

Interim Report 2002

SCMP Group Limited

NEWSPAPER MAGAZINE RETAIL VENTURES

Interim Report 2002

www.scmpgroup.com

SCMP Group Limited

(Incorporated in Bermuda with limited liability)

INTERIM RESULTS

The Directors of SCMP Group Limited (the "Company") are pleased to announce the unaudited interim results of the Company and its group of companies (the "Group") for the six months ended 30 June 2002 as follows:

CONDENSED CONSOLIDATED PROFIT & LOSS ACCOUNT

For the six months ended 30 June 2002

	Note	For the six months ended 30 June 2002 (Unaudited) HK\$'000	For the six months ended 30 June 2001 (Unaudited) HK\$'000
Turnover	2	669,911	917,311
Other revenue	3	4,786	15,353
Staff costs		(207,052)	(256,183)
Cost of production materials/sales		(208,067)	(243,290)
Rental and utilities		(51,415)	(70,807)
Depreciation		(39,521)	(44,053)
Advertising and promotion		(14,490)	(20,599)
Other operating expenses		(61,287)	(63,679)
Gain on disposal of subsidiaries	2	11,209	-
Gain on disposal of long-term investment shares		-	22,039
Provision for asset impairment	4	-	(112,550)
Profit from Operating Activities		104,074	143,542
Finance costs		-	(534)
Operating Profit		104,074	143,008
Share of profits less losses of associates		2,716	2,525
Share of losses of a jointly controlled entity		(4,018)	(7,292)
Profit before Tax		102,772	138,241
Tax	5	(15,783)	(42,998)
Profit after Tax		86,989	95,243
Minority interests		(886)	(2,717)
Profit Attributable to Shareholders		86,103	92,526
Dividend Distribution			
Proposed interim dividend distribution of 4 cents (2001: 8 cents) per share		69,375	138,751
Earnings per Share	6		
Basic		4.96 cents	5.34 cents

CONDENSED CONSOLIDATED BALANCE SHEET
30 June 2002

	Note	30 June 2002 (Unaudited) HK\$'000	31 December 2001 (Audited) HK\$'000
Non-Current Assets			
Publishing titles		–	–
Fixed assets	7	1,611,583	1,621,494
Interests in associates		43,999	45,900
Interests in a jointly controlled entity		10,694	11,213
Long-term investment shares		150,617	151,486
		1,816,893	1,830,093
Current Assets			
Inventories		43,331	56,981
Accounts receivable	8	140,027	158,238
Prepayments, deposits and other receivables		48,446	60,080
Bank balances and deposits		403,095	283,675
		634,899	558,974
Current Liabilities			
Accounts payable and accrued liabilities	9	133,057	167,594
Tax payable		24,192	8,996
Subscriptions in advance		13,491	12,875
		170,740	189,465
Net Current Assets		464,159	369,509
Total Assets Less Current Liabilities		2,281,052	2,199,602
Non-Current Liabilities			
Minority interests		6,449	10,676
Deferred tax		81,106	81,206
		87,555	91,882
		2,193,497	2,107,720
Capital and Reserves			
Issued capital	10	173,438	173,438
Reserves	11	1,950,684	1,934,282
Proposed dividend distribution	11	69,375	–
		2,020,059	1,934,282
		2,193,497	2,107,720

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
For the six months ended 30 June 2002

	For the six months ended 30 June	
	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Net cash inflow from operating activities	133,144	281,645
Net cash (outflow)/inflow from investing activities	(155,918)	98,784
Net cash outflow from financing activities	(3,000)	(427,390)
Decrease in cash and cash equivalents	(25,774)	(46,961)
Cash and cash equivalents at beginning of period	282,352	268,769
Cash and cash equivalents at end of period	256,578	221,808
Bank balances and deposits at end of period comprise:		
Bank balances and deposits with maturity within three months	256,578	221,808
Bank balances and deposits with maturity more than three months	146,517	152,371
	403,095	374,179

