

2004

INTERIM REPORT

SCMP Group Limited

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 2004 as follows:

CONDENSED CONSOLIDATED PROFIT & LOSS ACCOUNT

	Note	Unaudited For the six months ended 30 June	
		2004 HK\$'000	2003 HK\$'000
Turnover	2	697,569	613,635
Other revenue	3	1,052	1,938
Staff costs		(184,546)	(183,268)
Cost of production materials/sales		(218,143)	(203,016)
Rental and utilities		(39,996)	(44,289)
Depreciation and amortisation		(42,471)	(38,869)
Advertising and promotion		(8,884)	(5,438)
Other operating expenses		(70,509)	(79,159)
Gain on disposal of long-term investment shares		4,242	1,955
Gain on disposal of subsidiaries		-	600
Provision for asset impairment		-	(780)
Loss on termination of a jointly controlled entity		(1,076)	-
Profit from operating activities		137,238	63,309
Finance costs		(700)	(2,919)
Operating profit		136,538	60,390
Share of profits less losses of associates		4,138	(1,695)
Share of loss of a jointly controlled entity		(361)	(3,575)
Profit before taxation		140,315	55,120
Taxation	4	(26,287)	(19,678)
Profit after taxation		114,028	35,442
Minority interests		(2,615)	(1,465)
Profit attributable to shareholders		111,413	33,977
Dividend distribution			
Proposed interim dividend distribution of 5 cents (2003: 2 cents) per share		78,047	31,219
Earnings per share			
Basic	5	7.14 cents	2.18 cents

SCMP Group Limited

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	Unaudited 30 June 2004 HK\$'000	Audited 31 December 2003 HK\$'000
Non-current assets			
Intangible assets	6	37,663	33,172
Fixed assets	7	1,318,407	1,347,348
Defined benefit plan's assets		28,743	27,070
Interests in associates		37,672	37,425
Interest in a jointly controlled entity		–	7,527
Long-term investment shares		123,280	128,320
		1,545,765	1,580,862
Current assets			
Inventories		38,428	40,618
Accounts receivable	8	173,543	162,182
Prepayments, deposits and other receivables		39,899	42,994
Bank balances and deposits		233,608	159,804
		485,478	405,598
Current liabilities			
Accounts payable and accrued liabilities	9	131,843	148,292
Taxation payable		26,881	5,817
Subscriptions in advance		15,641	22,931
Bank overdraft, secured		–	2,814
		174,365	179,854
Net current assets		311,113	225,744
Total assets less current liabilities		1,856,878	1,806,606
Non-current liabilities			
Minority interests		12,292	9,677
Interest-bearing bank loan, unsecured		230,000	230,000
Deferred taxation		94,791	96,905
		337,083	336,582
		1,519,795	1,470,024
Capital and reserves			
Share capital	10	156,095	156,095
Reserves	11	1,285,653	1,251,491
Proposed dividend distribution	11	78,047	62,438
		1,363,700	1,313,929
		1,519,795	1,470,024

SCMP Group Limited

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited	
	For the six months ended 30 June	
	2004	2003
	HK\$'000	HK\$'000
Net cash inflow from operating activities	143,393	103,151
Net cash outflow from investing activities	(4,336)	(25,536)
Net cash outflow from financing activities	(62,439)	(62,439)
Increase in cash and cash equivalents	76,618	15,176
Cash and cash equivalents at 1 January	156,990	138,992
Cash and cash equivalents at 30 June	233,608	154,168

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Unaudited	
		For the six months ended 30 June	
		2004	2003
		HK\$'000	HK\$'000
At 1 January			
As previously reported		1,470,024	1,537,245
Changes in accounting policy	11	–	(8,491)
As restated		1,470,024	1,528,754
Surplus on revaluation of long-term investment shares	11	4,069	3,055
Deferred taxation directly charged to reserve	11	–	(14)
Exchange differences on consolidation	11	(218)	1,130
Net gains not recognised in the profit and loss account		3,851	4,171
Net profit for the period	11	111,413	33,977
Investment revaluation reserve released on disposal	11	(3,054)	(952)
Dividends	11	(62,439)	(62,439)
At 30 June		1,519,795	1,503,511

SCMP Group Limited

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 2003 annual accounts.

