

Management Discussion and Analysis

Financial Results

The consolidated turnover of the Group on the continuing operations for the year amounted to HK\$1,182 million as compared with HK\$993 million last year. The Group recorded an exceptional gain on reversal of provisions in a jointly-controlled entity for approximately HK\$54.6 million, which was realised upon the disposal of a hotel in Canada held by a jointly-controlled entity. Profit after tax for continuing operations amounted to HK\$9.7 million as compared to the loss of HK\$31.3 million last year.

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 under review. During the year, the Group has realised approximately HK\$75 million on the disposal of a hotel in Canada after repaying the mortgage loan and related expenses and has invested approximately HK\$94 million in a jointly controlled entity in the People's Republic of China ("PRC"). As at 31st December 2003, the Group had a net cash balance of HK\$545 million.

The gearing ratio defined as long-term borrowings to equity as at 31st December 2003 was zero (2002: zero). The Group has pledged time deposits of approximately HK\$58 million (2002: HK\$28 million) to secure the banking facilities to the Group.

財務業績

本集團本年度持續經營業務之綜合營業額約為1,182,000,000港元，而去年之營業額則約為993,000,000港元。本集團因撥回共同控制公司撥備而獲取非經常收益約54,600,000港元，乃因出售共同控制公司於加拿大持有之酒店而變現。持續經營業務除稅後溢利約為9,700,000港元，而去年虧損則約為31,300,000港元。

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

本集團於年度之財務狀況維持穩健，全年保持淨現金狀況。年內，本集團出售於加拿大之酒店（償付按揭貸款及相關開支後）獲取現金約75,000,000港元，及投資於一中華人民共和國（「中國」）之共同控制公司約94,000,000港元。於二零零三年十二月三十一日，本集團之現金結餘淨額約545,000,000港元。

於二零零三年十二月三十一日，資本負債比率（即長期借貸與資本之比率）為零（二零零二年：零）。本集團已抵押定期存款約58,000,000港元（二零零二年：28,000,000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 has a treasury department to monitor and enhance the return on the cash on hand and to minimize the impact on the Group as a result of fluctuation in foreign currencies. Last year, the Group benefited from the appreciation of the Canadian dollar as our interests in the hotel in Canada was disposed of during the year. However, the appreciation of the Japanese Yen has hurt the profit margin of the Trading Unit. The Group has used different hedging methods with a view to mitigating the impact on the Group's margin resulting from the Yen fluctuations during the year.

Contingent liabilities

Save as the corporate guarantee given to banks to secure the general banking facilities, as at 31 December 2003, the Group did not have any contingent liability or claim which the directors considered to be material.

BUSINESS REVIEW

2003 was a challenging year for the Group. We continued to build our media-related business and were able to achieve satisfactory results for both the Media Ownership Unit as well as the Media Services Unit. We were especially pleased with the performance of our core newspaper, Sing Tao Daily, which posted encouraging growth in both advertising revenue and circulation worldwide in an eventful year highlighted by the SARS outbreak and Iraqi War. During the year, the Group had also disposed of several remaining non-core assets at favorable prices and contributed to our already healthy cash position.

資本結構、匯率波動風險

本集團設有司庫部門負責監控及提升手頭現金之回報及減低外匯波動對本集團之衝擊。年內，由於本集團將其於加拿大之酒店之權益出售，從而得享加元升值之利。然而，貿易部之利潤率則受日圓升值所累。本集團已使用不同之對沖方法以減低年內日圓波動對集團利潤之影響。

或然負債

集團除為一般銀行備用額向銀行提供公司擔保外，於二零零三年十二月三十一日，本集團並無任何董事認為屬重大之或然負債或索償。

業務回顧

二零零三年是本集團充滿挑戰的一年。這一年來，我們不斷努力發展媒體相關業務，並在媒體出版與媒體服務兩方面取得令人滿意的業績。在這個爆發沙士疫症及伊拉克戰事的多事之秋，集團的旗艦報章《星島日報》在廣告收益和全球發行量均取得良好增長。年內，集團又順利以理想價錢出售剩餘數項非核心資產，進一步鞏固集團的現金狀況。

MEDIA OWNERSHIP UNIT

1. Newspaper Group – Sing Tao Newspaper Group Limited (“Sing Tao”)

As a result of constructive restructuring and stringent cost control, the Newspaper Group recorded growth in both revenue and operating profit in 2003. For Sing Tao Daily, focusing on middle class and professional sectors was a proven success. The paper was well received by both readers and advertisers and we expect continued support from both ends. Growth was particularly evidenced on the weekend editions where we added more celebrity interviews and infotainment features.