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 June 2002

	Note	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
At 1 January		2,107,720	3,914,128
Changes in accounting policies	11	-	(1,386,729)
As restated		2,107,720	2,527,399
(Deficit)/surplus on revaluation of long-term investment shares	11	(869)	5,721
Exchange differences on consolidation	11	543	(3,321)
Net gains and losses not recognized in the profit and loss account		(326)	2,400
Net profit for the period	11	86,103	92,526
Revaluation reserve released on disposal	11	-	(8,882)
Dividends	11	-	(433,616)
Issue of shares			
share capital	10	-	130
share premium	11	-	6,498
At 30 June		2,193,497	2,186,455

NOTES TO THE ACCOUNTS

1. Basis of Preparation and Accounting Policies

The unaudited condensed consolidated interim accounts ("interim accounts") are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") No. 25, "Interim Financial Reporting", issued by the Hong Kong Society of Accountants, (as applicable to condensed interim accounts), and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

These interim accounts should be read in conjunction with the 2001 annual accounts.

The accounting policies and methods of computation used in the preparation of these condensed interim accounts are consistent with those used in the annual accounts for the 18-month period ended 31 December 2001 except that the Group has adopted the following SSAPs issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1 January 2002:

SSAP 1 (revised)	Presentation of financial statements
SSAP 11 (revised)	Foreign currency translation
SSAP 15 (revised)	Cash flow statements
SSAP 25 (revised)	Interim financial reporting
SSAP 33	Discontinuing operations
SSAP 34	Employee benefits

The adoption of the above new or revised accounting standards has had no significant impact to the financial statements for the six months ended 30 June 2002.

2. Segment Information

The Company acted as an investment holding company during the period. The principal activities of the Group comprised the publishing, printing and distribution of the *South China Morning Post*, *Sunday Morning Post* and other print and online publications, retailing, property holding, video and film post-production and education.

Substantially all the activities of the Group are based in Hong Kong and below is an analysis of the Group's turnover and contribution to operating profit by principal activity:

	Turnover		Contribution to operating profit	
	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Newspapers, magazines and other publications	402,782	577,381	56,957	139,360
Retailing	204,597	197,014	(525)	(1,149)
Investment properties	38,716	42,003	37,558	(6,732)
Video and film post-production	10,669	19,369	(2,160)	1,208
Entertainment, recreation and education (Note)	13,147	81,544	12,244	10,321
Total	669,911	917,311	104,074	143,008

Note: The Group disposed of its recreation club and education businesses in December 2001 and March 2002, respectively. During the period, a gain of HK\$11.2 millions, which represents the difference between the net proceeds of sale and the carrying amount of the net assets of the education business at the date of sale is included in operating profit.

3. Other Revenue

	For the six months ended 30 June	
	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Dividend income from listed investments	1,241	1,343
Interest income	2,833	13,576
Others	712	434
Total	4,786	15,353

4. Provision for Asset Impairment

	For the six months ended 30 June	
	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Provision for impairment in value of long-term investment shares	-	69,020
Provision for impairment in leasehold land and buildings	-	43,530
Total	-	112,550

5. Tax

	For the six months ended 30 June	
	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Company and subsidiaries:		
Hong Kong profits tax provision for the period	15,169	42,048
Associates:		
Elsewhere	614	950
Total	15,783	42,998

Hong Kong profits tax has been calculated at 16% (2001: 16%) on the assessable profits generated 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.

6. Earnings per Share

The calculation of basic earnings per share is based on the net profit for the period attributable to shareholders of HK\$86,103,000 (2001: HK\$92,526,000) and the weighted average of 1,734,383,996 (2001: 1,733,933,356) shares in issue during the period.

For the six months ended 30 June 2002, the diluted earnings per share was not shown as there was no dilution effect.