The accounting policies and methods of computation used in the preparation of these interim accounts are consistent with those used in the annual accounts for the year ended 31 December 2003.

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 and video and film post-production.

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 For the six months ended 30 June		Contribution to operating profit For the six months ended 30 June	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Newspapers, magazines and other publications	470,020	354,270	126,650	17,194
Retailing	197,407	203,202	(832)	(1,201)
Investment properties	7,332	41,392	4,986	40,024
Video and film post-production	11,808	10,386	(2,355)	1,425
Entertainment	11,002	4,385	8,089	2,948
Total	697,569	613,635	136,538	60,390

3. Other Revenue

	For the six months ended 30 June	
	2004 HK\$'000	2003 HK\$'000
Dividend income from listed investments	142	563
Interest income	199	874
Others	711	501
Total	1,052	1,938

SCMP Group Limited

4. Taxation

	For the six months ended 30 June	
	2004 HK\$'000	2003 HK\$'000
Company and subsidiaries:		
Hong Kong profits tax	27,088	12,901
Overseas taxation	271	113
Deferred taxation relating to the origination and reversal of temporary differences	(2,114)	(1,914)
Deferred taxation relating to an increase in tax rate	-	8,538
Share of taxation attributable to associates	1,042	40
Taxation charges	26,287	19,678

Hong Kong profits tax has been provided at a rate of 17.5% (2003: 17.5%) on the estimated assessable profits for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

5. Earnings per Share

The calculation of basic earnings per share is based on the profit for the period attributable to shareholders of HK\$111,413,000 (2003: HK\$33,977,000) and 1,560,945,596 (2003: 1,560,945,596) shares in issue during the period.

For the six months ended 30 June 2004 and 2003, the diluted earnings per share is not shown as there was no dilution effect.

6. Intangible Assets

	Publishing titles HK\$'000	Software costs HK\$'000	Assets in progress HK\$'000	Total HK\$'000
Cost:				
At 1 January 2004	1,820,000	24,028	10,583	1,854,611
Additions	-	-	6,344	6,344
At 30 June 2004	1,820,000	24,028	16,927	1,860,955
Accumulated amortisation:				
At 1 January 2004	1,820,000	1,439	-	1,821,439
Provided during the period	-	1,853	-	1,853
At 30 June 2004	1,820,000	3,292	-	1,823,292
Net book value:				
At 30 June 2004	-	20,736	16,927	37,663
At 31 December 2003	-	22,589	10,583	33,172

SCMP Group Limited

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 2004	645,000	376,975	909,217	19,900	1,951,092
Additions	-	-	5,182	6,235	11,417
Reclassification	-	-	4,539	(4,539)	-
Acquisition of subsidiaries	-	-	1,721	-	1,721
Disposals	-	-	(9,662)	-	(9,662)
Translation differences	-	-	36	88	124
At 30 June 2004	645,000	376,975	911,033	21,684	1,954,692
Accumulated depreciation:					
At 1 January 2004	-	74,788	528,956	-	603,744
Provided during the period	-	3,916	36,702	-	40,618
Acquisition of subsidiaries	-	-	1,098	-	1,098
Disposals	-	-	(9,199)	-	(9,199)
Translation differences	-	-	24	-	24
At 30 June 2004	-	78,704	557,581	-	636,285
Net book value:					
At 30 June 2004	645,000	298,271	353,452	21,684	1,318,407
At 31 December 2003	645,000	302,187	380,261	19,900	1,347,348
Analysis of cost and valuation:					
At cost	-	343,975	911,033	21,684	1,276,692
At valuation - 1990	-	33,000	-	-	33,000
- 2003	645,000	-	-	-	645,000
	645,000	376,975	911,033	21,684	1,954,692

8. Accounts Receivable

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 2004		31 December 2003	
	Balance HK\$'000	Percentage %	Balance HK\$'000	Percentage %
0 to 30 days	84,144	44.9	73,123	41.3
31 to 60 days	51,400	27.4	56,340	31.9
61 to 90 days	35,520	18.9	32,353	18.3
Over 90 days	16,489	8.8	15,056	8.5
Total	187,553	100.0	176,872	100.0
Less: Provision for bad and doubtful debts	(14,010)		(14,690)	
	173,543		162,182	

