

SCMP Group Limited**SCMP集團有限公司***

(Incorporated in Bermuda with limited liability)

Interim Results Announcement for the Six Months Ended 30 June 2002

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**

		For the six months ended 30 June	
		2002	2001
		(Unaudited)	(Unaudited)
	<i>Note</i>	HK\$'000	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

		30 June 2002 (Unaudited) HK\$'000	31 December 2001 (Audited) HK\$'000
	<i>Note</i>		
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

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	
	For the six months ended 30 June			
	2002	2001	2002	2001
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	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	<u>4,786</u>	<u>15,353</u>

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	<u>–</u>	<u>112,550</u>

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
	<u>15,783</u>	<u>42,998</u>

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	Leasehold land and buildings	Other fixed assets	Assets in progress	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
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	<u>830,481</u>	<u>374,148</u>	<u>851,979</u>	<u>63,961</u>	<u>2,120,569</u>
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	<u>–</u>	<u>62,874</u>	<u>446,112</u>	<u>–</u>	<u>508,986</u>
Net book value:					
At 30 June 2002 (Unaudited)	<u>830,481</u>	<u>311,274</u>	<u>405,867</u>	<u>63,961</u>	<u>1,611,583</u>
At 31 December 2001 (Audited)	<u>830,000</u>	<u>315,434</u>	<u>439,932</u>	<u>36,128</u>	<u>1,621,494</u>
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
	<u>830,481</u>	<u>374,148</u>	<u>851,979</u>	<u>63,961</u>	<u>2,120,569</u>

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	Percentage	Balance	Percentage
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
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	Percentage	Balance	Percentage
	HK\$'000	%	HK\$'000	%
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	<u>82,421</u>	<u>100.0</u>	<u>111,762</u>	<u>100.0</u>

10. Share Capital

	30 June 2002 (Unaudited) HK\$'000	31 December 2001 (Audited) HK\$'000
<i>Authorised:</i> 5,000,000,000 shares of HK\$0.10 each	<u>500,000</u>	<u>500,000</u>
<i>Issued and fully paid:</i> 1,734,383,996 (2001: 1,734,383,996) shares of HK\$0.10 each	<u>173,438</u>	<u>173,438</u>

11. Reserves & Proposed Dividend Distribution

	Share premium	Contributed surplus	Investments revaluation reserve	Asset revaluation reserve	Translation reserve	Retained profits/(losses)	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2002	1,151,275	1,925,381	27,337	1,503	(38,981)	(1,132,233)	1,934,282
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)	<u>45,985</u>	<u>1,925,381</u>	<u>26,468</u>	<u>1,503</u>	<u>(38,438)</u>	<u>59,160</u>	<u>2,020,059</u>

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

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 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 magazines 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.

Review of Operations

Newspapers, magazines and other publications

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 magazines title, *CosmoGIRL!* launched in September 2001.

Retailing

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

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

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

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, 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.

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

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.

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.

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 ("Listing Rules"), 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 announcement. The Audit Committee has reviewed the Group's unaudited interim results for the six months ended 30 June 2002.

On behalf of the Board
KUOK Khoon Ean
Chairman

Hong Kong, 3 September 2002

Detailed interim results containing all the information required by paragraphs 46(1) to 46(6) of Appendix 16 of the Listing Rules will be published on The Stock Exchange of Hong Kong Limited's website (www.hkex.com.hk) in due course. The Interim Report 2002 of the Company will be dispatched to shareholders before end of September 2002.

* For identification purpose only

"Please also refer to the published version of this announcement in the South China Morning Post"