

Management Discussion and Analysis

管理層論述及分析

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 2005 (the “Year”) amounted to approximately HK\$1,825 million as compared with approximately HK\$1,441 million last year. The Group recorded exceptional gains of approximately HK\$186 million on disposal of a property and approximately HK\$24 million on waiver of a payable. Profit attributable to equity holders of the Company amounted to approximately HK\$221 million as compared with approximately HK\$0.8 million last year.

The board of directors of the Company (the “Board”) proposed a final dividend of HK1.5 cents per share, included therein is a special final dividend of HK1.0 cent per share for the gain on disposal of a property. The dividend for the Year shall be HK2.0 cents per share.

FINANCIAL REVIEW

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

The Group maintained a strong financial position with a net cash position throughout the Year. During the Year, the Group received approximately HK\$367 million from disposals of items of property, plant and equipment, and invested approximately HK\$441 million in various high yield short-term investments to maximize the return on cash on hand. As at 31 December 2005, the Group had a net cash balance (calculated with reference to the Group’s cash balances and total borrowings) of approximately HK\$303 million (31 December 2004: approximately HK\$468 million).

The gearing ratio, defined as long-term borrowings to equity, was zero as at 31 December 2005 (31 December 2004: zero). As at 31 December 2005, the Group had pledged time deposits of approximately HK\$77 million (31 December 2004: approximately HK\$42 million) to secure banking facilities granted to the Group.

財務業績

截至二零零五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1,825,000,000港元，去年則為約1,441,000,000港元。本集團因出售物業及豁免一筆應付款項而分別錄得非經常收益約186,000,000港元及約24,000,000港元。本公司股權持有人應佔溢利約221,000,000港元，去年則約800,000港元。

本公司董事會（「董事會」）建議派發末期股息每股1.5港仙，當中包括就出售一項物業收益而派發特別末期股息每股1.0港仙。本年度之股息將為每股2.0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，本集團出售物業、廠房及設備收取約367,000,000港元，並投資約441,000,000港元於若干高回報短期投資，以擴大大手頭現金回報。於二零零五年十二月三十一日，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303,000,000港元（二零零四年十二月三十一日：約468,000,000港元）。

於二零零五年十二月三十一日，資本負債比率（即長期借貸與資本之比率）為零（二零零四年十二月三十一日：零）。於二零零五年十二月三十一日，本集團已抵押定期存款約77,000,000港元（二零零四年十二月三十一日：約42,000,000港元），作為本集團銀行備用額之擔保。

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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 2005, the Group did not have any contingent liability or claim which the directors of the Company (“Directors”) considered to be material.

BUSINESS REVIEW

Media and Media-related Operations

During 2005, Hong Kong’s economy continued to improve. The unemployment rate declined, market sentiment revived and consumer spending increased, which all led to growth in advertising demand. The Group’s Media Operations benefited from the buoyant advertising market and attained spectacular results for the Year, with across-the-board growth in all key business units. Revenue of the Media Operations increased from approximately HK\$1,188 million to approximately HK\$1,359 million, or by 14%, in 2005 as compared with 2004. Although additional operating expenses were incurred during the Year for the launch of the Group’s new free newspaper products, and higher cost of sales also arose from escalating newsprint prices, the Media Operations achieved an operating profit of approximately HK\$13.1 million in 2005, compared with an operating loss of approximately HK\$3.5 million in 2004.

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，本集團於二零零五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

香港經濟於二零零五年持續好轉。失業率下跌、市場氣氛復甦及消費者開支增加均令廣告需求上升。受惠於蓬勃的廣告市場，本集團之媒體業務於本年度取得卓越的業績，所有主要業務皆呈全面增長。媒體業務於二零零五年之收入約1,359,000,000港元，相較於二零零四年之約1,188,000,000港元，上升14%。儘管本年度本集團因推出全新免費報章而須承擔額外營運開支，銷售成本亦因報紙紙張價格攀升而增加，但媒體業務於二零零五年仍錄得經營溢利約13,100,000港元，扭轉了二零零四年約3,500,000港元的虧損。

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Newspapers

The year under review saw solid growth at Sing Tao Daily. This flagship newspaper of the Group enjoyed an outstanding increase in advertising revenue in 2005, mainly driven by advertisements for the property and retail sectors. The newspaper's established leadership in property advertising positioned it well to benefit from the renewed dynamism in the real estate market, and its performance surpassed its competitors by a major extent during the Year. In addition, advertisements for the education and finance sectors also gained market share, reflecting the success of the editorial efforts put into improving both the quality and quantity of these sections of the newspaper over the recent years. Overall, the advertising customer base of Sing Tao Daily achieved a considerable extension in both its breadth and depth, and provided a strong basis for its revenue growth.

