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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 2021

The board of directors (“**Board**”) of Sing Tao News Corporation Limited (“**Company**”) announces the unaudited consolidated results of the Company and its subsidiaries (“**Group**”) for the six months ended 30 June 2021 together with the comparative figures for the corresponding period in 2020 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

		For the six months ended 30 June	
		2021	2020
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
REVENUE	3	382,442	400,201
Cost of sales		(256,921)	(274,722)
Gross profit		125,521	125,479
Other income and gains, net		6,253	18,625
Distribution expenses		(74,670)	(80,725)
Administrative expenses		(118,762)	(116,376)
Other operating income/(expenses), net		1,507	(3,960)
Finance costs		(625)	(756)
Share of profits and losses of:			
Joint ventures		(2,867)	(7,614)
Associates		(46)	3,575
LOSS BEFORE TAX	4	(63,689)	(61,752)

* For identification purpose only

CONSOLIDATED STATEMENT OF PROFIT OR LOSS *(continued)*

For the six months ended 30 June 2021

		For the six months ended 30 June	
		2021	2020
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
LOSS BEFORE TAX	4	(63,689)	(61,752)
Income tax credit	5	<u>502</u>	<u>455</u>
LOSS FOR THE PERIOD		<u>(63,187)</u>	<u>(61,297)</u>
Loss per share attributable to ordinary equity holders of the Company – (HK cents)	6		
Basic		<u>(7.18)</u>	<u>(6.98)</u>
Diluted		<u>(7.18)</u>	<u>(6.98)</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss for the period	<u>(63,187)</u>	<u>(61,297)</u>
OTHER COMPREHENSIVE INCOME		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	6,863	(2,955)
Reclassification adjustment for a foreign operation deregistered during the period	<u>-</u>	<u>(346)</u>
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods and total comprehensive loss for the period attributable to the owners of the Company	<u>(56,324)</u>	<u>(64,598)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2021

		30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment		1,134,367	1,168,046
Investment properties		120,325	119,707
Other intangible assets		100	100
Investments in joint ventures		72,698	72,750
Investments in associates		23,403	23,449
Equity investments designated at fair value through other comprehensive income		47	47
Financial assets at fair value through profit or loss		10,051	10,051
Deferred tax assets		3,006	3,006
Other deposits paid		2,894	4,291
Total non-current assets		<u>1,366,891</u>	<u>1,401,447</u>
CURRENT ASSETS			
Inventories		24,560	18,127
Trade receivables	8	179,260	193,180
Prepayments, deposits and other assets		32,151	28,408
Financial assets at fair value through profit or loss		120,651	153,149
Tax recoverable		6,443	7,414
Cash and cash equivalents		502,257	499,982
Total current assets		<u>865,322</u>	<u>900,260</u>
CURRENT LIABILITIES			
Trade and bills payables	9	35,208	33,420
Other payables and accruals		136,634	147,815
Lease liabilities		16,129	21,883
Tax payable		127	169
Total current liabilities		<u>188,098</u>	<u>203,287</u>
NET CURRENT ASSETS		<u>677,224</u>	<u>696,973</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,044,115</u>	<u>2,098,420</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

30 June 2021

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>2,044,115</u>	<u>2,098,420</u>
NON-CURRENT LIABILITIES		
Deferred tax liabilities	113,312	113,390
Lease liabilities	8,900	6,803
Total non-current liabilities	<u>122,212</u>	<u>120,193</u>
Net assets	<u>1,921,903</u>	<u>1,978,227</u>
EQUITY		
Equity attributable to owners of the Company		
Issued capital	176,109	176,109
Reserves	<u>1,745,794</u>	<u>1,802,118</u>
Total equity	<u>1,921,903</u>	<u>1,978,227</u>

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Accounting policies

The 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 consolidated financial statements for the year ended 31 December 2020, except as described below.

In the current interim period, the Group has applied, for the first time, certain new and revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA. The application of the new and revised HKFRSs in the current interim period has had no significant effect on the amounts reported and/or disclosures set out in these 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 and Europe, and sales of respective content of such publications in The People’s Republic of China (including Hong Kong).