In line with the re-positioning in 2002 as an English-language newspaper focusing on the Greater China region, The Standard continued to develop its coverage of business and financial markets in the region. Operating results were satisfactory as advertising from the paper’s core financial market remained strong. In January 2004, a new and very experienced management team was installed reflecting the Group’s commitment to allocate increased resources on its English-language publication.

Through a series of exercises such as repackaging the paper, enhancing and broadening of content, as well as implementing vigorous marketing campaigns, Sing Tao’s overseas operations recorded a significant growth in both circulation and advertising revenue. We further extended our leading edge toward our competitors in most markets. Efficient support was provided by our production department in Shenzhen, as well as utilising a worldwide editorial force – enabled us to further improve the quality of our papers. This is a great step forward to strengthen our position as the leading Chinese newspaper in the world.

媒體出版業務

1. 報業集團 — 星島報業集團有限公司（「星島」）

經過建設性重整及嚴控成本，「星島」在二零零三年的收益及經營溢利均錄得增長。《星島日報》自重新定位為一份主攻中產及專業人士的中文報章後，年來大受讀者及廣告商的歡迎與支持，成績有目共睹。《星島日報》週末版自從加入名人專訪及增添綜合性時事資訊內容後，讀者人數和銷量的上升幅度尤其明顯。

自二零零二年起，《英文虎報》定位為一份以大中華區為市場、主力提供財經訊息的英文報章。年來該報不斷加強對區內商業與金融市場的報導。由於來自金融市場的廣告保持強勁，該報在年內的業務發展令人滿意。集團並在二零零四年一月新聘一班具資深傳媒經驗的管理班子加入《英文虎報》，反映集團銳意投入更多資源於英文出版刊物的決心。

「星島」海外業務經過一系列重新包裝、加強內容的深廣度以及積極進行市場推廣後，發行量及廣告收益均錄得顯著上升，這使我們在多數市場中具有更大的競爭優勢。另一方面，集團在深圳設立的製作中心也給於報章業務強而有力的支持，再配合緊密無間的全球編採資源，使得集團的報章質素更上一層樓。

2. Magazine Group – China Touch Media Solutions & Services Limited (“China Touch”)

China Touch went through a controlled growth period in 2003 where we published some new titles as well as consolidated and repackaged the existing titles. The new East Week magazine, consisting of three individual books, was launched in September 2003 and was able to successfully capture a respectable market share in a very competitive market. East Touch continues to be a must-read for readers aiming to catch up with the latest trends in all sorts of consumer products. This title will go through periodic face-lifts in order to give readers a lively, fun, healthy perspective and will always position itself as a front-runner in trends. PC Market remained as the leading title among similar type computer magazines in the market. More innovative and educational content will be injected into this magazine to further solidify its position. The other magazine titles such as Caz Buyer and JET were also well received by readers and advertisers, and have successfully established their names in the market. China Touch underwent a restructuring in early 2004 where a new management team from Sing Tao was transferred to operate all magazine titles. With their years of editorial experience at Sing Tao, it will help the Magazine Group to move to the next level and further strengthen its already rich content base. Moreover, these magazine content can also be used in all publications within the Group as well. For instance, Sing Tao’s overseas editions have already started to insert a separate weekly version of the East Week magazine which have immediate positive impact on both advertising and circulation revenue.

2. 雜誌集團 — 華風媒介發展顧問有限公司 (「華風媒介」)

「華風媒介」於二零零三年保持有序的增長，在出版新刊物之餘亦針對部分現有雜誌進行合併和重新包裝。新的《東周刊》(一書三冊)於二零零三年九月面世，並成功在各個競爭激烈的市場界別取得可觀佔有率。專門提供各類最新消費資訊的《東TOUCH》，繼續成為讀者的必讀之物。為了確保時刻走在潮流尖端，《東TOUCH》將定期更新版面，務求帶給讀者朝氣、活潑和健康的氣息。《電腦廣場》仍然是市場上最暢銷的電腦雜誌。為了鞏固其龍頭地位，該雜誌會不斷注入更多創新和教育內容。「華風媒介」旗下其他刊物如《Caz Buyer》及《JET》等，也受到讀者及廣告商歡迎，並成功在市場打響名堂。「華風媒介」於二零零四年初進行重組，並從「星島」調來新的管理班子主理全線雜誌刊物。新的管理層在「星島」具備多年編採經驗，他們的加入將有助於帶領雜誌集團朝向更高領域發展，使既有的豐富內容更具深度，並供集團旗下其他刊物共享。例如星島海外版已開始隨報附送《東周刊》，為廣告及發行收益帶來正面影響。

