

Management Discussion and Analysis

管理層討論及分析

FINANCIAL RESULTS

The consolidated revenue of Sing Tao News Corporation Limited (the “Company”) and its subsidiaries (the “Group”) for the financial year ended 31 December 2006 (the “Year”) amounted to approximately HK\$1,974 million as compared with approximately HK\$1,825 million last year. The Group recorded an exceptional gain of approximately HK\$57 million on reversal of impairment of a loan receivable and an exceptional loss of approximately HK\$13 million on head office relocation. Profit attributable to equity holders of the Company amounted to approximately HK\$178 million as compared with approximately HK\$221 million last year.

The buoyant investment market in 2006 allowed the Group’s prudent treasury investment operations to achieve a respectable return. The Group will continue to exercise prudent control measures to enhance return from the Group’s treasury assets.

The board of directors of the Company (the “Board”) proposed a final dividend of HK2.5 cents per share. The dividend for the Year shall be HK4.5 cents per share.

FINANCIAL REVIEW

Liquidity and Financial Resources, Gearing Ratio, Charges on the Group’s Assets

The Group maintained a strong financial position with a net cash position throughout the Year. During the Year, the Group paid approximately HK\$101 million for deposits and purchases of items of property, plant and equipment, and invested approximately HK\$39 million in an associate. As at 31 December 2006, the Group had a net cash balance (calculated with reference to the Group’s cash balances and total borrowings) of approximately HK\$345 million (31 December 2005: approximately HK\$291 million).

The gearing ratio, defined as long-term borrowings to equity, was zero as at 31 December 2006 (31 December 2005: zero). As at 31 December 2006, the Group had pledged time deposits of approximately HK\$27 million (31 December 2005: approximately HK\$55 million) to secure banking facilities granted to the Group.

財務業績

截至二零零六年十二月三十一日止財政年度(「本年度」)，星島新聞集團有限公司(「本公司」)及其附屬公司(「本集團」)之綜合收入為約1,974,000,000港元，去年則為約1,825,000,000港元。本集團因撥回應收一筆貸款減值錄得非經常收益約57,000,000港元，另外由於搬遷總辦事處而產生非經常虧損約13,000,000港元。本公司股權持有人應佔溢利約178,000,000港元，去年則約221,000,000港元。

投資市場於二零零六年表現蓬勃，令本集團審慎投資理財活動取得不俗回報，本集團將繼續採取審慎之控制措施以提高本集團庫房資產之回報。

本公司董事會(「董事會」)建議派發末期股息每股2.5港仙。本年度之股息將為每股4.5港仙。

財務回顧

流動資金及財務資源、資本負債比率及本集團資產抵押

於本年度，本集團之財務狀況維持穩健，全年保持淨現金狀況。於本年度，本集團就購置物業、廠房及設備及有關按金已支付約101,000,000港元，並投資約39,000,000港元於一間聯營公司。於二零零六年十二月三十一日，本集團之現金結餘淨額(經參考本集團之現金結餘及總借款計算)約為345,000,000港元(二零零五年十二月三十一日：約291,000,000港元)。

於二零零六年十二月三十一日，資本負債比率(即長期借貸與資本之比率)為零(二零零五年十二月三十一日：零)。於二零零六年十二月三十一日，本集團已抵押定期存款約27,000,000港元(二零零五年十二月三十一日：約55,000,000港元)，作為本集團銀行備用額之擔保。

Capital Structure, Exposure to Fluctuations in Exchange Rates

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

Contingent Liabilities

Save as the corporate guarantee given to banks to secure the banking facilities, as at 31 December 2006, the Group did not have any contingent liability or claim which the directors of the Company (the "Directors") considered to be material.

BUSINESS REVIEW

Media and Media-related Operations

The Group's Media business recorded healthy growth during 2006 with a more diversified portfolio of products that complemented each other. With the local and world economies displaying continued strength, consumer spending was on the rise which in turn contributed to bigger advertising budgets in general. The Group's Media Operations benefited from the active advertising market and achieved solid results for the year. Revenue of the Media Operations increased from approximately HK\$1,359 million to approximately HK\$1,469 million, or by 8%, in 2006 as compared with 2005, partly due to the full year contribution of Headline Daily. Despite the corresponding full year impact of the additional operating expenses associated with the free newspaper, operating profit of the Media Operations as a whole improved significantly by 54%, from approximately HK\$28.8 million in 2005 to approximately HK\$44.3 million in 2006. This is mainly attributable to the growth in top line, rigorous efforts in improving margins, as well as contribution by the Group's jointly-controlled printing and overseas businesses.