7. Fixed Assets

	Investment properties HK\$'000	Leasehold land and buildings HK\$'000	Other fixed assets HK\$'000	Assets in progress HK\$'000	Total HK\$'000
Cost or valuation:					
At 1 January 2002	830,000	374,148	865,345	36,128	2,105,621
Additions	481	–	4,759	29,390	34,630
Transfers	–	–	1,557	(1,557)	–
Disposals	–	–	(2,185)	–	(2,185)
Disposal of subsidiaries	–	–	(17,497)	–	(17,497)
At 30 June 2002	830,481	374,148	851,979	63,961	2,120,569
Accumulated depreciation:					
At 1 January 2002	–	58,714	425,413	–	484,127
Provided during the period	–	4,160	35,361	–	39,521
Transfers	–	–	–	–	–
Disposals	–	–	(1,785)	–	(1,785)
Disposal of subsidiaries	–	–	(12,877)	–	(12,877)
At 30 June 2002	–	62,874	446,112	–	508,986
Net book value:					
At 30 June 2002 (Unaudited)	830,481	311,274	405,867	63,961	1,611,583
At 31 December 2001 (Audited)	830,000	315,434	439,932	36,128	1,621,494
Analysis of cost and valuation:					
At cost	481	341,148	851,979	63,961	1,257,569
At valuation – 1990	–	33,000	–	–	33,000
– 2001	830,000	–	–	–	830,000
	830,481	374,148	851,979	63,961	2,120,569

8. Trade Receivables

The Group allows an average credit period of 7 days to 90 days to its trade customers and an ageing analysis of trade receivables is as follows:

	30 June 2002 (Unaudited)		31 December 2001 (Audited)	
	Balance HK\$'000	Percentage %	Balance HK\$'000	Percentage %
0 to 30 days	70,692	45.5	65,746	37.7
31 to 60 days	40,977	26.4	62,700	36.0
61 to 90 days	28,807	18.5	27,884	16.0
Over 90 days	14,962	9.6	17,987	10.3
Total	155,438	100.0	174,317	100.0
Less: Provision for bad and doubtful debts	(15,411)		(16,079)	
	140,027		158,238	

9. Trade Payables

Included in accounts payable and accrued liabilities are trade payables and their ageing analysis is as follows:

	30 June 2002 (Unaudited)		31 December 2001 (Audited)	
	Balance HK\$'000	Percentage %	Balance HK\$'000	Percentage %
0 to 30 days	44,894	54.5	66,192	59.2
31 to 60 days	18,435	22.4	25,819	23.1
61 to 90 days	7,312	8.9	9,175	8.2
Over 90 days	11,780	14.2	10,576	9.5
Total	82,421	100.0	111,762	100.0

10. Share Capital

	30 June 2002 (Unaudited) HK\$'000	31 December 2001 (Audited) HK\$'000
Authorised: 5,000,000,000 shares of HK\$0.10 each	500,000	500,000
Issued and fully paid: 1,734,383,996 (2001:1,734,383,996) shares of HK\$0.10 each	173,438	173,438
The movement of share capital for six months ended 30 June 2002 is as follows:		
	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
At 1 January	173,438	173,308
Issue of shares	-	130
At 30 June	173,438	173,438

11. Reserves & Proposed Dividend Distribution

	Share premium HK\$'000	Contributed surplus HK\$'000	Investments revaluation reserve HK\$'000	Asset revaluation reserve HK\$'000	Translation reserve HK\$'000	Retained profits/ (losses) HK\$'000	Total HK\$'000
At 1 January 2001							
As previously stated	1,144,777	1,454,099	40,330	1,503	(33,400)	1,133,511	3,740,820
Changes in accounting policies							
Effects of adopting SSAP 30:							
Goodwill re-capitalised	-	610,033	-	-	-	-	610,033
Accumulated amortisation of goodwill	-	-	-	-	-	(439,918)	(439,918)
Accumulated provision for impairment in goodwill	-	-	-	-	-	(170,115)	(170,115)
Effects of adopting SSAP 29:							
Accumulated amortisation of publishing titles	-	-	-	-	-	(1,820,000)	(1,820,000)
Effects of adopting SSAP 9 (revised):							
Proposed 2001 interim and special dividends	-	-	-	-	-	433,271	433,271
	-	610,033	-	-	-	(1,996,762)	(1,386,729)
As restated	1,144,777	2,064,132	40,330	1,503	(33,400)	(863,251)	2,354,091
Change in fair values of							
long-term investment shares	-	-	5,721	-	-	-	5,721
Exchange differences on consolidation	-	-	-	-	(3,321)	-	(3,321)
Revaluation reserve released on disposal	-	-	(8,882)	-	-	-	(8,882)
Issue of shares	6,498	-	-	-	-	-	6,498
Profit for the period	-	-	-	-	-	92,526	92,526
2001 interim and special dividends	-	-	-	-	-	(433,616)	(433,616)
At 30 June 2001 (Unaudited)	1,151,275	2,064,132	37,169	1,503	(36,721)	(1,204,341)	2,013,017
	Share premium HK\$'000	Contributed surplus HK\$'000	Investments revaluation reserve HK\$'000	Asset revaluation reserve HK\$'000	Translation reserve HK\$'000	Retained profits/ (losses) HK\$'000	Total HK\$'000
At 1 January 2002							
Shares premium reduction – Note (a)	(1,105,290)	-	-	-	-	1,105,290	-
Change in fair values of							
long-term investment shares	-	-	(869)	-	-	-	(869)
Exchange differences on consolidation	-	-	-	-	543	-	543
Profit for the period	-	-	-	-	-	86,103	86,103
At 30 June 2002 – Note (b) (Unaudited)	45,985	1,925,381	26,468	1,503	(38,438)	59,160	2,020,059

