interim report 2005

SCMP Group Limited

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 2005 as follows:

Condensed Consolidated Profit & Loss Account

	Note	Unaudited For the six months ended 30 June **2005** **HK$'000**	2004 (Restated) HK$'000
Turnover	2	**536,588**	697,569
Other revenue	3	**4,514**	1,052
Total revenue		**541,102**	698,621
Staff costs		**(174,686)**	(184,546)
Cost of production materials/sales		**(80,072)**	(218,143)
Rental and utilities		**(15,714)**	(39,996)
Depreciation and amortisation		**(41,736)**	(42,471)
Advertising and promotion		**(13,228)**	(8,884)
Other operating expenses		**(72,440)**	(70,509)
Gain on disposal of long-term investment shares		**711**	4,242
Loss on termination of a jointly controlled entity		–	(1,076)
Finance costs		**(2,621)**	(700)
		(399,786)	(562,083)
Operating profit		**141,316**	136,538
Share of profits less losses of associates	4	**1,775**	3,096
Share of loss of a jointly controlled entity		–	(361)
Profit before taxation		**143,091**	139,273
Taxation	5	**(28,113)**	(25,245)
Profit for the period		**114,978**	114,028
Attributable to:			
Shareholders		**112,311**	111,413
Minority interests		**2,667**	2,615
		114,978	114,028
Dividend			
Proposed interim dividend of 5 cents (2004: 5 cents) per share		**78,047**	78,047
Earnings per share			
Basic and diluted	6	**7.20 cents**	7.14 cents

Condensed Consolidated Balance Sheet

	Note	Unaudited 30 June 2005 HK$'000	31 December 2004 (Restated) HK$'000
Non-current assets			
Intangible assets		**38,963**	41,880
Fixed assets	7	**614,903**	602,440
Investment properties	8	**682,600**	664,600
Lease premium for land	9	**34,141**	34,649
Defined benefit plan's assets		**31,977**	30,415
Interests in associates		**38,717**	41,543
Long-term investment shares		**167,223**	156,660
		1,608,524	1,572,187
Current assets			
Inventories		**31,743**	37,774
Accounts receivable	10	**198,170**	191,613
Prepayments, deposits and other receivables		**23,269**	42,133
Foreign currency bank deposits for purchase of fixed assets	1(i)(d)(ii)	**29,674**	–
Cash and bank balances		**281,658**	363,095
		564,514	634,615
Current liabilities			
Accounts payable and accrued liabilities	11	**86,746**	116,709
Taxation payable		**56,700**	30,087
Subscriptions in advance		**15,822**	22,848
Bank overdraft, secured		**6,570**	2,358
Short-term bank loan, unsecured		**1,881**	–
Current portion of long-term bank loan, unsecured		**230,000**	230,000
		397,719	402,002
Net current assets		**166,795**	232,613
Total assets less current liabilities		**1,775,319**	1,804,800
Non-current liabilities			
Long-term bank loan, unsecured		**17,000**	17,000
Deferred taxation		**92,349**	90,540
		109,349	107,540
		1,665,970	1,697,260
Capital and reserves			
Share capital	12	**156,095**	156,095
Reserves		**1,416,837**	1,372,750
Proposed dividend		**78,047**	156,095
		1,494,884	1,528,845
Shareholders' funds		**1,650,979**	1,684,940
Minority interests		**14,991**	12,320
Total equity		**1,665,970**	1,697,260

Condensed Consolidated Cash Flow Statement

	Unaudited For the six months ended 30 June 2005 HK$'000	2004 HK$'000
Net cash inflow from operating activities	**146,418**	143,393
Net cash outflow from investing activities	**(77,853)**	(4,336)
Net cash outflow from financing activities	**(154,214)**	(62,439)
(Decrease)/increase in cash and cash equivalents	**(85,649)**	76,618
Cash and cash equivalents at 1 January	**360,737**	156,990
Cash and cash equivalents at 30 June	**275,088**	233,608