3. Book Publication Group – World Link Publishing Group Limited (“World Link”)

Established in December 2002, World Link has since published more than 100 titles leveraging on the growing content pool of the whole Group, and successfully established its presence in the local publishing market under the name of Sing Tao Publishing. The travel, parenting and educational titles were especially well received. We also participated in worldwide book fairs in places like Frankfurt and Beijing, as well as having a very strong presence in the Hong Kong Book Fair in the summer of 2003. Satisfactory sales revenue was achieved in the year and we expect more of the same in 2004 where a further 100 plus titles will be published in addition to reprints of popular existing titles. Discussions are also underway with some PRC and world-renowned publishers for cooperation opportunities.

4. Non-Print Publication

The Group’s multimedia joint ventures with Xinhua News Agency, underwent some restructuring in 2003. Performance of the 55% owned Xinhua Online Info-tech Company Limited (北京新華在線信息技術有限公司) was in line with management’s expectation especially with the successful strategic alliances with Dow Jones Industrial Group to provide exclusive contents in the PRC, which was given a high rating within the industry.

3. 圖書出版集團 — 華靈出版集團有限公司 (「華靈出版」)

「華靈出版」於二零零二年十二月成立，透過整合集團旗下刊物所製作的內容，在年內出版百多本新書。「華靈出版」以「星島出版」之名於本地圖書市場佔有一席位，其所出版的旅遊、家長及教育系列書籍尤其暢銷。「華靈出版」亦先後參加在法蘭克福及北京等地舉行的國際大型書展，此外，在二零零三年參加香港書展亦備受注目。鑑於年內取得理想的銷售收益，「華靈出版」計劃再版現有的暢銷書目，並加推百本新書，故可以預期二零零四年的成績會更加理想。「華靈出版」亦正與部分國內及海外知名出版商洽談合作機會。

4. 非印刷出版

本集團與新華通訊社成立的兩間合資企業於二零零三年經過若干重整。其中，本集團擁有55%權益的「北京新華在線信息技術有限公司」業績表現符合管理層預期。該公司成功與道瓊斯工業集團建立策略性聯盟，在國內提供精辟獨到的財經內容，在行內獲高度評價。

MEDIA SERVICES UNIT

1. Print Media Distribution

Greater China Media Services Ltd. (“GCMS”) (大華媒體服務有限責任公司) is the Group’s jointly-controlled entity in the PRC engaged in distribution of print media products including newspaper, magazines and books. The outbreak of SARS in the PRC in the second quarter of 2003 has delayed the development of this business, but significant progress was made up in the second half of the year. GCMS rolled out its magazine distribution business partnering with a well-known PRC publisher and established a majority owned joint venture, Da Hua Hong Jin Magazine Distribution Company Limited (“DHHJ”) (北京大華弘景期刊發行有限責任公司), which has secured long term national distribution rights for the renowned “Rui-Li” (瑞麗) series of fashion/lifestyle magazines. Starting with 15 magazines, DHHJ has now extended its distribution rights to over 50 magazine titles. In October 2003, our distribution business further established a foothold in Southern China where DHHJ acquired a majority stake in a leading publication distributor in Guangdong Province handling over 900 titles. Going forward, GCMS will continue to develop its nation-wide network, in a controlled manner, through acquisitions as well as strategic alliances.