資本結構、匯率波動風險

本集團審慎管理其司庫功能，並採用不同之對沖方法，務求將外匯波動對其財務表現造成之影響減至最低。

或然負債

除為銀行備用額向銀行提供公司擔保外，本集團於二零零六年十二月三十一日並無任何本公司董事（「董事」）認為屬重大之或然負債或索償。

業務回顧

媒體與媒體相關業務

本集團的媒體業務於二零零六年錄得穩健增長，產品系列更趨多元化，並且互相補足。本地及全球經濟持續增長，消費者開支上升，帶動整體廣告預算增加。本集團之媒體業務在本年度受惠於蓬勃的廣告市場，取得良好業績。媒體業務於二零零六年的收入約1,469,000,000港元，相較於二零零五年之約1,359,000,000港元，上升8%，部分歸因於《頭條日報》全年為本集團貢獻業績。儘管該免費報章亦同時帶來整年的額外營運開支，媒體業務的整體經營溢利仍有54%的顯著增長，由二零零五年約28,800,000港元增至二零零六年約44,300,000港元，主要歸功於本集團的媒體業務收入增長及努力提升利潤率，與及本集團共同控制的印刷及海外業務的貢獻。

Management Discussion and Analysis

管理層討論及分析

Newspapers

Although the overall local advertising market remained buoyant during 2006, property-related advertising spending shrank by 13% as a result of the property market consolidation earlier in the year. Being the industry leader in property advertising, Sing Tao Daily was adversely affected by this market correction. Nonetheless, continuous efforts on building Sing Tao into a high quality newspaper for middle-class readers, with focus on finance, education and lifestyle content, had shown results. On the one hand, advertisements from these sectors grew in volume and gained market share, which helped to diversify the advertising customer base of the newspaper. On the other hand, the improved content brought in additional readers and raised circulation. Sing Tao Daily has been registering readership growth for four consecutive years, between 2002 and 2006, according to surveys by AC Nielsen. Specifically, with the launch of a retail version of the supplement "Investment Weekly", which became one of the most popular finance weeklies in the market, Sing Tao Daily has successfully developed a brand presence in the finance and investment segment.

Apart from readers' support, the editorial excellence of the newspaper also gained the market's recognition. In the well-regarded Hong Kong News Awards 2006 organized by The Newspaper Society of Hong Kong, Sing Tao Daily took the leading position by winning a total of 15 awards, including five top honors, and became the newspaper with the most awards in Hong Kong. In addition, The Standard also received five other prizes in the Awards.

2006 marked the first full year operations of Headline Daily, the Group's free newspaper positioned for mass market readers. During the year, Headline Daily clearly established itself as the number 1 free newspaper in Hong Kong in terms of circulation and readership, distribution network and content coverage. In response to demand from the market, circulation copies were increased to over 600,000 per issue, which further widened the leadership gap with other operators. Headline Daily committed additional resources to enrich its editorial content, and a number of reputable columnists were introduced to provide exclusive and insightful analyses on political, financial and current affairs. During the year, it also revamped its website www.hkheadline.com by adding a selection of interactive content, which expanded its base of

報章

儘管整體本地廣告市場於二零零六年持續向好，但由於物業市場於本年度早段進行整固，地產相關廣告開支下跌13%。《星島日報》作為業界的地產廣告領導者，因是次市場調整受影響。不過，《星島日報》持續打造成為專為中產讀者而設的優質報章，並專注於財經、教育及生活時尚內容的努力，已漸見成效。一方面，以上範疇的廣告量和市場份額日益增加，有助分散報章的廣告客源。另一方面，內容的增益也帶來新的讀者，令發行量上升。根據尼爾森研究顯示，《星島日報》從二零零二年至二零零六年已經連續四年錄得讀者人數增長。此外，隨報附送刊物《投資王》周刊於年內同時推出零售版，並成為市場上最受歡迎的財經周刊之一，《星島日報》從而成功在財經及投資領域建立了品牌地位。

除讀者的支持外，報章在編採方面的出色表現亦獲得了市場認同，在「香港報業公會」舉辦的「2006年香港最佳新聞獎」中，《星島日報》力壓其他競爭對手，共榮獲十五項獎項，其中包括五項冠軍，成為全港得獎最多之報章。此外，《英文虎報》亦在是次評獎活動中榮獲五項獎項。