Condensed Consolidated Statement of Changes in Equity – Unaudited

For the six months ended 30 June 2005

	Attributable to shareholders									
	Share capital and share premium HK$'000	Contributed surplus HK$'000	Investment revaluation reserve HK$'000	Asset revaluation reserve HK$'000	Hedging reserve HK$'000	Translation reserve HK$'000	Retained profits HK$'000	Total shareholders' funds HK$'000	**Minority interests** HK$'000	**Total equity** HK$'000
Balance at 1 January 2004, as previously reported as equity	197,066	1,162,252	32,836	1,325	–	(34,863)	111,408	1,470,024	–	1,470,024
Balance at 1 January 2004, as previously separately reported as minority interests	–	–	–	–	–	–	–	–	9,677	9,677
Balance at 1 January 2004, as restated	197,066	1,162,252	32,836	1,325	–	(34,863)	111,408	1,470,024	9,677	1,479,701
Surplus on revaluation of long-term investment shares	–	–	4,069	–	–	–	–	4,069	–	4,069
Investment revaluation reserve released on disposal	–	–	(3,054)	–	–	–	–	(3,054)	–	(3,054)
Exchange differences on consolidation	–	–	–	–	–	(218)	–	(218)	–	(218)
Net income/(expense) recognised directly in equity	–	–	1,015	–	–	(218)	–	797	–	797
Profit for the period	–	–	–	–	–	–	111,413	111,413	2,615	114,028
Total recognised income/ (expense) for the period	–	–	1,015	–	–	(218)	111,413	112,210	2,615	114,825
Dividends	–	(62,439)	–	–	–	–	–	(62,439)	–	(62,439)
Balance at 30 June 2004	197,066	1,099,813	33,851	1,325	–	(35,081)	222,821	1,519,795	12,292	1,532,087
Balance at 1 January 2005, as previously reported as equity	**197,066**	**1,021,767**	**70,608**	**1,325**	**–**	**(34,380)**	**428,554**	**1,684,940**	**–**	**1,684,940**
Balance at 1 January 2005, as previously separately reported as minority interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**12,320**	**12,320**
Balance at 1 January 2005, as restated	**197,066**	**1,021,767**	**70,608**	**1,325**	**–**	**(34,380)**	**428,554**	**1,684,940**	**12,320**	**1,697,260**
Surplus on revaluation of long-term investment shares	**–**	**–**	**10,798**	**–**	**–**	**–**	**–**	**10,798**	**–**	**10,798**
Investment revaluation reserve released on disposal	**–**	**–**	**5**	**–**	**–**	**–**	**–**	**5**	**–**	**5**
Exchange differences on consolidation	**–**	**–**	**–**	**–**	**–**	**(655)**	**–**	**(655)**	**4**	**(651)**
Surplus on revaluation of leasehold building	**–**	**–**	**–**	**3,000**	**–**	**–**	**–**	**3,000**	**–**	**3,000**
Deferred taxation directly charged to reserve	**–**	**–**	**–**	**(704)**	**–**	**–**	**–**	**(704)**	**–**	**(704)**
Losses on cash flow hedges	**–**	**–**	**–**	**–**	**(2,621)**	**–**	**–**	**(2,621)**	**–**	**(2,621)**
Net income/(expense) recognised directly in equity	**–**	**–**	**10,803**	**2,296**	**(2,621)**	**(655)**	**–**	**9,823**	**4**	**9,827**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**112,311**	**112,311**	**2,667**	**114,978**
Total recognised income/ (expense) for the period	**–**	**–**	**10,803**	**2,296**	**(2,621)**	**(655)**	**112,311**	**122,134**	**2,671**	**124,805**
Dividends	**–**	**(156,095)**	**–**	**–**	**–**	**–**	**–**	**(156,095)**	**–**	**(156,095)**
Balance at 30 June 2005	**197,066**	**865,672**	**81,411**	**3,621**	**(2,621)**	**(35,035)**	**540,865**	**1,650,979**	**14,991**	**1,665,970**

Note: The proposed interim dividend of HK$78,047,000 for the six months ended 30 June 2005 is to be paid out of the Company's retained profits.

Notes to the Accounts

1. (i) Basis of preparation and accounting policies

The unaudited condensed consolidated interim accounts ("interim accounts") are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") 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 2004 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 year ended 31 December 2004 except that the Group has adopted the Hong Kong Financial Reporting Standards and HKASs ("HKFRSs") issued by the HKICPA which are effective for accounting periods commencing on or after 1 January 2005.

These interim accounts have been prepared in accordance with those HKFRSs and interpretations issued and effective as at the time of preparing these accounts. The HKFRSs and interpretations that will be applicable at 31 December 2005, including those that will be applicable on an optional basis, are not known with certainty at the time of preparing these interim accounts.

The adoption of the following HKFRSs has resulted in changes in accounting policies or presentation of these interim accounts:

HKAS 1:	Presentation of Financial Statements
HKAS 16:	Property, Plant and Equipment
HKAS 17:	Leases
HKAS 32:	Financial Instruments: Disclosure and Presentation
HKAS 36:	Impairment of Assets
HKAS 38:	Intangible Assets
HKAS 39:	Financial Instruments: Recognition and Measurement
HKAS 40:	Investment Property
HK(SIC)-Int 21:	Income Taxes – Recovery of Revalued Non-Depreciated Assets
HKFRS 2:	Share-based Payment
HKFRS 3:	Business Combinations

The effect of adopting these HKFRSs on the interim accounts is as follows:

(a) HKAS 1: Presentation of Financial Statements

The adoption of HKAS 1 has resulted in changes in presentation in the interim accounts. It has no effect on profit attributable to shareholders. However, certain comparative figures have been restated to comply with the new presentation requirements.

(b) HKAS 16: Property, Plant and Equipment

The adoption of HKAS 16 has resulted in a change in accounting policy relating to the calculation of depreciation charges of fixed assets. Previously, depreciation was provided on a straight-line basis to allocate the depreciable amount of a fixed asset over its estimated useful life. The depreciable amount represented the cost or valuation of the asset less its residual value. The residual value was determined at the time the asset was acquired and was not revised in subsequent periods. HKAS 16 now requires that the residual value of a fixed asset be reviewed annually. When the residual value of a fixed asset is determined to be higher than its carrying value, depreciation charge should cease.

This change in accounting policy has not resulted in any adjustment to the comparative figures in the interim accounts as the residual values of the fixed assets have not changed significantly from their original estimates.