The Group operates as a single operating segment which is reported 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 six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

3. Revenue

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
<i>Revenue from contracts with customers</i>	378,221	396,707
<i>Revenue from other sources</i>		
Gross rental income from operating leases	<u>4,221</u>	<u>3,494</u>
	<u>382,442</u>	<u>400,201</u>

Revenue from contracts with customers
Disaggregated revenue information

	For the six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Type of goods or services		
Advertising income	266,606	277,493
Circulation income	72,823	71,718
Content sales and news service income	9,068	14,583
Radio broadcasting advertising income	11,193	12,433
Project management income	12,375	15,292
Service income	4,316	2,423
Others	<u>1,840</u>	<u>2,765</u>
Total revenue from contracts with customers, transferred at a point in time	<u>378,221</u>	<u>396,707</u>

4. Loss before tax

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

	For the six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Depreciation of property, plant and equipment (other than right-of-use assets)	35,800	41,413
Depreciation of right-of-use assets	11,035	15,487
Investment income	(2,528)	(1,652)
Dividend income	(48)	(59)
Fair value losses/(gains), net on:		
Financial assets at fair value through profit or loss	(178)	968
Derivative financial instruments – transactions not qualifying as hedges	(533)	209
Impairment/(reversal of impairment) of trade receivables*	<u>(1,507)</u>	<u>3,960</u>

* The impairment of trade receivables is included in “Other operating income/(expenses), net” in the consolidated statement of profit or loss.

5. Income tax

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period. In the prior period, Hong Kong profits tax was provided at the rate of 16.5% (six months ended 30 June 2020: 16.5%) on the estimated assessable profits arising in Hong Kong during that period.

	For the six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Current:		
Charge for the period:		
The People's Republic of China (including Hong Kong)	-	369
Overprovision in prior periods	-	(21)
Deferred	<u>(502)</u>	<u>(803)</u>
Total tax credit for the period	<u>(502)</u>	<u>(455)</u>

6. Loss per share attributable to ordinary equity holders of the Company

The calculation of the basic loss per share amount is based on the loss for the period attributable to owners of the Company and the weighted average number of ordinary shares in issue during the period.

The calculation of the diluted loss per share amount is based on the loss for the period attributable to owners of the Company, as used in the basic loss 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 loss 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 loss per share are based on:

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<u>Loss</u>		
Loss attributable to ordinary equity holders of the Company	<u>(63,187)</u>	<u>(61,297)</u>
	Number of shares	
<u>Shares</u>		
Weighted average number of ordinary shares in issue during the period used in the basic loss per share calculation	<u>880,543,017</u>	<u>878,178,395</u>

No adjustment has been made to the basic loss per share presented for the six months ended 30 June 2021 and 2020 in respect of any dilution as the impact of the share options has an anti-dilution effect in the basic loss per share amounts presented.

7. Dividend

At a meeting of the Board held on 26 August 2021, the Board has resolved not to declare the payment of any interim dividend for the six months ended 30 June 2021 (six months ended 2020: Nil).

8. Trade receivables

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Trade receivables	194,290	210,456
Impairment	(15,030)	(17,276)
	<u>179,260</u>	<u>193,180</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 ageing analysis of trade receivables as at the end of the reporting period, based on the payment due date and net of loss allowance, is as follows:

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Current to 30 days	125,295	126,935
31 to 60 days	22,346	26,519
61 to 90 days	14,256	16,010
91 to 120 days	7,709	8,299
Over 120 days	9,654	15,417
	<u>179,260</u>	<u>193,180</u>

9. Trade and bills payables

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

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Current to 30 days	19,457	17,165
31 to 60 days	4,374	7,536
61 to 90 days	3,441	4,333
91 to 120 days	5,842	2,805
Over 120 days	2,094	1,581
	<u>35,208</u>	<u>33,420</u>

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

MANAGEMENT DISCUSSION AND ANALYSIS

Results

For the six months ended 30 June 2021 (“Period”), the Group reported consolidated revenue of approximately HK\$382.4 million, as compared with approximately HK\$400.2 million for the six months ended 30 June 2020 (“Previous Period”), and consolidated loss of approximately HK\$63.2 million for the Period, as compared with consolidated loss of approximately HK\$61.3 million for the Previous Period.

INDUSTRY OVERVIEW AND THE GROUP’S DEVELOPMENT

The Hong Kong economy remained on track for recovery in the first half of 2021, alongside the improving global economic conditions and receding local epidemic. However, the economic recovery was uneven and overall economic activity remained below the pre-recession level, as the pandemic, social distancing requirements and travel restrictions continued to weigh heavily on the consumption and travel-related industries including retail, hotel and catering. The Hong Kong advertising market staged a revival, according to admanGo. Although overall advertising spending increased by 34% in the first half of 2021 compared to the first half of 2020, certain traditional media sectors including newspapers, magazines and radio lagged behind, under the impact of the unstable economic and industry recovery, as well as the accelerated digital transformation of local media resulting from pandemic-related changes in the market’s habits and preferences.