During the Year, competition in the local newspaper market intensified with retail price cut, special promotion campaigns and additional content offers by other newspapers. Sing Tao Daily continued to focus its editorial efforts on areas where it had traditional competitive strengths, namely Property, Finance, Education and Political news, to serve the needs of its middle class readers and to differentiate its market positioning. To demonstrate the market's recognition of the newspaper's editorial accomplishments, in the Hong Kong News Awards 2005 organized by The Newspaper Society of Hong Kong, Sing Tao Daily topped its rivals by winning seven awards, especially in the business and finance categories. Another testimony to the success of the newspaper's editorial strategy was its continuing circulation and readership growth, the increased industry competition notwithstanding.

2005 marked a new milestone for the Group as it made its foray into the free newspaper market. Headline Daily was launched in July 2005 and quickly established itself as the number one free newspaper in Hong Kong in terms of circulation volume and distribution coverage. Currently, Headline Daily is available at over 800 selected distribution

報章

在本年度，《星島日報》的業務增長強勁。作為本集團的旗艦報章，《星島日報》於二零零五年的廣告收入升幅顯著，而增長主要來自地產及零售類別的廣告。《星島日報》於地產廣告市場所建立的領導地位，使其在本年度再度活躍的房地產市場中受惠，表現遠拋離競爭對手。此外，《星島日報》在教育及財經類別廣告的市場佔有率均有所增加，反映近年其致力改善教育版及財經版內容質量的成果。總括而言，《星島日報》成功擴闊其廣告客源，並為其收入增長奠定穩健的基石。

於本年度，由於其他報章減價、推出特別優惠及附加內容，使本地報章市場競爭加劇。而《星島日報》則繼續致力專注於其傳統內容優勢，強化地產、財經、教育及政治新聞，以照顧中產階層讀者的需要及突出其市場定位。在「香港報業公會」舉辦之「2005年香港最佳新聞獎」中，《星島日報》力壓其他競爭對手，榮獲七項獎項，在商業及經濟組別表現尤為出色，足見市場對《星島日報》之編採素質的認同；而《星島日報》的發行量及讀者人數持續增長，亦是其編採策略成功的另一證明。

本集團在2005年首度進軍免費報章市場，為其立下新的里程碑。《頭條日報》於二零零五年七月創刊，並已迅速成為全港發行量第一及派發網絡覆蓋最廣的免費報章。現時，《頭條日報》於港、九、新界逾800個派發點供讀者取閱。《頭條日報》定位為綜合性報章，以普羅讀者為目標，並為各式消費產品及服務提供

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points throughout Hong Kong Island, Kowloon and the New Territories. Positioned as a general newspaper for the mass market readers, Headline Daily provided an effective advertising platform for a wide range of consumer products and services. Since its launch, the advertising revenue of Headline Daily had achieved impressive growth and its financial performance had been above expectations. Together with Express Post, a free weekend newspaper launched by the Group in September 2005, Headline Daily rendered the Group's newspaper business with access to a new and distinct segment of the market. At the same time, the operations benefited from significant cost synergies with the Group's existing media products.

The Group's English-language business newspaper, The Standard, recorded another respectable year. Following a number of editorial enhancements including the launch of a Property section, a Monday Money feature section, a monthly Leisure Standard supplement as well as a re-launched Weekend Standard, circulation had seen a double-digit increase in 2005 as compared with 2004. During the Year, advertising revenue saw steady growth, despite keen competition on notices advertising which kept page rates under pressure. Although The Stock Exchange of Hong Kong Limited (the "Stock Exchange") has not confirmed its final plans on the abolition of the requirement for listed companies to publish paid announcements in newspapers, The Standard has been making preparations for the policy change, in terms of diversifying its revenue base in order to mitigate the impact. At the same time, the newspaper will leverage on the resources of Sing Tao Daily and other media products of the Group to continue to strengthen its competency in the most cost-effective manner.