(c) *HKAS 17: Leases*
The adoption of HKAS 17 has resulted in a change in accounting policy relating to leasehold land. Leasehold land and buildings in Hong Kong were previously carried at cost or valuation less accumulated depreciation and accumulated impairment losses. In accordance with the provisions of HKAS 17, a lease of land and building should be split into a lease of land and a lease of building in proportion to the relative fair values of the leasehold interests in the land element and the building element of the lease at the inception of the lease. The lease of land should be classified as an operating lease and any premium paid thereon is stated at cost and amortised over the period of the lease. The leasehold building is stated at cost or valuation less accumulated depreciation and accumulated impairment losses. The prepaid land premium is presented in the balance sheet as a separate item under non-current assets. The leasehold building is included under the classification of fixed assets in the balance sheet.

The effect of these changes has been reflected in the comparative figures and has resulted in a decrease in fixed asset and a corresponding increase in lease premium for land of HK$34,649,000 as at 31 December 2004.

(d) *HKAS 32: Financial Instruments: Disclosure and Presentation*
HKAS 39: Financial Instruments: Recognition and Measurement
The adoption of HKAS 32 and HKAS 39 has resulted in a change in accounting policy for the recognition, measurement, presentation and disclosure of financial instruments. The major changes are summarised as follows:

(i) Long-term investment shares
In prior periods, the Group's long-term investment shares were classified as non-trading securities and stated in the balance sheet at fair value. The unrealised gain or loss arising from changes in fair value is recognised directly in equity, as a movement in the investment revaluation reserve. In accordance with the provisions of HKAS 39, the long-term investment shares have been re-designated as available-for-sale investments.

The adoption of HKAS 39 has not resulted in any change in the recognition or measurement of the Group's long-term investment shares and no adjustment has been made against retained profits.

(ii) Foreign currency bank deposits for purchase of fixed assets
Until 31 December 2004, all foreign currency deposits held by the Group at the balance sheet date were translated at the applicable market rates of exchange ruling at that date. Exchange differences were dealt with in the profit and loss account. HKAS 39 now permits the designation of a foreign currency deposit as a hedging instrument for the foreign currency risk of a firm commitment. When a foreign currency deposit is formally designated as hedging instrument at the inception of the hedge and the hedge is expected to be highly effective, the gain or loss on the retranslation of the foreign currency deposit at the balance sheet date is recognised directly in the hedging reserve through the statement of changes in equity. When the hedge subsequently results in the recognition of a non-financial asset, the cumulative gains and losses so recognised in the hedging reserve are removed and included in the initial cost of the asset.

HKAS 39 prohibits the re-designation of transactions entered into before 1 January 2005 as hedges. As a result, hedge accounting has only been applied prospectively to transactions entered into on or after 1 January 2005. In current period, certain foreign currency bank deposits of the Group are designated as cash flow hedging instrument to cover the foreign currency risk of a capital commitment of the Group. The capital commitment is expected to be settled in the second half of the year.

(e) *HKAS 36: Impairment of Assets*
HKAS 38: Intangible Assets
HKFRS 3: Business Combinations
The adoption of HKAS 36, HKAS 38 and HKFRS 3 has resulted in a change in the accounting policy for goodwill and publishing titles.

(i) Goodwill
Prior to this, goodwill was amortised on a straight-line basis over a period of not exceeding 20 years. Assessment for impairment was only performed when there were indications that goodwill was impaired. In accordance with HKAS 38, goodwill should not be subject to amortisation and should be tested for impairment at least annually, irrespective of whether any indications of impairment exist.

The Group's goodwill has been fully amortised as at 31 December 2004. In accordance with the transitional provisions of HKFRS 3, goodwill has not been restated. The accumulated amortisation of goodwill of HK$611,703,000 has been eliminated against the cost of goodwill prior to 1 January 2005.

(ii) Publishing titles
Publishing titles were previously amortised over their estimated lives and stated at cost less accumulated amortisation and provision for impairment.

Upon adoption of HKAS 38, a publishing title, which is determined to have an indefinite useful life, will not be subject to amortisation but tested for impairment annually.

For a publishing title with a finite useful life, it is amortised over its estimated useful life and tested for impairment if certain circumstances indicate a possible impairment may exist.

The Group's publishing titles have already been fully amortised as at 31 December 2004. In accordance with the transitional provisions of HKAS 38, the Group shall apply HKAS 38 for these publishing titles prospectively from the financial year beginning on or after 1 January 2005.

(f) *HKAS 40: Investment Property*
The adoption of HKAS 40 has resulted in a change in the accounting policy for the Group's investment properties. Previously, investment properties were stated at open market values at the end of each financial year. Changes in the values of investment properties were dealt with as movements in the investment property revaluation reserve. If the total of this reserve was insufficient to cover a deficit, the excess of the deficit was charged to the profit and loss account. Any subsequent revaluation surplus was credited to the profit and loss account to the extent of the deficit previously charged. Following the adoption of HKAS 40, all changes in valuation of the investment properties would be recognised in the profit and loss account.