9. Accounts Payable and Accrued Liabilities

Included in accounts payable and accrued liabilities are the following trade payables:

	30 June 2004		31 December 2003	
	Balance HK\$'000	Percentage %	Balance HK\$'000	Percentage %
0 to 30 days	35,392	57.4	40,616	55.7
31 to 60 days	12,761	20.7	19,097	26.2
61 to 90 days	7,782	12.6	7,761	10.7
Over 90 days	5,713	9.3	5,376	7.4
Total	61,648	100.0	72,850	100.0

SCMP Group Limited

10. Share Capital

	30 June 2004 (Unaudited) HK\$'000	31 December 2003 (Audited) HK\$'000
Authorised: 5,000,000,000 shares of HK\$0.10 each	500,000	500,000
Issued and fully paid: 1,560,945,596 (2003: 1,560,945,596) shares of HK\$0.10 each	156,095	156,095

11. Reserves and 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 HK\$'000	Total HK\$'000
At 1 January 2003							
As previously stated	40,971	1,255,909	4,252	1,503	(39,444)	117,959	1,381,150
Change in accounting policy							
Effects of adopting SSAP 12 (revised)	-	-	-	(178)	-	(8,313)	(8,491)
As restated	40,971	1,255,909	4,252	1,325	(39,444)	109,646	1,372,659
Change in fair values of long-term investment shares	-	-	3,055	-	-	-	3,055
Revaluation reserve released on disposal	-	-	(952)	-	-	-	(952)
Exchange differences on consolidation	-	-	-	-	1,130	-	1,130
Deferred taxation directly charged to reserve	-	-	-	(14)	-	-	(14)
Profit for the period	-	-	-	-	-	33,977	33,977
2002 final dividend distribution	-	(62,439)	-	-	-	-	(62,439)
At 30 June 2003	40,971	1,193,470	6,355	1,311	(38,314)	143,623	1,347,416
At 1 January 2004	40,971	1,162,252	32,836	1,325	(34,863)	111,408	1,313,929
Change in fair values of long-term investment shares	-	-	4,069	-	-	-	4,069
Revaluation reserve released on disposal	-	-	(3,054)	-	-	-	(3,054)
Exchange differences on consolidation	-	-	-	-	(218)	-	(218)
Profit for the period	-	-	-	-	-	111,413	111,413
2003 final dividend distribution	-	(62,439)	-	-	-	-	(62,439)
At 30 June 2004 – Note (a)	40,971	1,099,813	33,851	1,325	(35,081)	222,821	1,363,700

Note (a) – The proposed interim dividend distribution of HK\$78,047,000 for the six months ended 30 June 2004 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 6 September 2004.

SCMP Group Limited

MANAGEMENT DISCUSSION AND ANALYSIS

PRINCIPAL ACTIVITIES

The Company acted as an investment holding company during the period. Its principal activities are newspaper, magazine and book publishing, retailing, property investments and video and film post-production.

OPERATING RESULTS OF THE GROUP

The operating results of the Group for the first six months of 2004 improved significantly compared with performance during the same period in 2003 when a weak economy and the outbreak of Sars adversely affected Hong Kong and the businesses of the Group.

Total revenue of the Group for the six months ended 30 June 2004 was HK\$697.6 million, a 14% increase compared with the same period in 2003. Operating costs before depreciation were 4% higher. EBITDA rose 61% to HK\$175.6 million. Operating profit increased by 126%, or HK\$76.1 million, to HK\$136.5 million. Profit attributable to shareholders amounted to HK\$111.4 million, 228% higher compared with the same period last year. Earnings per share were HK7.14 cents compared with HK2.18 cents over the same period in 2003.