媒體服務組

1. 平面媒體發行

大華媒體服務有限責任公司(「大華媒體」)是集團在國內成立的的共同控制公司，專營全國平面媒體產品發行(包括報章、雜誌及書籍)。二零零三年第二季，國內爆發沙士疫症拖慢了該業務的發展步伐，但自下半年起已取得顯著進展。「大華媒體」在年內夥拍國內知名出版商正式展開雜誌發行業務，並與該出版商成立合營企業「北京大華弘景期刊發行有限責任公司」(「大華弘景」)，擁有該合營企業過半數股權。「大華弘景」已取得國內知名時裝潮流雜誌《瑞麗》系列刊物的長期發行權。至今，「大華弘景」已從最初的15本雜誌發展到現在擁有逾50本雜誌的發行權。二零零三年十月，「大華弘景」收購了廣東省一家處理逾900個刊號的大出版發行商的大部分股權，使集團的發行業務版圖擴大到華南。展望將來，「大華弘景」將通過收購及策略聯盟，逐步建立起全國性發行網絡。

2. Content Sales and Distribution

Initiated by the Group's "Centralized Media Kitchen" concept, efforts have been made to provide fast, comprehensive and cost effective content to third party media operations by establishing a one-stop sales platform. The business will benefit greatly from the likes of the "Individual Visit Scheme" and the fast growing value added businesses from telecommunication operations within the region where demand for abundant content provision becomes inevitable. In light of this, the Group has specially appointed a team headed by a media veteran, who has worked for a well-known PRC publication and possesses an extensive network in the PRC, to coordinate the overall content sales business.

2. 內容銷售及發行

建基於集團「中央廚房」的內容發展概念，本集團已著手建立一站式銷售平台，以向第三方媒體提供快速、涵蓋面廣及具成本效益的內容。「自由行計劃」和快速增長的區內電訊營運增值業務，對內容供應的需求殷切，大大有利於這項業務的發展。有見及此，集團特別委聘一名曾在國內某大出版機構工作多年，在國內人脈甚廣的資深傳媒人領導專責小組，統籌銷售業務。

HUMAN CAPITAL MANAGEMENT GROUP

The Human Capital Management Group comprises two main businesses: 1) publishing of recruitment and continuing education type publications in both Hong Kong and the PRC; and 2) the provision of classroom and e-learning corporate training courses through a joint venture with a well-known PRC business university. Our local recruitment publication, Job Market, continued to face keen competition in 2003. This was not helped by the SARS outbreak, which halted a significant amount of the local recruitment activities. However, a welcomed turnaround was witnessed in the second half of the year with HKSAR government announcing of the "CEPA" and the "Individual Visit Scheme", which boosted the overall market in Hong Kong. The publication was able to achieve a respectable result and even pick up momentum in the first quarter of 2004. A new monthly publication called "Education Plus" was launched in 2003. This new title is uniquely positioned and captured the self-enhancement need of most working class individuals. This title quickly became the clear market leader. The corporate training and e-learning business in the PRC performed well during and after the SARS outbreak as the standstill in traditional classroom courses was more than compensated for by the surge in demand for "distance learning". E-learning became the preferred channel for education. Subsequently, the number of students grew rapidly to over 10,000 in the new academic year in September 2003 attending various courses covering Business English, Economics, Finance and International Trading.

人力資本管理業務

人力資本管理業務包括兩大範疇：一是在中港兩地出版招聘及持續教育類刊物，另一則是通過與國內知名大學成立合營企業，提供課堂及網上進修企業培訓課程。集團旗下主打本地市場的招聘刊物《求職廣場》於二零零三年繼續面對激烈競爭，加上沙士疫潮爆發影響大部分本地招聘活動的進行，使經營環境更為嚴峻。然而自下半年起，香港經濟受惠於特區政府公佈「CEPA」及「自由行計劃」，整體市道再次重現生機，《求職廣場》招聘業務轉趨理想，並在二零零四年首季持續旺勢。新月刊《進修指南》於二零零三年推出，由於定位緊貼求職及在職人士的自我增值需要，故迅即在市場佔有一席之地。國內的企業培訓及網上進修業務於沙士期間及其後表現理想。儘管傳統課堂課程因受到疫潮爆發影響而停滯不前，但「遙距學習」之需求卻因而激增。網上進修在國內已成風氣，學生人數於二零零三年九月新學年急增至過萬名，課程內容包括商業英語、經濟、金融及國際貿易等。

BROADBAND CONTENT & DISTRIBUTION

During the year, the Group's broadband business reported operating profit through its jointly-controlled entity, Beelink Information Science and Technology Company Limited ("Beelink") (百靈信息科技有限公司) based in Jinan, Shandong Province. Beelink continued to maintain market leadership by claiming over 59% of the broadband access market in Jinan with over 68,000 customers, representing more than 50% growth as compared to Year 2002. Riding on its dominance of broadband access market, Beelink has successfully developed a wide array of software applications to serve the needs of its customers. We expect a similar growth in customer number in 2004. Beelink is also now one of China's leading service providers of electronic government related services.