Note (a) – During the period, share premium account was reduced by an amount of HK\$1,105,290,307 to enable the Company to eliminate its accumulated losses and to make distribution for the payment of dividends from retained profits in future.

Note (b) – The proposed interim dividend distribution of HK\$69,375,000 for six months ended 30 June 2002 is to be paid out of the Company's contributed surplus.

12. Approval of the Interim Financial Report

These interim accounts were approved by the Board of Directors on 3 September 2002.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Principal Activities

The Company acted as an investment holding company during the period. The principal activities of the Group during the period comprised the publishing, printing and distribution of the *South China Morning Post*, *Sunday Morning Post* and other print and online publications, retailing, property investment, video and film post-production and education.

Operating Results of the Group

The Group's consolidated operating results for the six months ended 30 June 2002 and 2001 were as follows:

(HK\$ million, except per share amounts)	For the six months ended 30 June		% change
	2002 (unaudited)	2001 (unaudited)	
Turnover	669.9	917.3	(27.0)
Operating cost before depreciation	542.3	654.5	(17.1)
EBITDA	127.6	262.8	(51.4)
Other revenues	4.8	15.4	(68.8)
Depreciation	39.5	44.1	(10.4)
Finance costs	–	0.5	(100.0)
Gain on disposal of subsidiaries	11.2	–	100.0
Gain on disposal of long-term investment shares	–	22.0	(100.0)
Provision for asset impairment	–	112.6	(100.0)
Operating profit	104.1	143.0	(27.2)
Profit attributable to shareholders	86.1	92.5	(6.9)
Earnings per share (HK cents)			
Basic	4.96	5.34	(7.1)

For the six months ended 30 June 2002, the Group's unaudited consolidated turnover and profit attributable to shareholders amounted to HK\$669.9 million (2001: HK\$917.3 million) and HK\$86.1 million (2001: HK\$92.5 million). Basic earnings per share was HK4.96 cents (2001: HK5.34 cents), a decrease of 7.1% compared to the same period last year.

The reported earnings of HK\$86.1 million included a gain of HK\$11.2 million from disposal of subsidiaries. Earnings before interest, tax, depreciation and amortisation (EBITDA) amounted to HK\$127.6 million (2001: HK\$262.8 million).

Operating Costs and Expenses

HK\$ million	For the six months ended 30 June		% change
	2002 (unaudited)	2001 (unaudited)	
Staff costs	207.1	256.2	(19.2)
Cost of production materials and sales	208.1	243.3	(14.5)
Rental and utilities	51.4	70.8	(27.4)
Advertising and promotion	14.5	20.6	(29.6)
Other operating expenses	61.2	63.6	(3.8)
Operating cost before depreciation	542.3	654.5	(17.1)
Depreciation	39.5	44.1	(10.4)
Total operating costs and expenses	581.8	698.6	(16.7)