Condensed Consolidated Profit and Loss Account (HK\$ million, except per share amounts)

	Unaudited		
	For the six months ended 30 June		
	2004	2003	% change
Turnover	697.6	613.6	14
Staff costs	184.5	183.3	1
Cost of production materials and sales	218.1	203.0	7
Rental and utilities	40.0	44.3	(10)
Advertising and promotion	8.9	5.4	65
Other operating expenses	70.5	68.2	3
Operating costs before depreciation and amortisation	(522.0)	(504.2)	4
EBITDA	175.6	109.4	61
Other revenue	1.0	1.9	(47)
Depreciation and amortisation	(42.5)	(38.9)	9
Gain on disposal of long-term investment shares	4.2	2.0	110
Gain on disposal of subsidiaries	-	0.6	(100)
Loss on termination of a jointly-controlled entity	(1.1)	-	100
Office relocation expenses	-	(10.9)	100
Provision for impairment in value of long-term investment	-	(0.8)	100
Finance costs	(0.7)	(2.9)	(76)
Operating profit	136.5	60.4	126
Profit attributable to shareholders	111.4	34.0	228
Earnings per share (HK cents)	7.14	2.18	228

SCMP Group Limited

Our results show the benefits of an improving economy, cost saving measures and financial discipline exercised last year. Operating costs and expenses rose only slightly by 4% because of higher newsprint prices, advertising and promotion, and depreciation charges. These were partly offset by lower rental cost.

Our average cost of newsprint increased by 7% from US\$422 per metric ton in the first half last year to US\$452 over the comparable period this year. Usage increased by 23% as a result of an increase in advertising volume which was offset partly by production efficiency. We spent more on advertising and promotions to drive circulation and to launch a new magazine in Hong Kong. Depreciation charges increased as a result of new investments in editorial and other systems. Rental charges were lower due to the office relocation to Somerset House and renewal of a lease at a lower rate.

Contribution by Business Segment

The publishing business contributed 67% of the Group's total turnover, 92% of EBITDA and 93% of operating profit. Newspaper publishing contributed 88% of publishing revenue and 96% of publishing EBITDA.

Contribution to Turnover (HK\$ million)

	Unaudited		
	For the six months ended 30 June		
	2004	2003	% change
Newspapers, magazines and other publications	470.0	354.2	33
Retailing	197.4	203.2	(3)
Investment properties	7.4	41.4	(82)
Video and film post-production	11.8	10.4	13
Entertainment	11.0	4.4	150
Total	697.6	613.6	14

Contribution to EBITDA (HK\$ million)

	Unaudited		
	For the six months ended 30 June		
	2004	2003	% change
Newspapers, magazines and other publications	161.6	63.7	154
Retailing	0.8	(0.1)	900
Investment properties	5.0	40.4	(88)
Video and film post-production	0.1	1.9	(95)
Entertainment	8.1	3.5	131
Total	175.6	109.4	61

Contribution to Operating Profit (HK\$ million)

	Unaudited		
	For the six months ended 30 June		
	2004	2003	% change
Newspapers, magazines and other publications	126.6	17.2	636
Retailing	(0.8)	(1.2)	(33)
Investment properties	5.0	40.0	(88)
Video and film post-production	(2.4)	1.4	(271)
Entertainment	8.1	3.0	170
Total	136.5	60.4	126

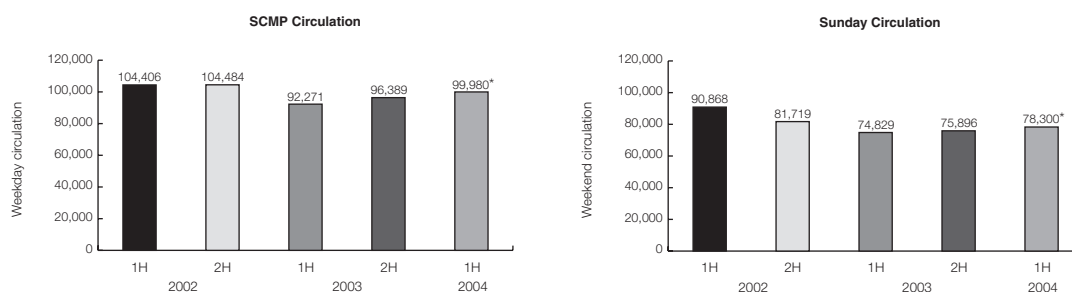
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NEWSPAPER, MAGAZINE AND BOOK PUBLISHING

The publishing business recovered strongly led by the growth in advertising spending. Total ad spending across all media in Hong Kong from January to June 2004 grew 22% year-on-year. Newspaper publishing revenue grew 32% while magazine publishing revenue grew 39%.

