June 2017 together with the comparative figures for the corresponding period in 2016 as follows:

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2017

	Note	For the six months ended 30 June	
		2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
REVENUE		734,282	798,760
Cost of sales		<u>(457,131)</u>	<u>(517,622)</u>
Gross profit		277,151	281,138
Other income and gains, net		17,740	7,692
Distribution expenses		(113,674)	(124,956)
Administrative expenses		(151,076)	(153,752)
Other expenses		(4,341)	(1,351)
Finance costs		(7)	(17)
Share of profits and losses of:			
Joint ventures		3,390	3,717
Associates		<u>760</u>	<u>(2,446)</u>
PROFIT BEFORE TAX	3	29,943	10,025

* For identification purpose only

CONSOLIDATED INCOME STATEMENT (continued)

For the six months ended 30 June 2017

		For the six months ended 30 June	
		2017	2016
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
PROFIT BEFORE TAX	3	29,943	10,025
Income tax expense	4	(9,488)	(5,970)
PROFIT FOR THE PERIOD		<u>20,455</u>	<u>4,055</u>
Earnings per share attributable to ordinary equity holders of the Company – (HK cents)	5		
Basic		<u>2.36</u>	<u>0.47</u>
Diluted		<u>2.36</u>	<u>0.47</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	For the six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit for the period	20,455	4,055
Other comprehensive income for the period, net of tax:		
Items that may be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	<u>6,756</u>	<u>11,226</u>
Total comprehensive income for the period	<u><u>27,211</u></u>	<u><u>15,281</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2017

		30 June 2017 (Unaudited) HK\$'000	31 December 2016 HK\$'000
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment		1,019,044	994,103
Investment properties		42,634	42,016
Other intangible assets		104	109
Investments in joint ventures		58,516	61,820
Investments in associates		13,140	12,380
Available-for-sale investments		8,147	8,147
Financial assets at fair value through profit or loss		8,190	7,800
Deferred tax assets		15,660	16,065
Other deposits paid and receivables		65,396	57,862
Total non-current assets		<u>1,230,831</u>	<u>1,200,302</u>
CURRENT ASSETS			
Inventories		49,311	44,268
Trade receivables	7	371,693	429,884
Prepayments, deposits and other receivables		46,872	45,802
Financial assets at fair value through profit or loss		107,993	91,573
Tax recoverable		4,625	5,854
Cash and cash equivalents		609,756	668,835
Total current assets		<u>1,190,250</u>	<u>1,286,216</u>
CURRENT LIABILITIES			
Trade and bills payables	8	64,523	57,603
Other payables and accruals		195,216	240,934
Tax payable		10,967	3,082
Finance lease and hire purchase contract payables		162	315
Total current liabilities		<u>270,868</u>	<u>301,934</u>
NET CURRENT ASSETS		<u>919,382</u>	<u>984,282</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,150,213</u>	<u>2,184,584</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(continued)

30 June 2017

	30 June 2017 (Unaudited) HK\$'000	31 December 2016 HK\$'000
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>2,150,213</u>	<u>2,184,584</u>
NON-CURRENT LIABILITIES		
Provision	-	10,800
Finance lease and hire purchase contract payables	-	2
Deferred tax liabilities	<u>96,201</u>	<u>100,519</u>
Total non-current liabilities	<u>96,201</u>	<u>111,321</u>
Net assets	<u>2,054,012</u>	<u>2,073,263</u>
EQUITY		
Equity attributable to owners of the Company		
Issued capital	173,222	173,222
Reserves	<u>1,880,790</u>	<u>1,900,041</u>
Total equity	<u>2,054,012</u>	<u>2,073,263</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Accounting policies

The condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are consistent with those adopted in the preparation of the annual financial statements for the year ended 31 December 2016.

In the current interim period, the Group has applied, for the first time, certain amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) and Interpretations issued by the HKICPA that are mandatorily effective for the current interim period.

The application of the amendments to HKFRSs and Interpretations in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

2. Operating segment information

The Group is principally engaged in the business of publishing and distribution of newspapers, magazines and books to readers in Hong Kong, Canada, the United States of America, Europe, Australia and New Zealand, and sales of respective content of such publications in Hong Kong and Mainland China.

The Group operates as a single operating segment which is in a manner consistent with the internal reporting provided to the chief operating decision-makers. The chief operating decision-makers, who are responsible for allocating resources and assessing performance of the operating segment, have been identified as the executive directors that make strategic decisions.