Operating costs and expenses for the six months ended 30 June 2002 decreased by 16.7% compared with the prior corresponding period, the decrease being primarily due to lower staff costs and cost of production materials and sales. Total headcount as at 30 June 2002 was 1,321 compared with 1,732 as at 30 June 2001 and 1,570 as at 31 December 2001. The reduction in headcount, and staff costs by 19.2%, was due to disposal of the recreation club and education businesses, cessation of the music publishing business, suspension of certain magazine titles and overall reduction of headcount. The decrease in cost of production materials and sales of 14.5% was primarily due to lower newsprint cost and usage. The average cost of newsprint for production and newsprint usage decreased some 20.1% and 22.1%, respectively. Average cost of newsprint for production was US\$545 per metric ton ("pmt") compared with US\$675 pmt for the same period last year. Rental and utilities and depreciation decreased by 27.4% and by 10.4%, respectively, as a result of the disposal of the recreation club and education businesses. Spending on advertising and promotion and other operating expenses was also lower compared to the prior corresponding period.

Contribution by Business Segment

The Group's core business of newspapers, magazines and other publications continued to generate the majority of the Group's turnover, EBITDA and operating profit.

HK\$ million	Contribution to Turnover For the six months ended 30 June		
	2002 (unaudited)	2001 (unaudited)	% change
Newspapers, magazines and other publications	402.8	577.4	(30.2)
Retailing	204.6	197.0	3.8
Investment properties	38.7	42.0	(7.8)
Video and film post-production	10.7	19.4	(44.8)
Entertainment, recreation and education	13.1	81.5	(83.9)
Total	669.9	917.3	(27.0)

HK\$ million	Contribution to EBITDA For the six months ended 30 June			Contribution to Operating Profit For the six months ended 30 June		
	2002 (unaudited)	2001 (unaudited)	% change	2002 (unaudited)	2001 (unaudited)	% change
Newspapers, magazines and other publications	87.8	206.0	(57.4)	57.0	139.3	(59.1)
Retailing	0.9	1.0	(10.0)	(0.5)	(1.1)	(54.5)
Investment properties	37.6	37.3	0.8	37.6	(6.7)	661.2
Video and film post-production	(0.4)	2.6	(115.4)	(2.2)	1.2	(283.3)
Entertainment, recreation and education	1.7	15.9	(89.3)	12.2	10.3	18.4
Total	127.6	262.8	(51.4)	104.1	143.0	(27.2)

Newspapers, magazines and other publications

HK\$ million	For the six months ended 30 June		
	2002 (unaudited)	2001 (unaudited)	% change
Turnover			
Newspapers	361.9	537.3	(32.6)
Magazines and others	40.9	40.1	2.0
Total turnover	402.8	577.4	(30.2)
EBITDA	87.8	206.0	(57.4)
Operating profit	57.0	139.3	(59.1)

For the six months ended 30 June 2002, this division recorded revenues and operating profit of HK\$402.8 million and HK\$57 million, a decrease of 30.2% and 59.1%, respectively, compared with the prior corresponding period, reflecting the continuous slowdown in the economy and difficult operating environment.

For the six months ended 30 June 2002, display advertising revenue in the newspapers decreased by 22.8% compared to the prior corresponding period, with volume down 4.3% and average yield also down due mainly to decreased colour and position premium. Advertising revenue in *Classified Post* was 47.7% below that of the prior corresponding period, volume was down 41.6% and average yield also lower.

Circulation revenue for the six months ended 30 June 2002 was down 3.9%, reflecting a decline in sales volume. Average circulation of the *South China Morning Post* was down 5.5% to 104,076 copies per day in the six months ended 30 June 2002. The *Sunday Morning Post* recorded a decrease of 1.6% to 90,872 copies per day in the six months ended 30 June 2002. The lower circulation sales reflect lower sales to airlines and hotels following the events of September 11, and lower street sales from the depressed economy.

Revenues from magazines and other publications for the six months ended 30 June 2002 was flat compared to prior corresponding period. The operating profit was lower mainly due to losses incurred by a new magazine title, *CosmoGIRL!* launched in September 2001.