HK\$ million	Unaudited For the six months ended 30 June		
	2004	2003	% change
Turnover			
Newspaper publishing	414.2	313.7	32
Magazine and book publishing	55.8	40.5	38
Total	470.0	354.2	33
EBITDA	161.6	63.7	154
Operating profit	126.6	17.2	636

During the first half of the year, newspaper circulation sales reached pre-Sars levels except for subscriptions. Unaudited circulation of the *South China Morning Post* in the first half of 2004 is 8% higher compared with the same period in 2003. Circulation of the *Sunday Morning Post* is 5% higher compared with the same period last year.



* Unaudited

Display revenue grew 35% year-on-year in line with an increase in volume. Travel and tourism services, banking, telecommunications, and networking categories showed the highest growth in ad spending. We outperformed other local newspapers in the automobile, electrical appliances, banking, travel and tourism services, and overseas property categories. Yield was flat year-on-year. Special supplements which attracted new advertisers from the mainland and new advertising formats generated additional ad revenue.

Classified advertising revenue grew 39% in the first half of 2004 compared with the same period last year as a result of a recovery in the job market and capital market transactions, particularly IPOs. For the first time in four years, recruitment revenue reversed its declining trend, growing 53% year-on-year. Recruitment volume increased by 50% and the yield on *Classified Post* and *Jiu Jik* were higher by 8% and 4%, respectively. We capitalized on a broad-based recovery by publishing more industry-focused special supplements, often in partnership with professional associations, strengthening the editorial section of *Classified Post* to increase readership and response rates and hosting conferences to reinforce our brand with readers and HR professionals.

Business notices revenue grew 56% as a result of an increase in IPO activity and a higher market share of IPO listings in the first half of 2004. Average yield declined 6% because of price competition.

SCMP Group Limited

The recovery in ad spending also led to a significant improvement in the results of the magazine publishing business. *Cosmopolitan* introduced successful spin-off issues of *Cosmo Beauty* and *Cosmo Bride*. *Harper's Bazaar* remains the top choice for luxury advertising. *CosmoGirll* announced an audited average circulation copy per issue of 38,968 in 2003 boosting advertising revenue this year. *Automobile* regained its leading position among car titles with an audited average circulation copy per issue of 24,157 in 2003. *MAXIM* was launched in April 2004 and the first three issues achieved satisfactory results.

The results of the book publishing business improved significantly due to the success of Chinese fortune books, fiction books for younger readers and control of production costs.

RETAILING

HK\$ million	Unaudited For the six months ended 30 June		
	2004	2003	% change
Turnover	197.4	203.2	(3)
EBITDA	0.8	(0.1)	900
Operating loss	(0.8)	(1.2)	(33)

The retailing division narrowed operating losses and turned profitable on an EBITDA basis despite a slight decline in revenue. We closed unprofitable stores during the first half of the year. We placed more emphasis on products and services with higher margins such as beverages, publications and redemption services, and some leases were renewed at more favorable terms. The five new KCRC stores along the West Rail did not perform as expected because passenger traffic was significantly lower than projected. As of 30 June 2004, we had 87 stores in operation compared with 88 as of 31 December 2003.

INVESTMENT PROPERTIES

HK\$ million	Unaudited For the six months ended 30 June		
	2004	2003	% change
Turnover	7.4	41.4	(82)
EBITDA	5.0	40.4	(88)
Operating profit	5.0	40.0	(88)

Contribution from investment properties dropped significantly due to the expiration of the TV City lease.

VIDEO AND FILM POST-PRODUCTION

HK\$ million	Unaudited For the six months ended 30 June		
	2004	2003	% change
Turnover	11.8	10.4	13
EBITDA	0.1	1.9	(95)
Operating profit/(loss)	(2.4)	1.4	(271)

The division posted a loss despite an increase in revenue because of price competition and the delayed start-up of the operations in Guangzhou. The origination business is stable with more projects in the pipeline in the third quarter of 2004.