有效的廣告平台。自創刊以來，《頭條日報》的廣告收入錄得顯著增幅，其財務表現更是超越預期。《頭條日報》連同本集團於二零零五年九月推出之周末免費報章《快線周報》，為本集團的報章業務拓展新的市場領域。同時，該兩份免費報章可借助本集團旗下現有媒體產品的資源，產生成本協同效益。

本集團之英文商務及財經資訊報章《英文虎報》錄得另一年穩健的業績。隨着一連串加強編採內容的行動，包括加插地產版、Monday Money版、《英文虎報消閑版》月刊及推出全新《周末虎報》，《英文虎報》於二零零五年的發行人數較二零零四年錄得雙位數字的升幅。在本年度，儘管通告刊登市場競爭激烈而令平均廣告頁收費受壓，但《英文虎報》的廣告收入仍有穩定增長。雖然香港聯合交易所有限公司（「聯交所」）未有就廢除上市公司須於報章刊登付費通告之強制性規定落實最終計劃，但《英文虎報》已著手就政策改變作準備，使收入基礎更多元化以減輕所受的影響。同時，《英文虎報》將善用與《星島日報》及其他媒體產品資源共享的優勢，繼續以最具成本效益的運作模式來加強自身的競爭力。

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During the year under review, good progress was made at the overseas operations of Sing Tao Daily, which achieved satisfactory growth in both advertising and circulation revenue. The Group consolidated its leadership position in all its major markets, despite challenges from higher commodities prices which imposed pressure on operating expenses, and from competition posed by a myriad of new publications targeting the overseas Chinese communities. In San Francisco and Toronto, where new competitors had entered the market, Sing Tao Daily's leading position had remained intact. In Los Angeles, the new printing plant came into full operations in August 2005, and had helped to increase the production efficiency of the newspaper whilst generating additional revenue from its commercial printing activities.

Magazines

The Group's Magazine business delivered substantial improvements in its results in 2005 as compared with 2004. In particular, its flagship magazine East Week reported strong performance on both the advertising and circulation fronts. Advertising revenue recorded a double-digit growth in 2005, which could be attributed to increases in advertising volume as well as in average page rates. During the Year, East Week made efforts on improving its content quality and lifting its brand image, which raised its appeal to both the advertisers and readers. The magazine was successful in developing new categories of advertising, especially high-end and brand advertisements. At the same time, East Week proved to be an increasingly popular infotainment magazine, as evidenced by the latest survey on readership. According to Nielsen Media Index – Hong Kong Report (January – December 2005), East Week's market ranking in terms of readership had risen to the number 3 position, having attained the second largest readership increase among all magazines included in the survey.

於本年度，《星島日報》海外業務進展良好，廣告及發行收入均獲得理想增長。縱使原料物價上漲令營運支出受壓，以及大量針對海外華人社區的新刊物加入競爭，但本集團仍能鞏固《星島日報》海外版於各主要市場的領導地位。於美國三藩市及加拿大多倫多，縱使有新的競爭對手加入市場，但《星島日報》在當地的領導地位並未受到影響。另外，位於美國洛杉磯的全新印刷廠房已於二零零五年八月全面投入運作，此全新的廠房不但提升報章的生產效率，同時亦透過其商業印刷業務為本集團帶來額外收入。

雜誌

本集團之雜誌業務於二零零五年的業績相較二零零四年錄得顯著進步，其中以集團的旗艦雜誌《東周刊》於廣告及發行量的表現尤為強勁。有賴廣告量及平均廣告頁收費上升，廣告收入於二零零五年錄得雙位數的增長。在本年度，《東周刊》致力改善其內容質素及提升其品牌形象，藉以加強《東周刊》對廣告商及讀者的吸引力。該雜誌成功開發新的廣告類別，特別是高檔及品牌產品廣告。與此同時，最新讀者人數調查顯示，《東周刊》已成為一本愈受歡迎的資訊娛樂雜誌。根據尼爾森媒介指數—香港報告（二零零五年一月至十二月），《東周刊》讀者人數已晉身全港雜誌的第三位，更是該調查報告內的所有雜誌中讀者人數升幅最大的第二位。

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Another key product of the Group's Magazine business, PC Market, also contributed notable achievements in 2005. According to the same survey by AC Nielsen, PC Market took the number 1 spot in readership among IT magazines, clearly consolidating its leadership position as the most recognized magazine of its genre in Hong Kong. With the launch of a new booklet, PCM Light, customized for digital home living, PC Market continued to enjoy high popularity among both the IT professionals as well as general readers.