TRADING

The Trading division again contributed healthily to the Group recording a sales growth of 53% and an operating profit of HK\$1.7 million for the year. However, as seen in the second half of 2003, the sales focus has shifted rapidly from traditional cameras to digital cameras, which has a relatively lower margin. We will continue to face keen competition, which will further reduce margin. The strengthening of Japanese Yen will also affect the margin and we have already negotiated with the supplier, Nikon Japan, to settle invoices in US dollar instead to eliminate the currency risk. We will also attempt to extend the product range to include photographic related products, as well as other suitable products to leverage on our strong distribution platform established through years of effort laid in various major cities in the PRC.

寬頻內容及發行

年內，本集團的寬頻業務通過在山東省濟南的共同控制公司一百靈信息科技有限公司（「百靈」），而錄得經營溢利。「百靈」繼續保持其市場龍頭地位，坐擁濟南59%以上寬頻接入市場，客戶人數超過68,000，較二零零二年增加超過50%。憑著在寬頻接入市場的壟斷優勢，「百靈」成功開發了一連串應用程式軟件以滿足客戶需要。集團預期二零零四年將可取得相若的客戶人數增幅。「百靈」亦成為中國其中一家主要的電子政府相關服務的服務供應商。

貿易

貿易業務再次為集團作出正面貢獻，錄得年度銷售增長53%及經營溢利約1,700,000港元。然而，如二零零三年下半年所反映，銷售焦點已從傳統相機轉移為利潤較低的數碼相機。另外，我們將繼續面對競爭白熱化，進一步削弱利潤率。日圓轉強亦會影響利潤率，故我們已與供應商尼康日本磋商改為以美元結清貨款的可能，以抵銷貨幣風險。我們也將試圖擴大產品系列至攝影相關產品（及其他適合產品）的貿易，以發揮我們多年來在國內各大城市建立強大分銷平台的優勢。

PROSPECTS

2003 was somewhat a roller-coaster year where the Group saw some bright lights towards the last quarter of the year. Continued effort will be implemented on all areas of business to ride on the worldwide economic recovery. The Group will reinforce its focus on becoming the leading multimedia content and service provider for global Chinese communities. Further resources will be allocated to expand and strengthen our overseas operations. The recovery of real estate and financial markets paved a positive sign to both our local Chinese and English newspapers. Our recent reorganization of the Magazine Group should present an even more focused effort to build on our strength in lifestyle and infotainment content. On a more cautious note, there could be quite a significant drawback to the above positive signs as we had witnessed a sharp increase in newsprint prices in the last two quarters of 2003, and it is expected to further increase in 2004. Management has made certain strategic decisions to tackle this issue with a view to minimizing the impact on the Group's profitability in 2004.

EMPLOYEES

As at 31 December 2003, the Group had a total of approximately 2,000 employees.

The Group adopts a prudent human resources policy to ensure that while managing an efficient cost base, it will be able to attract and retain quality staff. Apart from basic salaries, the Group provides its staff with various fringe benefits such as medical insurance, discretionary bonus, share options and contribution to mandatory provident fund.

展望

二零零三年可說是起伏較大的一年，集團卻能在年度末季見到曙光。隨著全球經濟逐漸復甦，本集團將在各個業務範疇繼續努力向前，專注發展成為全球華人社群中領先的多媒體內容與服務供應商。集團也會調撥更多資源壯大海外業務。此外，香港地產及金融市場的復甦，將給集團旗下兩份中英文報章帶來良好的刺激。而雜誌集團新近重組，亦顯示集團銳意集中力量加強時尚及娛樂資訊內容。這些正面訊息雖然有利於集團未來發展，但我們已注意到二零零三年最後兩季的報紙印刷價格急劇上升，並預期於二零零四年進一步上漲。管理層已就此作出若干策略性對策，謹慎部署，望能盡量減低對二零零四年本集團盈利能力之衝擊。

僱員

於二零零三年十二月三十一日，本集團共有約2,000名僱員。

本集團採取審慎之人力資源政策，確保管理可符合同成本效益，本集團將招攬及挽留人才。除基本薪金外，本集團為僱員提供免費醫療保險、酌情花紅、購股權及強積金供款等多種額外福利。