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ENTERTAINMENT

HK\$ million	Unaudited		
	For the six months ended 30 June		
	2004	2003	% change
Turnover	11.0	4.4	150
EBITDA	8.1	3.5	131
Operating profit	8.1	3.0	170

New compilations of recordings by Anita Mui and Leslie Cheung contributed to the significant increase in revenue in the first half of 2004. We will continue to exploit the existing library through licensing arrangements and re-issues of old titles in new formats.

LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operating activities was HK\$143.4 million for the six months ended 30 June 2004, compared with net inflow of HK\$103.1 million for the same period last year. The increase was a result of higher earnings from the publishing business of the Group.

Net cash used in investing activities for the six months ended 30 June 2004 was HK\$4.3 million, mainly for capital spending. This was offset partially by proceeds from the sale of long term investment shares.

Net cash outflow from financing activities was HK\$62.4 million for the period ended 30 June 2004 representing the payment of final dividend for 2003.

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 expenditure and dividend payments to shareholders.

As at 30 June 2004, the Group had total borrowings of HK\$230 million, which is an unsecured Hong Kong dollar term loan at floating interest rate repayable in October 2005. The Group has no significant exposure to foreign exchange fluctuations.

The ratio of current assets to current liabilities was 2.8 times as at 30 June 2004 compared with 2.4 times as at 30 June 2003.

As at 30 June 2004, the Group had no gearing (after deducting bank balances and deposits) compared with a gearing ratio of 10% as at 30 June 2003.

CAPITAL EXPENDITURES

The Group continued its capital expenditure program to invest in new technology and improve operating efficiency. Of the HK\$58.6 million capital expenditure approved for 2004, HK\$17.8 million was spent during the six months ended 30 June 2004 as follows: (i) HK\$7.7 million on partial payments for editorial, circulation, advertising and retail point-of-sales systems, (ii) HK\$3.1 million on video and film post-production equipment, and (iii) HK\$7.0 million on replacement items. The balance of HK\$40.8 million will be spent further on the editorial, circulation and advertising systems, and replacement items. We are planning to purchase four new printing press units to replace the oldest units in operation, which have been in use for 18 years. The cost of these new presses has not been included in the capital expenditure budget in 2004.

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OUTLOOK

We expect the Hong Kong economy to continue to grow, creating a favorable operating environment for the businesses of the Group. A recovery in consumer spending and stable unemployment rates will support further improvements in advertising revenue of all our publications. We will strive to serve our advertisers better and provide them with multiple platforms with which to reach their audience. We will continue to invest in technology and people so that we can respond quickly and successfully to a changing market.

Circulation figures and readership quality should continue to improve, supported by continuing editorial enhancements, marketing and readership programs.

Our investment properties should benefit from the relative stability of the property market. We will continue to evaluate opportunities to dispose of non-core assets.

STAFF

As of 30 June 2004, the Group had 1,253 employees, a slight increase from 1,247 as of 31 December 2003. 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.

INTERIM DIVIDEND DISTRIBUTION

The Directors have declared an interim dividend distribution from the contributed surplus account of HK5 cents per share, amounting to HK\$78,047,000, payable to shareholders whose names appear on the Register of Members of the Company on Thursday, 30 September 2004 and payable on Friday, 8 October 2004.

BOOK CLOSURE

The Register of Members of the Company will be closed from Friday, 24 September 2004 to Thursday, 30 September 2004, 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 Room no. 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on Thursday, 23 September 2004 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. Ronald J. Arculli*	
Tan Sri Dr. Khoo Kay Peng	
Ms. Kuok Hui Kwong	(appointed on 6 February 2004)
Mr. Peter Lee Ting Chang*	
Dr. The Hon. David Li Kwok Po*	
Mr. Robert Ng Chee Siong	(appointed on 24 May 2004)

* *Independent Non-executive Director*

During the period, Mr. Thaddeus Thomas Beczak retired as Director of the Company at the Annual General Meeting held on 24 May 2004. The Board would like to take this opportunity to record a special note of thanks and appreciation to Mr. Beczak for all his efforts and contribution during his tenure as Director of the Company.