Competition in Hong Kong's magazine market stepped up in 2005, with a proliferation of new titles hitting the market and a series of price cutting by new and incumbent players, especially in the lifestyle magazine category. Within the Group's Magazine business, the impact of the competition was most felt by East TOUCH and JET. In spite of the market pressure, both magazines managed to improve their performance during the Year. Through their insightful coverage of the most up-to-date lifestyle trends, as well as co-operation with a number of internationally renowned brands, the magazines had established themselves as an important marketing platform for branded fashion, watches, cosmetics and other trendy products.

Recruitment Media

During 2005, the Group's Recruitment Media business delivered encouraging results, thanks to the continued improvement of the local economy. Hong Kong's youth unemployment rate declined to a record low since 1998, and demand for recruitment advertising grew steadily. However, the traditional print platform had become increasingly mature with declining profit margins and tough competition. In line with the market trend towards online recruitment advertising, JobMarket offered more flexible advertising packages through www.jobmarket.com.hk and increased its overall online revenue by over 50% during the Year. It consistently delivered innovative ideas and first class

本集團之雜誌業務另一主要產品《電腦廣場》亦於二零零五年為雜誌業務貢獻業績。根據上述尼爾森研究顯示，《電腦廣場》讀者人數於所有資訊科技雜誌中名列榜首，肯定了其在香港同類雜誌中最廣受認同的領導地位。加插了為數碼家居生活而設的全新別冊《PCM Light》，《電腦廣場》繼續備受資訊科技界專業人士及普羅讀者歡迎。

由於有大量新刊物湧現市場，同時新及現有雜誌推出減價行動，使香港雜誌市場競爭在二零零五年進一步升級，其中尤以文化潮流類別的雜誌市場為甚。於本集團之雜誌業務中，以《東TOUCH》及《JET》最深受競爭所影響。儘管備受市場壓力，該兩本雜誌在本年度的表現均有進步。透過深入報道最新文化潮流趨勢，並與多個國際知名品牌合作，該兩本雜誌已建立清晰定位，成為名牌時裝、手錶、化妝品及其他時尚產品的重要市場推廣平台。

招聘媒體

於二零零五年，受惠於本地經濟持續改善，本集團之招聘媒體業務的業績令人鼓舞。香港青年失業率下跌至一九九八年以來之新低，招聘廣告的需求平穩增長。然而，隨着傳統之平面媒體平台日漸成熟，其邊際利潤已見下降，同時競爭亦轉趨激烈。為配合網上招聘廣告之市場趨勢，《JobMarket求職廣場》透過www.jobmarket.com.hk提供更靈活的廣告組合，而整體的網上收入亦於本年度增加逾50%。《JobMarket求職廣場》持續為招聘者及求職者提供創新意念及優質的客戶服務。此外，為了把握高級職位人士網上招聘市場的發展空間，《JobMarket求職廣場》於二零零五年

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customer service to both recruiters and job seekers. In addition, to take advantage of a gap in the online recruitment market for top posts, JobMarket launched a new recruitment website, known as www.A-performers.com, in October 2005, which was tailor-made for middle to senior job positions in Hong Kong and mainland China.

The market's demand for continuing education remained high. By means of an integrated print and online platform, EDUPlus continued to provide an advertising and information medium for further education, and served as a complementary product to JobMarket within the Recruitment Media business.

Other Media-related Businesses

The Group's other Media-related businesses included print media distribution in mainland China, and the amalgamation, packaging and sale of the Group's and third-party content and information in Hong Kong and mainland China. These businesses progressed steadily during the Year, and served to pave the way for the expansion of the Group's media business in mainland China.

Non-media Operations

Trading

The Trading business recorded a remarkable growth in revenue of 85% in 2005 compared with 2004, and operating profit made an impressive jump from HK\$1.4 million to HK\$6.2 million. Sales of digital cameras grew dramatically, especially during the first half of the Year, but signs of slowing down were beginning to be seen in 2006. In order to maintain its margins, the team made persistent efforts to improve its sales and marketing capabilities, and placed strong emphasis on operational efficiencies.

十月推出了一個專為香港及內地中高層人士而設的全新求職網站www.A-performers.com。

由於市場對持續教育的需求仍高，透過平面刊物及網上平台的配合，《EDUPlus進修指南》繼續為持續教育提供廣告及資訊平台，並於招聘媒體業務中與《JobMarket求職廣場》相互補足。

其他媒體相關業務

本集團的其他媒體相關業務包括國內合資經營的平面媒體發行服務，以及於香港及國內整合、包裝與銷售本集團及其他內容供應商的資訊。該等業務於本年度平穩發展，為本集團拓展內地媒體業務鋪路。