None of the revenue derived from any single external customer amounted for more than 10% of the Group’s revenue during the period ended 30 June 2017 (2016: Nil).

3. Profit before tax

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

	For the six months ended	
	30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Amortisation of intangible assets	5	5
Depreciation	34,941	39,201
Investment income	(2,029)	(1,703)
Fair value gains, net on:		
Financial assets at fair value through profit or loss	(5,349)	(1,165)
Derivative financial instruments – transactions not qualifying as hedges	(611)	-

4. Income tax

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

	For the six months ended	
	30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current:		
Charge for the period:		
The People's Republic of China:		
Hong Kong	9,006	5,668
Elsewhere	2	-
Elsewhere	30	-
Deferred	450	302
Total tax expense for the period	9,488	5,970

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

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

The calculation of the diluted earnings per share amounts is based on the profit for the period 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 period, 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 the basic and diluted earnings per share are based on:

	For the six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<u>Earnings</u>		
Profit attributable to ordinary equity holders of the Company	20,455	4,055
	866,106,337	866,089,853
<u>Shares</u>		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	866,106,337	866,089,853
Effect of dilution – weighted average number of ordinary shares: Share options	-	4,299
	866,106,337	866,094,152

6. Dividend

At a meeting of the Board held on 28 August 2017, an interim dividend of HK2 cents per share was declared for the year ending 31 December 2017. This proposed dividend is not reflected as a dividend payable in these condensed financial statements, but will be reflected as an appropriation of retained profits for the year ending 31 December 2017.

7. Trade receivables

	30 June 2017 (Unaudited) HK\$'000	31 December 2016 HK\$'000
Trade receivables	387,623	445,834
Impairment	(15,930)	(15,950)
	<u>371,693</u>	<u>429,884</u>

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. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest bearing.

An aged analysis of trade receivables as at the end of the reporting period, based on the payment due date, is as follows:

	30 June 2017 (Unaudited) HK\$'000	31 December 2016 HK\$'000
Current to 30 days	256,514	249,273
31 – 60 days	27,016	59,022
61 – 90 days	28,426	42,796
91 – 120 days	15,640	25,756
Over 120 days	60,027	68,987
	<u>387,623</u>	<u>445,834</u>

8. Trade and bills payables

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

	30 June 2017 (Unaudited) HK\$'000	31 December 2016 HK\$'000
Current to 30 days	49,870	42,052
31 – 60 days	6,740	12,154
61 – 90 days	5,543	1,891
91 – 120 days	1,659	499
Over 120 days	711	1,007
	<hr/> 64,523 <hr/>	<hr/> 57,603 <hr/>

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

MANAGEMENT DISCUSSION AND ANALYSIS

Results

The principal activities of the Group comprise Media operations including Newspapers, Magazines, Recruitment Media, New Media and other media-related businesses.

For the six months ended 30 June 2017 (“Period”), the Group reported consolidated revenue of approximately HK\$734.3 million, as compared with approximately HK\$798.8 million for the six months ended 30 June 2016 (“Previous Period”), and consolidated profit for the Period of approximately HK\$20.5 million, as compared with approximately HK\$4.1 million for the Previous Period.

Review of Media Operations

Although Hong Kong’s economy showed signs of recovery in the first half of 2017, the market sentiment was still fraught with uncertainties, as retail sales and tourist spending had yet to resume growth, and the US interest rate outlook continued to pose risks of financial market volatility. According to admanGo, Hong Kong’s total advertising market expanded by 3% in the first half of 2017 compared with the first half of 2016, an improvement from the downward trend last year. However, not all media sectors saw growth, and print media continued to experience a drop in advertising revenue. The Group’s revenue for the Period was thus adversely affected, however the revenue decline has slowed down compared with the first half year or second half year of 2016, and overall profit performance of the Group has improved thanks to effective cost control and efficiency gains.

Newspapers

The Group’s newspaper operations comprise *Headline Daily*, *Sing Tao Daily*, *The Standard* and the overseas business of *Sing Tao Daily*. Together, these account for the largest percentage of the Media operations’ revenue and profit.