SCMP Group Limited

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2004, the Directors of the Company had the following interests or short positions in shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code"):

Name of Director	Ordinary shares of the Company		
	Capacity/ Nature of interests	Number of shares held	Approximate % of issued share capital *
Mr. Kuok Khoon Ean (Note 1)	Corporate	340,000	0.022%
Tan Sri Dr. Khoo Kay Peng (Note 2)	Corporate	87,119,145	5.581%
Dr. The Hon. David Li Kwok Po	Personal	100,000	0.006%

Notes:

- The interests in the 340,000 shares are in respect of deemed corporate interests held by Mr. Kuok Khoon Ean through Allerton Limited, which is wholly owned by Mr. Kuok and his spouse.*
 - The interests in the 87,119,145 shares are in respect of deemed corporate interests held by Tan Sri Dr. Khoo Kay Peng through (i) MUI Media Ltd. as to 70,969,145 shares and (ii) Bonham Industries Limited as to 16,150,000 shares. As at 30 June 2004, Dr. Khoo was deemed to have an interest in approximately 32.27% of the issued capital of Pan Malaysian Industries Berhad which in turn holds approximately 46.56% of the issued capital of Malayan United Industries Berhad ("MUI Berhad"). MUI Media Ltd. is wholly owned by MUI Berhad. Dr. Khoo and his spouse are deemed to have interests in the entire issued capital of Bonham Industries Limited.*
- * *Approximate percentage calculated based on the 1,560,945,596 ordinary shares of the Company in issue as at 30 June 2004.*

All the interests stated above represent long positions in the shares of the Company.

Save as stated above, none of the Directors (including their spouses and children under 18 years of age) had been granted by the Company or had exercised any rights to subscribe for shares or debentures of the Company or any of its associated corporations during the six months ended 30 June 2004. At no time during the six months ended 30 June 2004 was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

Apart from the aforesaid, as at 30 June 2004, none of the Directors of the Company had any interest or short position in any shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SCMP Group Limited

SUBSTANTIAL INTERESTS IN SHARE CAPITAL

As at 30 June 2004, the following persons (other than Directors of the Company) had interests or short positions in the shares and underlying shares of the Company representing 5% or more of the voting power at any general meeting of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Name	Capacity/ Nature of Interest	Number of ordinary shares held	Approximate % of issued share capital *
Kerry Media Limited (Note 1)	Beneficial owner	524,730,000	33.62%
Kerry 1989 (C.I.) Limited (Note 2)	Interest of controlled corporations	525,036,000	33.64%
Kerry Holdings Limited (Notes 3 & 4)	Interest of controlled corporations	594,576,000	38.09%
Kerry Group Limited (Note 4)	Interest of controlled corporations	594,576,000	38.09%
Silchester International Investors Limited (Notes 5 & 6)	Investment manager	203,005,000	13.01%
Sprucegrove Investment Management Ltd. (Notes 5 & 7)	Investment manager	104,918,000	6.72%
Madam Chai Siew Phin Pauline (Note 8)	Interest of controlled corporation	87,119,145	5.58%
Templeton Global Advisors Ltd. (Note 5)	Investment manager	85,259,937	5.46%

Notes:

- 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 respective 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.
- The Company has been notified informally that, as at 30 June 2004, Kerry Group Limited and Kerry Holdings Limited were interested in 595,568,000 shares (representing approximately 38.15% of the Company's issued share capital) and the increase in shareholding was not required to be disclosed under Part XV of the SFO.
- Investment manager acting on behalf of clients and not connected with the Company.
- Silchester International Investors Limited has informally notified the Company that, as at 30 June 2004, it held 203,275,000 shares (representing approximately 13.02% of the Company's issued share capital) and this increase in shareholding was not required to be disclosed under Part XV of the SFO.
- Sprucegrove Investment Management Ltd. has informally notified the Company that, as at 30 June 2004, it held 103,876,000 shares (representing approximately 6.65% of the Company's issued share capital) and this decrease in shareholding was not required to be disclosed under Part XV of the SFO.
- The interests in the 87,119,145 shares held by Madam Chai Siew Phin Pauline are duplicated in the interests for Tan Sri Dr. Khoo Kay Peng reported under the section headed "Directors' interests in shares, underlying shares and debentures" of this report.

* Approximate percentage calculated based on the 1,560,945,596 ordinary shares of the Company in issue as at 30 June 2004.