The adoption of HKAS 40 has no impact on these interim accounts because the Group's investment properties were in a net revaluation deficit position as at 31 December 2004 and the changes in valuation of the Group's investment properties during the six months period ended 30 June 2005 would have been recognised in the profit and loss account irrespective of whether the new accounting policy has been adopted.

(g) *HK(SIC)-Int 21: Income Taxes – Recovery of Revalued Non-Depreciated Assets*
The adoption of HK(SIC)-Int 21 has resulted in a change in accounting policy relating to the measurement of deferred tax arising from the revaluation of investment properties. Prior to this, such deferred tax were measured on the basis of tax consequences that would follow from recovery of the carrying amount of the investment properties through sale. Following the adoption of HK(SIC)-Int 21, deferred tax arising from the revaluation of investment properties are measured on the basis of tax consequences that would follow from recovery of the carrying amount of the properties through use.

The adoption of HK(SIC)-Int 21 has no impact on these interim accounts because the Group's investment properties had a net revaluation deficit position as at 31 December 2004 and it is not probable that any deferred tax assets arising from such deficit will be recovered in future periods.

(h) *HKFRS 2: Share-based Payment*
The adoption of HKFRS 2 has resulted in a change in accounting policy for employee share options. Prior to this, the Group did not recognise compensation cost in respect of share options granted to employees or Executive Directors of the Company or any of its subsidiaries. Following the adoption of HKFRS 2, the fair value of share options at grant date is amortised over the relevant vesting periods to the profit and loss account and credited to employee share-based compensation reserve under equity.

In accordance with the transitional provisions of HKFRS 2, the new accounting policy for employee share options has been applied to share options that were granted after 7 November 2002 and had not yet vested at 1 January 2005. Because all outstanding share options granted by the Group have already vested as at 1 January 2005, there was no impact to the respective profit and loss accounts in prior and current period.

1. (ii) Summary of restatements made in the interim accounts

Consolidated Profit and Loss Account for the six months ended 30 June 2004

	Share of profits less losses of associates HK$'000	**Taxation HK$'000**
As previously reported	4,138	26,287
Effect of adopting HKAS 1	(1,042)	(1,042)
As restated	3,096	25,245

Consolidated Balance Sheet as at 31 December 2004

	Fixed assets HK$'000	Investment properties HK$'000	Lease premium for land HK$'000
As previously reported	1,301,689	–	–
Effect of adopting HKAS 1	(664,600)	664,600	–
Effect of adopting HKAS 17	(34,649)	–	34,649
As restated	602,440	664,600	34,649

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 digital publications, property investment, music publishing 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	
	2005	2004 (Restated)	**2005**	2004 (Restated)
	HK$'000	HK$'000	**HK$'000**	HK$'000
Continuing operations				
Newspapers, magazines and other publications	**517,003**	470,020	**141,036**	126,650
Investment properties	**7,724**	7,332	**5,771**	4,986
Video and film post-production	**10,151**	11,808	**(5,924)**	(2,355)
Music publishing	**1,710**	11,002	**433**	8,089
	536,588	500,162	**141,316**	137,370
Discontinued operation				
Retailing	–	197,407	–	(832)
Total	**536,588**	697,569	**141,316**	136,538

3. Other revenue

	For the six months ended 30 June	
	2005	2004
	HK$'000	HK$'000
Dividend income from listed investments	**1,314**	142
Interest income	**2,452**	199
Others	**748**	711
Total	**4,514**	1,052

4. Share of profits less losses of associates

Share of profits less losses of associates of HK$1,775,000 (2004: HK$3,096,000) for the period is stated after deducting share of taxation of HK$847,000 (2004: HK$1,042,000) attributable to associates.

5. Taxation

	For the six months ended 30 June 2005 HK$'000	2004 (Restated) HK$'000
Company and subsidiaries		
Hong Kong profits tax	**26,613**	27,088
Overseas taxation	**395**	271
Deferred taxation relating to the origination and reversal of temporary differences	**1,105**	(2,114)
	28,113	25,245
Share of taxation attributable to associates – as previously reported	–	1,042
Effect of adopting HKAS 1	–	(1,042)
As restated	–	–
Taxation charges	**28,113**	25,245

Hong Kong profits tax has been provided at a rate of 17.5% (2004: 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.

6. Earnings per share

The calculation of basic and diluted earnings per share is based on the profit for the period attributable to shareholders of HK$112,311,000 (2004: HK$111,413,000) and 1,560,945,596 (2004: 1,560,945,596) shares in issue during the period.