With the appointment of the new Board and management team in June this year, the Group has placed strong efforts on the redevelopment of its new media business and cultural industry investment, under the strategy of combining traditional media, new media and industry, to expand new business opportunities and seek new impetus for profit growth. To ensure focused and systematic efforts on new media development, the Group has set up a New Media Business Division, put in resources for strengthening content and invested in technologies such as artificial intelligence and big data, in order to effectively combine media and technology, so as to provide readers with high-quality comprehensive content and first-rate experience.

REVIEW OF OPERATIONS

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 remained firmly as the number 1 free newspaper in Hong Kong in terms of circulation, readership and advertising. According to the latest Ipsos Media Atlas report (2020Q2-2021Q1), *Headline Daily* continued to be Hong Kong’s only newspaper with a readership of over one million. At 1,017,000, *Headline Daily*’s readership was not only the highest amongst all newspapers in Hong Kong but also 42% more than the net total of the other two Chinese free newspapers combined. At the same time, with its extensive distribution network, *Headline Daily* also claimed the highest circulation amongst free newspapers. Although *Headline Daily* continued to occupy the largest share of the newspaper advertising market in the first half of 2021 (according to admanGo), total free newspapers’ advertising income declined by

7% year-on-year whilst *Headline Daily*'s drop was the least of the free newspapers in the survey. The lack of recovery in the free newspaper advertising market may be partly attributable to the subdued tourism sector, as cross-border travel remained at a standstill, which severely diminished advertising in related categories. In order to alleviate the negative impact of border closure and other social restrictions on advertising income, *Headline Daily* is actively expanding non-consumption goods advertising categories, including local property advertisements, as well as enhancing online-offline joint advertising sales efforts.

For paid newspapers, advertising income recorded a 15% year-on-year increase in the first half of 2021, according to admanGo, and *Sing Tao Daily* achieved an increase in advertising income in line with the market trend. It saw rebounds in a range of advertising categories, including Property & Real Estate, Food and Education & Training. *Sing Tao Daily* remained dedicated to providing objective reporting and high-quality content, and its readership grew to 272,000 which was the highest among middle-class paid newspapers in Hong Kong (according to Ipsos Media Atlas 2020Q2-2021Q1 report). On 1 January 2021, *Sing Tao Daily* increased its cover price to \$9 per copy, still the lowest among local newspapers. Following the price increase, circulation sales volume was maintained and circulation revenue achieved a satisfactory increase. Currently *Sing Tao Daily* has been proactive in strengthening its content particularly in finance and technology, as well as upgrading its printing quality, and has received acclaim from readers.

The English-language newspaper market recuperated during the Period. *The Standard* recorded a 21% increase in advertising income in the first half of 2021 (according to admanGo), including in categories such as Education & Training, Government and Property. At the same time, *The Standard* has become the leader in the English-language advertising market with the largest market share. According to Ipsos Media Atlas 2020Q2-2021Q1 report, *The Standard*'s readership continued its steady upward trend to reach 145,000.

The overseas operations of *Sing Tao Daily* reported a year-on-year decline in revenue and profit for the Period, partly due to the fact that COVID-19 did not hit the overseas economies until the second quarter of 2020 and hence the Previous Period's base for comparison relatively high. In addition, the sporadic outbreak of new waves of the pandemic as well as the emergence of new variants of the COVID-19 virus in the overseas economies continued to cast a heavy shadow over their consumption and advertising markets. Since April, however, with the relaxation of social distancing requirements there have been some signs of improvement in business sentiment and activity.

Magazines

The drop in advertising spending on the magazine market narrowed to 14% in the first half of 2021, according to admanGo. *East Week* out-performed the market and managed to achieve a mild growth in advertising income, and became the weekly magazine with the largest advertising market share. In terms of readership, according to Ipsos Media Atlas 2020Q2-2021Q1 report, *East Week* achieved the highest of all weekly magazines covered in the survey. To further strengthen its digital presence, *East Week*'s online platform continued to co-operate with "Headline Facebook Live" in offering a variety of live programs on diverse and interesting topics spanning health, investment and culture.

Recruitment Media

Conditions in Hong Kong's employment market improved in recent months. According to admanGo, the Group's recruitment titles comprising JobMarket, Headline Hot Jobs and The StandardJobs together represented the largest share of print job advertising during the Period. Local recruitment publications' advertising income rallied by 17% in the first half of 2021, and JobMarket's performance was in line with the market.