All the interests stated above represent long positions in the shares of the Company.

SCMP Group Limited

Save as stated above, as at 30 June 2004, the Company had not been notified of any interests and short positions in the shares and underlying shares of the Company which had been recorded in the register required to be kept under Section 336 of the SFO.

SHARE OPTION SCHEME

The Company has a share option scheme (the "Scheme") which was approved by shareholders on 27 October 1997. The Scheme was amended with shareholders' approval on 6 November 2000 and further amended at the annual general meeting held on 29 May 2002 in conformity with the amended Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). Under the Scheme, the Board of Directors of the Company may grant options to subscribe for shares of the Company to any full-time employee or Executive Director of the Company or any of its subsidiaries.

No share option was granted under the Scheme during the six months ended 30 June 2004 (the "Period").

The outstanding shares in respect of options granted under the Scheme as at 30 June 2004 are summarised below:

	Number of shares in respect of options granted
Outstanding at 1 January 2004	10,221,000
Granted during the Period	-
Exercised during the Period	-
Cancelled during the Period	-
Lapsed during the Period	810,000
Outstanding at 30 June 2004	9,411,000

Details of the movements during the six months ended 30 June 2004 in the share options granted under the Scheme are as follows:

(i) Options granted to Directors

Name of Director	Date of grant	Exercisable period	Exercise price/ share HK\$	Number of shares involved in the options				Outstanding at 30/06/2004
				Outstanding at 01/01/2004	Granted during the Period	Exercised during the Period	Lapsed during the Period	
Mr. Thaddeus Thomas Beczak*	23/09/2003	23/09/2004-31/12/2004	3.90	350,000	-	-	-	350,000
Total				350,000	-	-	-	350,000

* Mr. Thaddeus Thomas Beczak retired as Director of the Company on 24 May 2004.

SCMP Group Limited

(ii) Options granted to employees

Date of grant	Exercisable period	Exercise price/share HK\$	Number of shares involved in the options				
			Outstanding at 01/01/2004	Granted during the Period	Exercised during the Period	Lapsed during the Period	Outstanding at 30/06/2004
02/08/1999	02/08/2000-27/10/2007	5.00	1,352,500	-	-	115,000	1,237,500
11/01/2000	11/01/2001-27/10/2007	5.51	1,078,500	-	-	65,000	1,013,500
20/04/2000	20/04/2001-27/10/2007	6.05	3,995,000	-	-	305,000	3,690,000
28/06/2001	28/06/2002-27/10/2007	4.95	845,000	-	-	75,000	770,000
23/09/2003	23/09/2004-27/10/2007	3.90	2,600,000	-	-	250,000	2,350,000
Total			9,871,000	-	-	810,000	9,061,000

Valuation of share options has not been presented as the exercise prices of all the share options which were vested as at 30 June 2004 were above the market price of the shares of the Company as at 30 June 2004.

PURCHASE, SALE OR REDEMPTION 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 2004.

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 2004 are in line with the corporate governance statement set out in the Company's 2003 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 2004, in compliance with the Code of Best Practice as set out in Appendix 14 of the 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.

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Board of Directors of the Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules as the code for securities transactions by Directors of the Company. All Directors of the Company have confirmed their compliance with the required standard set out in the Model Code during the period from 1 January 2004 to 30 June 2004.

SCMP Group Limited

AUDIT COMMITTEE

The Audit Committee has been established since 1998 with written terms of reference and currently comprises three Independent Non-executive Directors, namely Mr. Peter Lee Ting Chang, Mr. Ronald J. Arculli and Dr. The Hon. David Li Kwok Po. One meeting was held by the Audit Committee in the first six months of 2004. The Audit Committee has reviewed the Group's unaudited interim results for the six months ended 30 June 2004.

REMUNERATION COMMITTEE

The Company established a Remuneration Committee in 2000 with written terms of reference. The Remuneration Committee currently comprises two Independent Non-executive Directors, namely Mr. Peter Lee Ting Chang and Mr. Ronald J. Arculli and the Executive Chairman, Mr. Kuok Khoon Ean.

On Behalf of the Board
KUOK Khoon Ean
Chairman

Hong Kong, 6 September 2004