7. Fixed assets

	Investment properties HK$'000	Leasehold building HK$'000	Other fixed assets HK$'000	Assets in progress HK$'000	Total HK$'000
Net book value at 1 January 2005					
– as previously reported	664,600	294,355	330,383	12,351	1,301,689
– effect of adopting HKAS 1	(664,600)	–	–	–	(664,600)
– effect of adopting HKAS 17	–	(34,649)	–	–	(34,649)
As restated	–	259,706	330,383	12,351	602,440
Additions	–	–	4,353	60,884	65,237
Revaluation	–	3,000	–	–	3,000
Depreciation	–	(3,357)	(34,323)	–	(37,680)
Reclassification (note 8)	–	(18,000)	–	–	(18,000)
Translation differences	–	–	(50)	–	(50)
Disposals	–	–	(44)	–	(44)
Transfer	–	–	12,549	(12,549)	–
Net book value at 30 June 2005	**–**	**241,349**	**312,868**	**60,686**	**614,903**
At 1 January 2005					
Cost or valuation	–	331,868	901,927	12,351	1,246,146
Accumulated depreciation	–	(72,162)	(571,544)	–	(643,706)
Net book value	–	259,706	330,383	12,351	602,440
At 30 June 2005					
Cost or valuation	–	308,868	917,728	60,686	1,287,282
Accumulated depreciation	–	(67,519)	(604,860)	–	(672,379)
Net book value	**–**	**241,349**	**312,868**	**60,686**	**614,903**
Analysis of cost and valuation as at 30 June 2005:					
At cost	–	299,673	917,728	60,686	1,278,087
At valuation – 1990	–	9,195	–	–	9,195
	–	308,868	917,728	60,686	1,287,282

8. Investment properties

	2005 HK$'000
At 1 January	
– as previously reported	–
– effect of adopting HKAS 1	**664,600**
– as restated	**664,600**
Reclassification (note 7)	**18,000**
At 30 June	**682,600**

9. Lease premium for land

	2005 HK$'000
Net book value at 1 January	
– as previously reported	–
– effect of adopting HKAS 17	**34,649**
– as restated	**34,649**
Amortisation	**(508)**
Net book value at 30 June	**34,141**

10. 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 by due date is as follows:

	30 June 2005		31 December 2004	
	Balance HK$'000	**Percentage %**	Balance HK$'000	Percentage %
0 to 30 days	**149,134**	**72.9**	148,007	73.1
31 to 60 days	**37,462**	**18.3**	15,822	7.8
61 to 90 days	**12,208**	**6.0**	32,344	16.0
Over 90 days	**5,721**	**2.8**	6,338	3.1
Total	**204,525**	**100.0**	202,511	100.0
Less: Provision for bad and doubtful debts	**(6,355)**		(10,898)	
	198,170		191,613	

11. Accounts payable and accrued liabilities

The ageing analysis of trade payables is as follows:

	30 June 2005		31 December 2004	
	Balance	**Percentage**	Balance	Percentage
	HK$'000	**%**	HK$'000	%
0 to 30 days	**13,695**	**67.6**	25,327	76.8
31 to 60 days	**772**	**3.8**	1,986	6.0
61 to 90 days	**291**	**1.4**	377	1.1
Over 90 days	**5,516**	**27.2**	5,314	16.1
Total accounts payable	**20,274**	**100.0**	33,004	100.0
Accrued liabilities	**66,472**		83,705	
Total accounts payable and accrued liabilities	**86,746**		116,709	

12. Share capital

	30 June 2005 HK$'000	31 December 2004 HK$'000
Authorised:		
5,000,000,000 shares of HK$0.10 each	**500,000**	500,000
Issued and fully paid:		
1,560,945,596 (2004: 1,560,945,596) shares of HK$0.10 each	**156,095**	156,095

13. Approval of the Interim Accounts

These interim accounts were approved by the Board of Directors on 13 September 2005.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

- Turnover $ 536.5 million
- Recurring operating profit $ 138.7 million
- Operating profit $ 141.3 million
- Net profit $ 112.3 million
- Earnings per share $ 0.072
- Dividend per share $ 0.05

OPERATING RESULTS OF THE GROUP

The profit attributable to shareholders for the first half of 2005 was $112 million. Earnings growth in the Newspaper and Magazine Divisions was offset by lower contributions from the Book Publishing, Video Film and Music Publishing Divisions. The interim results reflect the new Hong Kong Financial Reporting Standards.

Consolidated Profit and Loss Account

(HK$ millions, except per share amounts)	**For the six months ended 30 June 2005**	2004	% Change
Turnover	**536.5**	500.2	7
Staff costs	**(174.7)**	(169.1)	3
Production costs	**(80.1)**	(68.3)	17
Rental and utilities	**(15.7)**	(15.9)	(1)
Advertising and promotion	**(13.2)**	(8.3)	59
Other operating expenses	**(72.4)**	(63.9)	13
Operating costs before depreciation and amortisation	**(356.1)**	(325.5)	9
Depreciation and amortisation	**(41.7)**	(40.9)	2
Recurring operating profit	**138.7**	133.8	4
Other revenue	**2.1**	0.9	*
Gain on disposal of long-term investment shares	**0.7**	4.2	(83)
Loss on termination of a jointly controlled entity	–	(1.1)	(100)
Net finance charges	**(0.2)**	(0.5)	(60)
Operating profit from continuing operations	**141.3**	137.3	3
Operating loss from retailing	–	(0.8)	(100)
Taxation	**(28.1)**	(25.2)	12
Profits of associates and a jointly controlled entity	**1.8**	2.7	(33)
Minority interests	**(2.7)**	(2.6)	4
Profit attributable to shareholders	**112.3**	111.4	1
Earnings per share (HK cents)	**7.20**	7.14	1

* *Represents an increase or decrease in excess of 100%*

CONTRIBUTION BY BUSINESS SEGMENT

The Newspaper Division accounted for 84% of turnover and 94% of EBITDA and operating profit of the Group.