Headline Daily continued to be Hong Kong’s number 1 free newspaper. With an average weekday circulation of over 821,000 copies (according to Hong Kong Audit Bureau of Circulations 2017Q1 report), *Headline Daily* is the newspaper in Hong Kong with the highest circulation, and its readership of 1,236,000 (according to Ipsos Media Atlas 2017Q1 report), which increased by 2% compared with the readership in the 2016Q4 report, also remained the highest among all newspapers. Readership growth was mainly in the white collar and senior executive segments. *Headline Daily* was read by 75% of free newspaper readers and its readership was 11% more than the net total of the other three Chinese free newspapers combined (according to Ipsos Media Atlas 2017Q1 report). At the same time, *Headline Daily* continued to be the newspaper with the highest advertising revenue in the first half of 2017, according to admanGo. It recorded advertising revenue growth in a range of categories such as Pharmaceuticals, Retail, Restaurants, Telecommunications and Property. As the market leader, *Headline Daily* not only continued to provide high-quality content to its readers but also a cost-effective and high value-added marketing medium for advertisers. *Headline Finance* paper maintained an upward readership growth trend and continued to be ahead of other finance newspapers in Hong Kong by a large margin.

Sing Tao Daily saw a notable improvement in its 2017 first half results, sustaining relatively stable revenue and achieving enhanced profitability due to its efforts on cost control and efficiency optimisation. According to admanGo, in the first half of 2017, Sing Tao Daily continued to be the market leader in Property advertisements. At the same time, it was the paid newspaper with the largest amount of advertising revenue in Retail and Luxury Products. It also recorded revenue growth in other categories including Travel, Banking and Entertainment. These all prove that Sing Tao Daily has been successful in both broadening and deepening its advertising revenue base despite the difficult industry environment. Sing Tao Daily is committed to providing a premium newspaper to serve its readers and is able to win their loyalty. According to Ipsos Media Atlas 2017Q1 report, among the niche paid newspapers, Sing Tao Daily had the highest percentage of readers who were shopping decision makers; Sing Tao Daily's readers were also the most willing to spend on their kids. In addition, Smart Parents' readership continued to grow and recorded a 34% growth according to Ipsos Media Atlas 2017Q1 report (compared with the 2016Q4 report).

Performance of The Standard during the Period was steady, with improvements in results due to effective cost control measures. According to Ipsos Media Atlas 2017Q1 report, readership of The Standard achieved a 13% increase (compared with the 2016Q4 report), one of the best performing among all newspapers. According to admanGo, The Standard recorded a 5% increase in advertising revenue in the first half of 2017 on a year-on-year basis. Growth was attained in a range of advertising categories including Property, Media, Travel, Hotels and Government.

Amidst a tough operating environment due to challenges from new media and changes in advertiser and reader behavior, the overseas operations of Sing Tao Daily maintained a stable bottom line performance during the Period, resulting from stringent cost control, improvements in work flow efficiencies and restructuring in management and operation. In particular, the US operations continued to stand firm through consistent efforts to innovate their products and services, diversify their revenue sources and realise synergies.

Magazines

In the first half of 2017, the magazine advertising market in Hong Kong continued to suffer a decline, registering a 36% year-on-year drop according to admanGo. Performance of the Group's flagship magazine, East Week, was relatively better than its competitors with a smaller reduction in revenue than the market's average. It managed to diversify its advertising categories and achieved growth in Entertainment, Insurance and Pharmaceuticals. According to Ipsos Media Atlas 2017Q1 report, East Week achieved an 8% increase in readership (compared with the 2016Q4 report). Given the industry trend, the Group's Magazine unit has continued to realign its cost structure, adjust its business model and consolidate its resources to increase competitiveness. At the same time, it continues to integrate digital development into its products, including social media, in order to invigorate their reader bases and create new stimuli for growth. As a result, the Magazine unit has seen stabilisation in its operating results for the Period.

Recruitment Media

The Group continued to lead in Hong Kong's recruitment print media market during the Period. According to Ipsos Media Atlas 2017Q1 report, JobMarket achieved a 26% increase in readership (compared with the 2016Q4 report), the highest among the industry. It continued to hold the largest share of advertising spending among print recruitment publications in spite of a drop in advertising revenue in the print recruitment sector in the first half of 2017, according to admanGo. "Headline Hot Jobs" continued to grow its business and has become an increasingly important contributor to revenue and profit, while the Group's online recruitment business continued to develop.

New Media Business Development

The Group continues to develop its new media business, adopting an "offline to online" strategy to provide both readers and advertisers with a diversified platform of content and advertising solutions and services.

"Headline POPNews" continued to enhance and diversify its content to match the liking of its new generation readers, and more than doubled its average monthly browsers during the Period as compared with the Previous Period. Both Headline Daily's website (hd.stheadline.com) and Sing Tao Daily's website (std.stheadline.com) continued to grow steadily in traffic and popularity; the former recorded an increase in average monthly browsers of 44% and average monthly pageviews of 25% during the Period as compared with the Previous Period, while the latter recorded an increase in average monthly browsers of 69% and average monthly pageviews of 38% during the Period as compared with the Previous Period.