非媒體業務

貿易

貿易業務的收入於二零零五年錄得顯著增長，相較於二零零四年增幅約85%；而經營溢利由1,400,000港元躍升至6,200,000港元。數碼相機銷售量顯著增長，其中尤以本年度的上半年之升幅最為可觀，但於二零零六年卻有開始放緩的跡象。為了維持業務的溢利率，該部門不斷致力提升其銷售及市場推廣能力，並加強營運效率。

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Broadband Content and Distribution

The Broadband Content and Distribution business, operated through 40%-owned Beelink Information Science & Technology Co., Ltd. (百靈信息科技有限公司), suffered from price competition from national market leaders, which resulted in a substantial decline in revenue and margins. To mitigate the impact, the business continued to diversify its revenue base and maintained stringent control on costs.

E-Learning and Corporate Training

The e-learning and corporate training business in the PRC, carried out through 70%-owned China Human Capital Management Company Limited (北京經華智業教育科技有限公司), made solid progress during the Year. As at the 2005 year end, the web-based distant learning university "eUIBE" had over 17,200 students enrolled. In order to broaden the business base, discussions are underway to expand enrollment outside mainland China including Hong Kong, Singapore, Malaysia through co-operation with local educational institutions.

PROSPECTS

In 2005, the Group's core Media Operations had staged a distinct turnaround, thanks to favourable business conditions as well as the strong market position that the Group had built up in recent years. At the same time, the newly-launched media projects had performed better than expected, and the positive momentum has carried on into the current year. Headline Daily continues to deploy additional resources to refine its content and distribution strategy, in order to reinforce its lead among the competition. Although it is normal for new publications to take at least one to two years to make a positive contribution to bottom line results, management believes that the Group's free newspaper products will provide one of the most important impetus for the Group's growth and profitability in the medium and longer term.

寬頻內容與服務

本集團的寬頻內容與服務業務，透過其擁有40%股權之百靈信息科技有限公司營運。該業務受到全國主要寬頻服務商的減價戰影響，以致其收入及溢利率均有顯著下降。為了緩和市場競爭所帶來的影響，該業務繼續分散其收入基礎及嚴格控制成本。

遠程教育與企業培訓

本集團所經營的國內遠程教育與企業培訓業務，透過其擁有70%股權的北京經華智業教育科技有限公司，在本年度有穩步增長。於二零零五年底，網上遠程大學「eUIBE」已招收超過17,200名學生。為擴闊業務層面，現正透過與香港、新加坡及馬來西亞等當地的教育機構合作，開拓內地以外的招生網絡。

展望

於二零零五年，受惠於利好營商條件，以及本集團近年建立穩固的市場地位，本集團之核心媒體業務已明顯扭轉形勢。同時，新推出的媒體項目表現超越預期，而強勁勢頭在二零零六年仍然持續。《頭條日報》亦繼續投放額外資源以強化其內容及發行策略從而鞏固市場的領導地位。縱使新刊物一般需要最少一至兩年才能帶來盈利，但管理層相信，中、長期而言，本集團的免費報章將成為本集團增長及盈利的主要推動力。

Management Discussion and Analysis

管理層論述及分析

Going into 2006, the continuing increase in commodity prices and the impact of rising interest rates have put some uncertainty over the business environment in which the Group operates. The Group will remain committed to growing its media business in a focused manner, whilst placing emphasis on cost control and operational efficiencies. Having sold its office building in Kowloon Bay, the Group will move into new leased premises later this year. Management expects that overall office-related operating expenses will be reduced upon the move into the new premises even after the rental expenses are taken into account, as the office building in Kowloon Bay had required increasingly high maintenance costs due to its age. Overall, the Group is optimistic that its positive trend will continue and that it will generate increasing returns to its shareholders.

EMPLOYEES

As at 31 December 2005, the Group had approximately 2,200 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.

踏入二零零六年，原料物品價格持續上漲及利率上升皆為本集團的營商環境帶來一些不明朗的因素。本集團將會繼續致力專注發展媒體業務，同時並會嚴格控制成本及提高營運效率。本集團於九龍灣的辦公大樓已售出，在今年稍後時間將會搬遷至新的租用辦公地點。由於舊有的辦公大樓漸趨老化，使近年需要投放的維修保養費用不斷增加，管理層估計，搬進新辦公大樓後，經扣除租金仍可節省相關開支。本集團對維持其業務發展的良好趨勢感到樂觀，並相信將能為股東帶來更高的回報。

僱員

於二零零五年十二月三十一日，本集團共有約2,200名員工。

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