Contribution to Turnover

(HK$ millions)	**For the six months ended 30 June** **2005**	2004	% Change
Newspaper publishing	**451.3**	414.2	9
Magazine and book publishing	**65.7**	55.8	18
Investment properties	**7.7**	7.4	4
Video and film post-production	**10.1**	11.8	(14)
Music publishing	**1.7**	11.0	(85)
Revenue from continuing operations	**536.5**	500.2	7
Retailing	–	197.4	(100)
Total revenue	**536.5**	697.6	(23)

Contribution to EBITDA

(HK$ millions)	**For the six months ended 30 June** **2005**	2004	% Change
Newspaper publishing	**169.0**	155.4	9
Magazine and book publishing	**8.7**	6.2	40
Investment properties	**5.7**	5.0	14
Video and film post-production	**(3.4)**	0.1	*
Music publishing	**0.4**	8.1	(95)
Continuing operations	**180.4**	174.8	3
Retailing	–	0.8	(100)
Total	**180.4**	175.6	3
Continuing operations margin	**34%**	35%	

* *Represents an increase or decrease in excess of 100%*

Contribution to Operating Profit

(HK$ millions)	**For the six months ended 30 June** **2005**	2004	% Change
Newspaper publishing	**133.2**	122.6	9
Magazine and book publishing	**7.9**	4.0	98
Investment properties	**5.7**	5.0	14
Video and film post-production	**(5.9)**	(2.4)	*
Music publishing	**0.4**	8.1	(95)
Continuing operations	**141.3**	137.3	3
Retailing	–	(0.8)	(100)
Total	**141.3**	136.5	4
Continuing operations margin	**26%**	27%	

* *Represents an increase or decrease in excess of 100%*

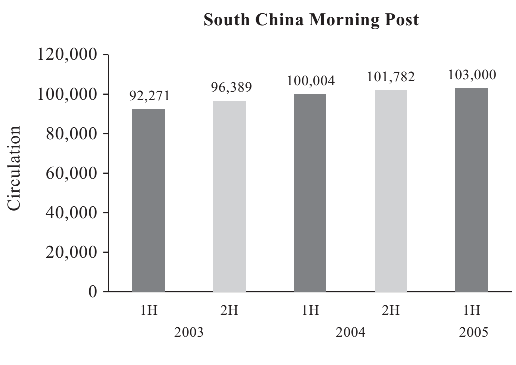
FINANCIAL REVIEW BY BUSINESS

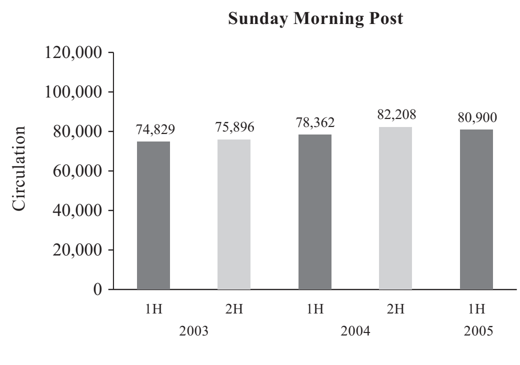
Publishing

(HK$ millions)	**For the six months ended 30 June 2005**	2004	% Change
Revenues			
Newspaper publishing	**451.3**	414.2	9
Magazine and book publishing	**65.7**	55.8	18
Total	**517.0**	470.0	10
EBITDA	**177.7**	161.6	10
Operating profit	**141.1**	126.6	11

The Newspaper Division reported a profit of $108.5 million in the first half compared with $95.8 million in the same period last year. Revenues grew 9% on satisfactory growth in ad revenues. Operating costs and expenses rose 9%. Staff costs were higher as a result of an increase in headcount. Production costs rose 20% driven by a 21% increase in average newsprint cost from US$452 to US$545 per metric ton. Newsprint consumption increased by 3% as a result of higher advertising volume, which was partly offset by production efficiencies. Advertising and promotion increased 160% because spending last year was skewed towards the second half. Operating margin was maintained at 30%.

Circulation of the *South China Morning Post* and *Sunday Morning Post* grew 3% based on unaudited figures for the first half of 2005. A decline in retail sales was offset by gains in other sales channels.





Note: Audited except 1H 2005

Display revenue increased 13% compared with an 11% increase in gross newspaper ad spend in Hong Kong. Advertising for overseas properties, fashion, watches and jewelry, airlines and telecommunications recorded the strongest growth.

Ad yield rose 11% as a result of an increase in color ad volume, rate increases in certain specified positions and new executions such as double page spreads and cover wraps in *Post Magazine*. The outlook for the rest of the year is positive, especially for luxury goods.

Classified revenues continued to grow in 2005 although at a more modest pace after a strong rebound in 2004.

Recruitment ad revenues increased 14%. Yield and volume were up 1% and 12%, respectively for *Classified Post*. Yield and volume were up 10% and 3%, respectively for *Jiu Jik*. The number of advertised positions increased in all sectors except IT, Engineering, Sales and Marketing. We produced nine recruitment supplements compared with four over the same period last year to take advantage of the buoyant market.