Significant progress in both revenue and traffic was delivered by the one-stop education and parenting portal Ohpama.com. Average monthly browsers grew by 125% while average monthly pageviews grew by 110% during the Period as compared with the Previous Period; at the same time, its Facebook page likes increased by 152%. Together with the facebook page of 24parent.com (a section of Ohpama.com), it is the top parenting social media in Hong Kong. Ohpama.com has built a strong position in the market as the most respected digital platform for education and parenting, and is winning the loyalty of both readers and advertisers.

At the beginning of 2017, the Group formed a new digital marketing company, Shimba Digital Limited, for bringing together the sales and marketing of the Group's diverse media platforms. Shimba Digital Limited provides one-stop offline-to-online marketing solutions to meet the increasing demand from advertisers for cross-media marketing services. For example, under the coordination of Shimba Digital Limited, the Group launched a cross-platform campaign for the 20th anniversary of the establishment of the HKSAR, which attracted staunch support from advertisers. Also under the coordination of Shimba Digital Limited, the Headline Daily "Jetso" app expanded its range of shopping offers, interactive games and promotional activities to help advertisers engage with their customers.

Prospects

For the second half of 2017, Hong Kong's media market as a whole will still be fraught with challenges. Notwithstanding this, traditional print media is still considered mainstream. According to Ipsos Media Atlas, newspaper (print) readership in Hong Kong increased in 2017Q1 and readers' profile also improved, with growth most notable in the aged under 50, highly-educated and senior executive groups. This goes to prove that print media still appeal to

and serve a segment of premium readers who demand high quality content.

As a leader in the print media market, the Group will continue to improve the competitiveness of its core businesses by increasing their operating efficiency, providing added value to advertisers and upholding its commitment to high quality content. At the same time, the Group has continued to develop its new media products and services, equip our staff and resources, and offer offline-to-online platforms and solutions to meet the market's changing needs. The ongoing consolidation in the print media industry presents opportunities as well as risks. We believe that the Group is well prepared to embrace the changes and to benefit from a recovery in the operating environment.

Our workplace relocation plan to the expanded premises in Tseung Kwan O is progressing and expected to take effect by the end of 2017, which will further contribute to cost savings and operational synergies.

Employees

As at 30 June 2017, the Group had approximately 1,693 employees.

The Group remunerates its employees based on individual and business performance. 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 HK2 cents (Previous Period: HK2 cents) per share for the Period payable on Friday, 22 September 2017 to shareholders whose names appear on the register of members of the Company on Thursday, 14 September 2017.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed on Wednesday, 13 September 2017 and Thursday, 14 September 2017, on which dates no transfer of shares will be registered. In order to qualify for the interim dividend, all share transfers accompanied by the relevant share certificates must be lodged for registration with the Hong Kong branch share registrar and transfer office of the Company, Tricor Tengis Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 12 September 2017.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Period.

CORPORATE GOVERNANCE

The Company has adopted the code provisions set out in the Corporate Governance Code (“CG Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities (“Listing Rules”) on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) and complied with the CG Code throughout the Period with deviations from the code provisions A.6.7 and E.1.2. The Chairman of the Board and all independent non-executive directors, except Ms. Ho Chiu King, Pansy Catilina and Mr. Lee Cho Jat, were unable to attend the annual general meeting of the Company held in 2017 due to prior or 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 as set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules throughout the Period.

REVIEW OF INTERIM FINANCIAL STATEMENTS

The audit committee of the Company has reviewed the unaudited condensed consolidated financial statements of the Group for the Period, including the accounting principles and accounting standards adopted by the Company, and discussed matters relating to risk management, internal control systems and financial reporting.

PUBLICATION OF INTERIM RESULTS AND INTERIM 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 2017 interim 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, 28 August 2017

As at the date of this announcement, the Board comprises: (1) executive directors: Mr. HO Tsu Kwok, Charles (Chairman), Mr. SIU Sai Wo (Chief Executive Officer), Mr. HO Kent Ching Tak, Mr. JIA Hongping, Mr. LAU Chung Man, Louis and Mr. LO Wing Hung; and (2) independent non-executive directors: Ms. Judy CHAN, Ms. HO Chiu King, Pansy Catilina, Mr. KING Richard Yun Zing and Mr. LEE Cho Jat.

** For identification purpose only*