Retailing

HK\$ million	For the six months ended 30 June		
	2002 (unaudited)	2001 (unaudited)	% change
Turnover	204.6	197.0	3.8
EBITDA	0.9	1.0	(10.0)
Operating loss	(0.5)	(1.1)	(54.5)

For the six months ended 30 June 2002, this division recorded revenues of HK\$204.6 million, an increase of 3.8% compared to the prior corresponding period. The operating loss of HK\$0.5 million (2001: HK\$1.1 million) was due to the losses of the "Health Plus" business, which is still suffering from the sluggish retail consumer market. Since the beginning of this year, the Group had closed three unprofitable "Health Plus" shops, and currently operates 24 shops. The "Daily Stop" retail business continues to operate profitably. As at the end of June 2002, there were 75 "Daily Stop" outlets, up from 72 outlets six months ago.

Investment properties

HK\$ million	For the six months ended 30 June		% change
	2002 (unaudited)	2001 (unaudited)	
Turnover	38.7	42.0	(7.8)
EBITDA	37.6	37.3	0.8
Operating profit/(loss)	37.6	(6.7)	661.2

Rental income from the Group's investment properties declined slightly due to a lease expiry but this was partly offset by a new lease in January 2002. The operating loss last year was due to a provision for diminution in value of two investment properties of HK\$43.5 million; no provision was required for this six months period.

Video and film post-production

HK\$ million	For the six months ended 30 June		% change
	2002 (unaudited)	2001 (unaudited)	
Turnover	10.7	19.4	(44.8)
EBITDA	(0.4)	2.6	(115.4)
Operating (loss)/profit	(2.2)	1.2	(283.3)

Turnover for the six months ended 30 June 2002 decreased by 44.8% to HK\$10.7 million with an operating loss of HK\$2.2 million. The poor performance was mainly due to reduction in documentary tape income and lower gross profit margins.

Entertainment, recreation and education

HK\$ million	For the six months ended 30 June		% change
	2002 (unaudited)	2001 (unaudited)	
Turnover	13.1	81.5	(83.9)
EBITDA	1.7	15.9	(89.3)
Operating profit	12.2	10.3	18.4

The recreation club and education businesses were disposed off in December 2001 and March 2002, respectively, while the operations of Capital Artists was suspended in October 2001. The financials relate to the operations of the education business during this period, and included in the operating profit was a gain of HK\$11.2 million resulting from the disposal of the education business in March 2002.

Liquidity and Capital Resources

Net cash provided by operating activities was HK\$133.1 million in the six months ended 30 June 2002, compared with an inflow of HK\$281.6 million in the prior corresponding period. Net cash outflow from investing activities was HK\$155.9 million, which was mainly the placement of cash on bank deposits maturing over three months.

Cash generated from the Group's operations and the funds available from external sources are expected to be adequate to cover all cash requirements, including working capital needs and planned capital expenditures.

The ratio of current assets to current liabilities was 3.7 times as at 30 June 2002 compared to 2.95 times as at 31 December 2001.

Capital Expenditure

The Group continued its capital expenditure program to invest in new technology, expand its operations and improve operating efficiency. Total capital expenditures for 2002 is estimated at HK\$103 million, of which HK\$35 million had been spent in the six months ended 30 June 2002 as follows: (i) HK\$4 million on replacement items, and (ii) HK\$31 million on new capital expenditures. Of the new capital expenditures, HK\$8 million was partial payment for the editorial and the Oracle financial systems and HK\$19 million was partial payment for the two additional colour presses. The remaining new capital expenditures represented investments in new retailing shops and computer hardware and software.

The balance of the capital expenditure of HK\$68 million for the coming six months to 31 December 2002 is allocated primarily for replacement items, new retail outlets, an advertising system and final payment for the two additional colour presses, the editorial and Oracle financial systems.

PROSPECTS

The depressed job market with record unemployment together with the poor performance of the stock and property markets and a faltering global recovery have been major dampeners on consumer sentiment, and hamper any near term recovery in the advertising market. Whilst the economic outlook remains gloomy, we have seen some stability over the last few months in the volume of our recruitment advertising, display advertising, however, remains soft. It is difficult to see an improvement in business environments in the second half of the year, given the weak prevailing outlook with continued deflationary pressures in the job and property markets.