The outlook for recruitment advertising is favorable. The unemployment rate remains low at 5.7% and a recent market survey indicated many companies plan to increase staffing in the second half of the year. Staff turnover is expected to remain high as economic growth creates better job opportunities and increases staff turnover.

Business notices revenue dropped slightly as a result of a slowdown in IPOs when compared with last year. The Hong Kong Stock Exchange announced recently that it plans to abolish the rule requiring listed companies to publish results and other announcements in newspapers by the end of next year. According to the proposal, only summary announcements will be required by April 2006 as part of a transition. Results announcements accounted for 4% of total newspaper revenue and 5% of total ad revenue in the first half of 2005.

Plans to abolish the requirement had been known to the market since 2000. Although the Company has been preparing for this change, the impact remains uncertain. For the large and mid-cap companies comprising most of the advertisers in SCMP, corporate governance, transparency and good investor relations are other considerations for publishing announcements in newspapers.

SCMP.com revenue increased 14% driven by growth in subscription and syndication fees. The site has 17,529 active subscribers as of 30 June 2005. Online advertising revenue fell 14% as a greater slice of advertising budgets was allocated to print and outdoor advertising with higher awareness. Syndication and licensing revenue exceeded expectations due to new 3G syndication agreements.

The installation of the new presses is proceeding as planned and within budget. The presses will be commissioned in October and fully operational by November 2005.

The Magazine Division doubled its operating profit to $7.4 million. The growth in profits was largely driven by improved results in the Hearst titles. Advertising expenditure increased across almost all categories as companies expanded their businesses and launched more new products on the back of strong sales and improving consumer confidence. The outlook for the rest of the year remains positive.

Investment Properties

(HK$ millions)	**For the six months ended 30 June 2005**	2004	% Change
Turnover	**7.7**	7.4	4
EBITDA	**5.7**	5.0	14
Operating profit	**5.7**	5.0	14

Operating profit from investment properties rose 14% to $5.7 million. Rental income was higher than in 2004 due to a new lease on the Leighton Road property and the renewal of another lease at a slightly higher rent.

Video and Film Post-Production

(HK$ millions)	For the six months ended 30 June **2005**	2004	% Change
Turnover	**10.1**	11.8	(14)
EBITDA	**(3.4)**	0.1	*
Operating loss	**(5.9)**	(2.4)	*

* *Represents an increase or decrease in excess of 100%*

The Video Film Division recorded an operating loss of $5.9 million compared with $2.4 million for the same period last year. The Hong Kong operations experienced a slowdown in origination business and fierce competition in film transfer and post production as a result of a slump in the local film industry. Business prospects in the second half have improved with several origination projects in the pipeline.

The Guangzhou operations had a slow start to the year. Being a relative newcomer in the industry, the company had to market its services more aggressively to build a client base.

Music Publishing

(HK$ millions)	For the six months ended 30 June **2005**	2004	% Change
Turnover	**1.7**	11.0	(85)
EBITDA	**0.4**	8.1	(95)
Operating profit	**0.4**	8.1	(95)

Capital Artists reported an operating profit of $0.4 million. Revenues were generated from licensing deals for the use of songs in radio and TV programs, advertisements and concerts as well as sales of seven new albums released in high quality formats.

LIQUIDITY AND CAPITAL RESOURCES

Overview

The Group's financial position as at 30 June 2005 and 31 December 2004 were as follows:

(HK$ millions)	2005	2004	% Change
Cash and bank balances	**281.7**	363.1	(22)
Bank overdraft	**6.6**	2.4	*
Bank loan – current portion	**231.9**	230.0	1
– non-current portion	**17.0**	17.0	–
Shareholders' funds	**1,651.0**	1,684.9	(2)

* *Represents an increase in excess of 100%*

As at 30 June 2005, the Group had total borrowings of $255.5 million. Of this amount, $230 million and $17 million were unsecured Hong Kong dollar term loans at floating interest rates payable within one year and five years, respectively. The remaining balances consist of a $1.9 million short-term revolving bank loan denominated in renminbi and a $6.6 million bank overdraft payable within one year. The Group has no significant exposure to foreign exchange fluctuations.

As at 30 June 2005, the Group had no gearing (after deducting bank balances and deposits).

The ratio of current assets to current liabilities was 1.4 times as at 30 June 2005 compared with 1.6 times as at 31 December 2004.

The Group expects its beginning cash balance, cash generated from operations and funds available from external sources to be adequate to meet its working capital requirements, repay bank loans, finance planned capital expenditures and pay dividends in 2005.

Operating Activities

The primary source of the Group's liquidity is cash flow from operating activities, mainly newspaper publishing. Net cash provided by operating activities for the six months ended 30 June 2005 was $146.4 million compared with $143.4 million for the same period last year.

Investment Activities

Net cash outflow from investing activities for the six months ended 30 June 2005 was $77.9 million. Cash was used for capital expenditures and to set aside Euro deposits to pay for the new printing presses. Cash outflows were partially offset by dividends received and sale proceeds from investments.