New Media Business

Since June this year the Group has placed strong efforts on the development and reorganization of its new media business. By adopting the strategy of upgrading the "single-engine drive" of the Group's traditional media to become a "dual-engine drive" which combines traditional media and new media, the Group will increase its core competitiveness while preserving its established strengths. In addition to reinforcing technological innovation and investment in talent, it is also actively implementing structural transformation including the editorial content workflow, the operations development model, as well as management appraisal system. The focal product being undertaken will utilize new technologies such as big data, artificial intelligence and Cloud computing, through in-depth integration with media to create a smart mobile multimedia platform with digitalization and artificial intelligence as its core, in order to provide high-quality content and first-rate experience to readers.

In keeping with the evolvement trend of the current epoch, the Group continued to advance its new media development. Responding to the shift towards more use of online media by readers and advertisers under the pandemic, Headline Daily continued to augment the "Headlife" cross-media platform delivering lifestyle information from offline to online, which saw significant growth in its social media followers; the "Headline Facebook Live" channel offered over 280 live programs during the Period, presented by celebrities and experts to discuss popular topics, and attracted over 5 million views in total; Headline Daily's website and mobile applications together achieved over 100 million average monthly pageviews during the Period. With regard to Sing Tao Daily, its Education section continued to support students under the pandemic by providing a variety of multimedia content including live programs hosted by technology and education experts; its Horse Racing section launched an online video channel offering interactive chat with the program's hosts; Property Browser introduced its WhatsApp business platform to provide an additional convenient online tool for house-searching; Smart Parents accelerated its online development and introduced a revamped web page to provide an all-new online reading and viewing experience to its audience. In enriching its website and social media, The Standard launched the "Student Globetrotters" video series featuring Hong Kong students at overseas universities to share their direct experience in studying abroad.

The Headline Daily "Jetso" app continued to introduce new features, such as the Chinese New Year promotion campaign by "Jetso App Shop", a new "HOME Delivery shopping zone" as well as new payment gateways. As at the end of June 2021, cumulative downloads were around 525,000 while total registered members reached 106,000.

Ohpama.com, the one-stop education and parenting media platform, focused on online events and activities, and produced live programs, videos and mini-TV shows to help clients promote their products and services. For example, the "Little Smart Financial Planner" innovative campaign offered financial education to children through videos, online games and workshops. As the top parenting social media in Hong Kong, the Facebook and Instagram fans of Ohpama.com and 24parent.com on a combined basis reached over 650,000 as of June 2021.

Prospects

Around the world, as governments become more experienced in dealing with the pandemic, people adapt their daily lives to the “new normal” and COVID-19 vaccination programs are rolled out, the economic outlook is becoming less gloomy. Locally, it is hoped that the restriction measures will be eased as more residents get vaccinated, and the Government’s consumption voucher scheme will further stimulate domestic spending. However, the economy still faces a bumpy road ahead in recovery and it will likely be some time before there is a sustained return to pre-pandemic levels of economic activity and market confidence.

Under the new Board and management team appointed in June this year, the Group is making big strides in its new media business development and cultural industry investment. Whilst upholding the aim of serving the public with high-quality content and diversified channels, the Group is making consistent progress and achieving breakthroughs to effectively combine media and industry, in order to persistently raise the brand value and influence. As the demand for information increases, the Group will utilize new technologies especially in mobile media for more diverse development of the Group’s business, to ensure that the most comprehensive and in-depth information will be provided to global Chinese readers in a timely manner. At the same time, the Group will adhere to controlling cost and increasing efficiency, and closely monitor the costs of production and other expenses. The Group will continue to expand the presence of the “Sing Tao” brand and its profitability, and create greater value for society, shareholders, and employees.

Employees

As at 30 June 2021, the Group had approximately 1,248 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 not to declare any interim dividend for the Period (Previous Period: Nil).

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 and complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) throughout the Period.

COMPLIANCE OF THE MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in Appendix 10 to the Listing Rules as the code for dealings in securities of the Company by the directors. The Company has made specific enquiries to all directors of the Company who confirmed that they had complied with the required standard set out in the Model Code 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 results announcement is published on the website of The Stock Exchange of Hong Kong Limited ("Stock Exchange") at www.hkexnews.hk and the website of the Company at www.singtaonewscorp.com. The 2021 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
Kwok Ying Shing
Chairman

Hong Kong, 26 August 2021

As at the date of this announcement, the Board comprises (1) executive directors: Mr. KWOK Ying Shing (Chairman), Ms. KWOK Hiu Ting (Vice-chairman), Mr. SIU Sai Wo (Chief Executive Officer) and Mr. ZHENG Wei; and (2) independent non-executive directors: Mr. WU Ting Yuk, Anthony, Mr. CHOI Karson Ka Tsan and Ms. HAN Yonghong.