Over the last 12 months, the Group has undertaken various measures to control costs. At the same time, Management continues to invest in upgrading the Group's products and resources and explore new areas of growth. The recently announced restructuring of the editorial division of the newspapers, is an example of such an ongoing upgrading exercise. The appointment of a Publisher to the newspaper to work closely with the team of four executive editors, reflects Management's efforts to better define and deploy our resources, ensure more accountability and improvement to the quality and focus of our products. With these moves, the Group is well poised to benefit from an eventual upturn in the economy, and with our strong financial position, to take advantage of opportunities as they arise.

INTERIM DIVIDEND DISTRIBUTION

The Directors have declared the interim dividend distribution from the contributed surplus account of HK4 cents per share, amounting to HK\$69.4 million, payable to shareholders whose names appear on the Register of Members of the Company on Wednesday, 30 October 2002 and payable on Friday, 8 November 2002.

BOOK CLOSURE

The Register of Members of the Company will be closed from Friday, 25 October 2002 to Wednesday, 30 October 2002, both days inclusive. All transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrars, Computershare Hong Kong Investor Services Limited of 19th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on Thursday, 24 October 2002 so as to qualify for the interim dividend distribution.

DIRECTORS

The following persons were Directors of the Company as at the date of this report:

Mr. Kuok Khoon Ean	Chairman
Mr. Roberto V. Ongpin	Deputy Chairman
Mr. Thaddeus Thomas Beczak	Deputy Chairman
Mr. Ronald J. Arculli*	
Tan Sri Dr. Khoo Kay Peng	
Mr. Peter Lee Ting Chang*	
Dr. The Hon. David Li Kwok Po*	

* Independent Non-executive Director

Mr. Chye Kuok Khoon Ho resigned as Director of the Company with effect from 3 September 2002. The Board would like to take this opportunity to record a note of special thanks and appreciation to Mr. Chye Kuok for all his effort and contribution during his tenure as Director of the Company.

DIRECTORS' INTERESTS IN SHARES

(1) Ordinary shares

As at 30 June 2002, the interests of the Directors in the shares of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")) as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance were as set out below:

Name of Director	Number of shares of the Company		Total
	Personal interests	Corporate interests	
Mr. Thaddeus Thomas Beczak	100,000	–	100,000
Tan Sri Dr. Khoo Kay Peng	–	105,944,000*	105,944,000
Dr. The Hon. David Li Kwok Po	100,000	–	100,000

* The interests in the 105,944,000 shares are in respect of deemed corporate interest held by Tan Sri Dr. Khoo Kay Peng through (i) MUI Media Ltd. as to 89,794,000 shares and (ii) Bonham Industries Limited as to 16,150,000 shares.

(2) Share options

As at 30 June 2002, none of the Directors of the Company and their respective spouses and children under 18 years of age had been granted by the Company or had exercised any rights to subscribe for equity or debt securities of the Company or any of its associated corporations.

Save as stated above, none of the Directors had any interest in the equity or debt securities of the Company and its associated corporations as at 30 June 2002.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2002, the Company had been notified of the following interests by shareholders in shares representing 10% or more of the issued share capital of the Company which were recorded in the register required to be kept under Section 16(1) of the SDI Ordinance:

Name of shareholder	Number of shares held
Kerry Media Limited	524,730,000 *
Kerry 1989 (C.I.) Limited	525,036,000 **
Kerry Holdings Limited	594,576,000 ***
Kerry Group Limited	594,576,000

* The interests in the 524,730,000 shares held by Kerry Media Limited are duplicated in the respective interests reported above for Kerry 1989 (C.I.) Limited, Kerry Holdings Limited and Kerry Group Limited.

** The interests in the 525,036,000 shares held by Kerry 1989 (C.I.) Limited are duplicated in the interests reported above for Kerry Holdings Limited and Kerry Group Limited.

*** The interests in the 594,576,000 shares held by Kerry Holdings Limited are duplicated in the interests reported above for Kerry Group Limited.