二零零六年是本集團旗下以普羅讀者為目標的免費報章《頭條日報》的首個全年營運年度。在本年度，《頭條日報》已成為全港發行量與讀者群最大、發行網絡最廣及內容覆蓋最全面的免費報章。為回應市場需求，《頭條日報》的發行量增至每期逾600,000份，進一步拋離競爭對手。《頭條日報》投入了更多資源以豐富編採內容，並網羅多位著名專欄作家提供深刻及獨家的政治、財經及時事分析。在本年度，《頭條日報》更革新其網站頭條網，增加了一系列的互動內容，從而擴大了長期讀者群。事實證

Management Discussion and Analysis

管理層討論及分析

loyal readers. Headline Daily proved to be well-accepted not only among readers but also advertisers. Advertising revenue achieved consistent and significant growth throughout the year, with major market share gains in the retail, personal finance and education-related sectors. The financial performance of Headline Daily well exceeded expectations. Not only has it made a positive contribution to the Group's results for the year as a whole, but it has also complemented the performance of the Group's paid newspapers by providing an effective advertising medium for mass market consumption categories.

The Group's English-language business newspaper, The Standard, recorded another good year. Both circulation and advertising revenue achieved stable growth. The latter benefited from the vibrant financial markets in 2006, which drove up revenue from listed company announcements, as well as from increasing non-notices advertising. On the editorial side, The Standard continued to enhance its content, especially in finance and investment. It launched a new weekly investment supplement "The Standard Money", and also worked in conjunction with Sing Tao Daily on introducing Goodies, a children's publication tailored for its student readers. These efforts helped to diversify the readership base and revenue sources for the newspaper, in face of the abolition of mandatory announcements in newspapers by listed companies, phase 1 of which will come into effect on 25 June 2007.

During the year under review, the overseas operations of Sing Tao Daily continued to deliver satisfactory results in all major markets. The global economy generally improved but newspaper advertising spending in overseas markets actually weakened due to competition from online advertising. In addition, a range of new publications continued to enter the overseas Chinese markets, which put pressure on advertising volume and page rates. Nonetheless, thanks to previous investments made in our overseas operations to strengthen our product and readership bases, we were able to withstand the competition and achieve sound increase in revenue. At the same time, despite high newsprint prices and energy costs, management exercised great care in controlling expenses and increasing efficiencies to achieve growth in operating profit.

明，《頭條日報》不僅受到讀者歡迎，亦備受廣告商認可，於本年度其廣告收入持續取得顯著增長，其中以零售、個人財務及教育相關領域的市場份額增長幅度最大。《頭條日報》的財務表現遠超預期，不僅對本集團的整體年度業績產生積極貢獻，還為大眾化的消費品類別提供有效的廣告媒介，補足了本集團旗下收費報章的表現。

本集團的英文商務及財經資訊報章《英文虎報》於本年度亦表現良好，其發行及廣告收入均錄得穩步增長。廣告收入增長一方面受益於上市公司公告量隨著活躍的金融市場而上升，另一方面則受益於非通告類之廣告業務的增長。編採方面，《英文虎報》繼續優化內容，尤其著重於財經及投資方面。《英文虎報》推出了新投資周刊《The Standard Money》，並與《星島日報》合作推出了以學生為對象的兒童刊物《Goodies小小英語樂》。這些行動有助拓闊《英文虎報》的讀者群及收入來源，以減輕取消上市公司在報章刊登付費通告之規定的影響，而有關規定的第一階段將於二零零七年六月二十五日生效。

於本年度，《星島日報》的海外業務繼續在所有主要市場錄得理想業績。全球經濟普遍好轉，但受到網絡廣告的競爭所影響，海外市場的報章廣告開支卻有所減少。此外，繼續有一系列新刊物進入海外華人市場，對廣告量及廣告頁收費都帶來壓力。儘管如此，有賴本集團先前對海外業務作出的投資，鞏固了旗下產品及其讀者群，使海外業務足以應付競爭的壓力，並取得良好的收入增長。與此同時，管理層嚴格控制開支及提升效益，來抵銷報紙紙張價格及能源成本高企的影響，以達致經營溢利的增長。

Management Discussion and Analysis

管理層討論及分析

Magazines

The Group's Magazine business faced intense competition during the year. On the one hand, some of the competitors cut cover prices in order to boost copy sales and, on the other hand, magazine advertising spending came under pressure from other media, in particular outdoor media. Against this background, the Magazine unit maintained its market position, grew its revenue and improved its profitability.

The flagship magazine East Week continued its strategy of upgrading its quality and lifting its brand image, positioning itself as a premium current affairs magazine. It introduced a number of editorial enhancements and maintained its cover price. It also succeeded in attracting a high quality clientele of advertisers, especially in the categories of watches, cosmetics and high-end branded products. Average advertising page rates rose steadily and contributed to higher revenue and profit margins.

In the lifestyle magazine category, East Touch remained an icon of the most up-to-date trends in fashion, beauty, entertainment and lifestyle, whilst JET has established a strong position as a magazine focusing on sophisticated and quality living. JET also launched a "mini" version earlier in the year to offer its readers a more nimble format. By co-operating with internationally renowned brands and by offering creative advertising formats to advertisers, both magazines were able to achieve advertising revenue growth despite a highly competitive environment. PC Market continued on a steady trend with improvement in advertising revenue, reinforcing its position in the professional IT market.

Recruitment Media

During 2006, the recruitment advertising market in Hong Kong grew ever more challenging. Advertisers increasingly shifted to the online recruitment media, which offered very aggressive rates. The number of recruitment advertising pages in the print media market declined by 4% as compared with the previous year. JobMarket has been strengthening its online platform throughout the year and managed to increase its online revenue by 3 times, although its print revenue saw a decline. New sources of revenue were opened up through offering

雜誌

本集團的雜誌業務於本年度面對激烈競爭。一方面，若干競爭對手進行減價促銷，另一方面，雜誌廣告開支又受到來自其他媒體的壓力，其中尤以戶外媒體為甚。在此背景下，雜誌業務仍成功保持其市場地位，並錄得收入增長和盈利狀況的改善。

旗艦雜誌《東周刊》繼續實行提升素質及品牌形象的策略，將刊物定位為優質的時事雜誌。《東周刊》在編採方面作了一系列改進，並維持其售價，此外還成功吸引了一群高素質廣告客戶，當中尤以手錶、化妝品及高檔品牌產品類別的廣告增幅最為顯著。平均廣告頁收費穩步上升，令收入及溢利率有所增長。

在文化潮流雜誌類別，《東TOUCH》繼續受推崇為最新時裝、美容、娛樂及文化潮流的指標；而《JET》亦已確立其作為專注於優雅高質生活的雜誌之定位，並在二零零六年早段推出了一個更為輕巧的「迷你」版本。通過與國際知名品牌合作及向廣告商提供嶄新的廣告模式，該兩本雜誌的廣告收入均能夠在競爭激烈的環境下取得增長。《電腦廣場》繼續穩定發展，廣告收入有所增長，在專業資訊科技市場上的地位亦日益鞏固。

招聘媒體

於二零零六年，香港招聘廣告市場的情況愈趨嚴峻，越來越多的廣告商轉向收費偏低的網上招聘媒體，在平面媒體市場上刊登招聘廣告的版面數量較上年下降4%。《JobMarket求職廣場》全年一直加強其網上平台，令其網上收入增長三倍，但平面媒體收入則有所下降。該業務透過提供增值服務，包括

value-added services including industry-tailored recruitment supplements and events. The senior jobs website A-performers.com gained increasing market recognition. At the same time, the continuing education product, EDUplus.com.hk, continued to be a market leader and won two awards in the “HKMA/TVB Awards for Marketing Excellence 2006”.

Non-Media Operations

Trading

The Trading unit recorded good results during the year. The digital camera market in the PRC continued its uptrend and contributed to the Trading unit's 9% revenue growth. At the same time, operating profit achieved a significant increase of 129% in 2006 as compared with the previous year, which could be attributable to an improved operating environment in general, as well as a successful strategy of diversification into a new product range including other photographic products, bags and watches. The unit will continue to leverage on its distribution network to explore new business opportunities in a prudent manner.

Other Non-Media Operations

The 40%-owned Broadband Content and Distribution unit suffered from price competition and a generally stagnant market during the year. Average revenue per subscriber declined by almost one-third compared with the previous year. Accordingly, management has reassessed the value of the assets of this investment and the Group has shared a provision for impairment of HK\$29.5 million in 2006.