Save as stated above, no person had registered an interest in the share capital of the Company that was required to be recorded under Section 16(1) of the SDI Ordinance.

EMPLOYEES

The Group has approximately 1,321 full-time employees as at 30 June 2002. The Group remunerates its employees largely based on industry practice and also adopts a share option scheme for employees with awards determined annually based upon the performance of the Group and individual employees.

SHARE OPTION SCHEME

The Company has a share option scheme (the "Scheme") which was adopted by shareholders on 27 October 1997 and subsequently amended pursuant to the ordinary resolutions of shareholders passed at the annual general meetings held on 6 November 2000 and 29 May 2002. Under the Scheme, the Board of Directors of the Company may grant options to subscribe for shares of the Company to any full-time employees or Executive Directors of the Company or any of its subsidiaries.

No share option was granted under the Scheme during the six months ended 30 June 2002 (the "Period").

The outstanding shares in respect of options granted under the Scheme as at 30 June 2002 are summarised below:

	Number of shares in respect of options granted
Outstanding at 1 January 2002	11,880,500
Granted during the Period	–
Exercised during the Period	–
Lapsed during the Period	847,500
Outstanding at 30 June 2002	11,033,000

Details of the movements during the six months ended 30 June 2002 in the share options granted under the Scheme are as follows:

(i) Options granted to Directors

None of the Directors of the Company has any outstanding share option or has any option exercised, cancelled or lapsed during the six months ended 30 June 2002.

(ii) Options granted to employees

Date of grant	Exercisable period	Exercise price/share	Number of share involved in the options				Outstanding at 30/06/2002
			Outstanding at 01/01/2002	Granted during the Period	Exercised during the Period	Lapsed during the Period	
		HK\$					
02/08/1999	02/08/2000 – 27/10/2007	5.00	2,206,000	–	–	199,500	2,006,500
11/01/2000	11/01/2001 – 27/10/2007	5.51	2,424,500	–	–	223,000	2,201,500
20/04/2000	20/04/2001 – 27/10/2007	6.05	6,205,000	–	–	425,000	5,780,000
28/06/2001	28/06/2002 – 27/10/2007	4.95	1,045,000	–	–	–	1,045,000
			11,880,500	–	–	847,500	11,033,000

Valuation of share options has not been presented as the exercise prices of all share options which were vested as at 30 June 2002 were above the market price of the shares of the Company as at 30 June 2002.

PURCHASE, REDEMPTION OR SALE OF THE COMPANY'S SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the six months ended 30 June 2002.

CORPORATE GOVERNANCE

The Directors and Management are committed to high standards of corporate governance which provide an important framework for the overall operations of the Group. The corporate governance principles adopted by the Group during the six months ended 30 June 2002 are in line with the corporate governance statement set out in the Company's 2001 Annual Report.

CODE OF BEST PRACTICE

None of the Directors of the Company is aware of information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30 June 2002, in compliance with the Code of Best Practice as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, save that the Non-executive Directors of the Company have not been appointed for a specific term, but are subject to retirement by rotation and re-election in accordance with the Company's Bye-laws.

AUDIT COMMITTEE

The Audit Committee has been established since 1998 with written terms of reference and comprises two Independent Non-executive Directors, namely Mr. Peter Lee Ting Chang and Mr. Ronald J. Arculli, and a Non-executive Director, Mr. Chye Kuok Khoon Ho prior to his resignation with effect from 3 September 2002. Nine Audit Committee meetings have been held prior to the date of this report. The Audit Committee has reviewed the Group's unaudited interim results for the six months ended 30 June 2002.

REMUNERATION COMMITTEE

The Company established a Remuneration Committee on 15 September 2000 with written terms of reference. The Remuneration Committee comprises two Independent Non-executive Directors, namely Mr. Peter Lee Ting Chang and Mr. Ronald J. Arculli and a Non-executive Director, Mr. Chye Kuok Khoon Ho prior to his resignation with effect from 3 September 2002. Three Remuneration Committee meetings have been held prior to the date of this report.

On behalf of the Board
KUOK Khoon Ean
Chairman

Hong Kong, 3 September 2002