On the other hand, the 70%-owned E-Learning and Corporate Training unit delivered respectable results for the year. With the distant learning business in co-operation with the University of International Business and Economics becoming increasingly established and recognized, it provided the unit with a stable revenue and profit base. Further growth will be generated from the unit's corporate training business which sees increasing demand.

提供特別為各行業設計的招聘刊物及活動，來開拓新的收入來源。高級職位網站A-performers.com日益受到市場認可。與此同時，持續教育產品EDUplus.com.hk仍繼續為市場的領導品牌，並在二零零六年度「HKMA/TVB傑出市場策劃獎」榮獲兩個獎項。

非媒體業務

貿易

貿易業務於本年度錄得良好業績，國內數碼相機市場繼續其增長趨勢，令貿易業務收入增長9%。與此同時，二零零六年的經營溢利亦較去年大幅增長129%，有賴整體經營環境改善，與及進軍包括其他攝影產品、手袋及手錶等新產品範疇的多元化策略成功。該項業務將繼續充分利用其分銷網絡，審慎發掘新的商機。

其他非媒體業務

本集團擁有40%股權的寬頻內容與服務業務本年度表現受到價格競爭及市場飽和的影響，平均寬頻用戶收入較去年下降近三分之一。因此，管理層已重新評估該投資的資產之價值，而本集團已於二零零六年計入29,500,000港元的減值撥備。

另一方面，本集團擁有70%股權的遠程教育與企業培訓業務，於本年度錄得可觀業績。與北京對外經濟貿易大學合辦的遠程教育事務漸趨穩定並日益受到市場認可，為該業務提供了穩定的收入及溢利基礎。而企業培訓業務因市場對其需求殷切，將取得進一步增長。

Management Discussion and Analysis

管理層討論及分析

PROSPECTS

2007 presents the Group with challenges as well as opportunities. On the one hand, market competition is expected to continue to be intense and operating costs, despite the peaking of newsprint prices, will remain high. In addition, the abolition of listed companies' newspaper announcements will negatively impact the Group's revenue and profit.

On the other hand, it is anticipated that the Hong Kong economy will continue its upturn, which bodes well for the advertising markets in general. The Group has successfully built up a balanced portfolio of media products which will take advantage of domestic as well as global growth. Our strategy of expanding into the free newspaper market has yielded positive results. *Headline Daily* has not only performed above expectations, but it has also opened up new advertising revenue sources which complement *Sing Tao Daily's* established strengths in property advertisements. *Headline Daily* will focus on further improving its content and circulation strategy to reinforce its leadership position in the market, and is poised to become a key contributor to the Group's growth and profitability.

In order to facilitate and support the further growth of the Group's media business, particularly *Headline Daily*, the Group has recently announced plans to expand its production capacity, including the lease of land, the construction of a new printing factory and the purchase of printing equipment. Total capital spending is currently estimated at approximately HK\$290 million. Management will be prudent in implementing the expansion plan, and continue to be rigorous in developing our business strategy, diversifying our revenue sources and controlling costs, so as to increase our competitive edge.

EMPLOYEES

As at 31 December 2006, the Group had approximately 2,100 employees.

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

展望

對本集團而言，二零零七年可謂挑戰與機遇並存的一年。一方面，市場競爭預計將維持激烈，而縱然報紙紙張價格見頂，經營成本將持續高企。另外，取消上市公司在報章刊登付費通告的規定將對本集團的收入及溢利產生負面影響。

另一方面，預計香港經濟將繼續向好，對整體廣告市場有利。本集團已成功建立平衡的媒體產品組合，將可從本地及全球的經濟增長中受益。本集團進軍免費報章市場的策略已見成效，《頭條日報》不僅表現勝過預期，更開拓了新的廣告收入來源，補足《星島日報》在地產廣告方面的傳統優勢。《頭條日報》將進一步專注改善其內容及發行策略，以鞏固其市場上的領導地位，成為本集團增長及盈利的重要貢獻者。

為促進及支援其媒體業務發展，特別是《頭條日報》的業務，本集團最近公佈擴展生產設施計劃，包括租用土地、興建一所全新印刷廠房及購入印刷設備，總資本開支現時預計約為290,000,000港元。管理層將審慎地實行擴展計劃、嚴格訂定業務策略、拓闊本集團的收入來源及控制成本，以維持本集團的競爭優勢。

僱員

於二零零六年十二月三十一日，本集團共有約2,100名員工。

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