Capital expenditures were $56.9 million, of which $49.9 million was invested in new printing presses. The new presses will be commissioned in October 2005. These new presses will replace four old units that have been in use for 18 years and are near the end of their useful lives. The estimated cost of the new presses is $94.5 million, of which $9.0 million was paid in 2004 and $49.9 million was paid in the first six months of 2005. The balance of $35.6 million will be paid in the second half of 2005.

Financing Activities

Net cash outflow from financing activities of $154.2 million was used mainly to pay the final dividend for 2004.

OUTLOOK

We are making good progress towards our performance goals for 2005. The Newspaper and Magazine Divisions performed well due to favorable business conditions and strong brand franchises. The investment properties are contributing a steady stream of income. The Music Publishing Division performed reasonably well, considering it is extracting value from an existing music library with no new recordings. The Video Film Division suffered greater than expected losses as it faced difficult market conditions in Hong Kong and as it builds its presence in Guangzhou. Developing this business remains work in progress.

The economic outlook is positive. The second half is likely to see a pick-up in advertising demand driven by continued consumer spending and low unemployment levels. We are well-placed to benefit from this good economic environment.

STAFF

As at 30 June 2005, the Group had 1,027 employees compared with 1,035 as at 31 December 2004. Salaries of employees are maintained at competitive levels while bonuses are granted on a discretionary basis based on individual and business performance. Other employee benefits include provident fund, medical insurance and a share option scheme.

INTERIM DIVIDEND

The Directors have declared an interim dividend of $0.05 per share, amounting to HK$78,047,000, payable to shareholders whose names appear on the Register of Members of the Company on Friday, 7 October 2005 and payable on Thursday, 13 October 2005.

BOOK CLOSURE

The Register of Members of the Company will be closed from Tuesday, 4 October 2005 to Friday, 7 October 2005, 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 Monday, 3 October 2005 so as to qualify for the interim dividend.

DIRECTORS

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

Executive Directors
Mr. Kuok Khoon Ean — Chairman
Ms. Kuok Hui Kwong

Non-executive Directors
Mr. Roberto V. Ongpin — Deputy Chairman
Tan Sri Dr. Khoo Kay Peng
Mr. Robert Ng Chee Siong

Independent Non-executive Directors
Mr. Ronald J. Arculli
Mr. Peter Lee Ting Chang
Dr. The Hon. Sir David Li Kwok Po

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2005, 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"):

	Ordinary shares of the Company		
Name of Director	**Capacity/ Nature of interest**	**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. Sir David Li Kwok Po	Personal	4,778,000	0.306%

Notes:

1. The interests in the 340,000 shares are in respect of deemed corporate interests held by Mr. Kuok Khoon Ean through Allerlon Limited, which is wholly owned by Mr. Kuok and his spouse.

2. 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 2005, Dr. Khoo was deemed to have an interest in approximately 32.31% 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. As at 30 June 2005, Dr. Khoo held 99.9% of 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 2005.*

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 2005. At no time during the six months ended 30 June 2005 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 2005, 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.

SUBSTANTIAL INTERESTS IN SHARE CAPITAL

As at 30 June 2005, 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 share 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%

Notes:

1. 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.

2. 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.

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

4. The Company has been notified informally that as at 30 June 2005, Kerry Group Limited and Kerry Holdings Limited were interested in 596,068,000 shares (representing approximately 38.19% of the Company's issued share capital) and this increase in shareholding was not required to be disclosed under Part XV of the SFO.

5. Investment manager acting on behalf of clients and not connected with the Company.

6. Silchester International Investors Limited has informally notified the Company that as at 30 June 2005, it held 205,523,000 shares (representing approximately 13.17% of the Company's issued share capital) and this increase in shareholding was not required to be disclosed under Part XV of the SFO.

7. Sprucegrove Investment Management Ltd. has informally notified the Company that as at 30 June 2005, it held 100,937,000 shares (representing approximately 6.47% of the Company's issued share capital) and this decrease in shareholding was not required to be disclosed under Part XV of the SFO.

* *Approximate percentage calculated based on the 1,560,945,596 ordinary shares of the Company in issue as at 30 June 2005.*

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

Save as stated above, as at 30 June 2005, 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 (the "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 2005 (the "Period").

The outstanding shares in respect of options granted under the Scheme as at 30 June 2005 are summarised below:

	Number of shares in respect of options granted
Outstanding at 1 January 2005	8,326,000
Granted during the Period	–
Exercised during the Period	–
Cancelled during the Period	–
Lapsed during the Period	(553,000)
Outstanding at 30 June 2005	7,773,000

Details of the movements during the six months ended 30 June 2005 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 options or has any options exercised, cancelled or lapsed during the six months ended 30 June 2005.

(ii) Options granted to employees

			Number of shares involved in the options				
Date of grant	Exercise period	Exercise price/share HK$	Outstanding at 01/01/2005	Granted during the Period	Exercised during the Period	Lapsed during the Period	Outstanding at 30/06/2005
02/08/1999	02/08/2000-27/10/2007	5.00	1,092,500	–	–	–	1,092,500
11/01/2000	11/01/2001-27/10/2007	5.51	983,500	–	–	(43,000)	940,500
20/04/2000	20/04/2001-27/10/2007	6.05	3,430,000	–	–	(110,000)	3,320,000
28/06/2001	28/06/2002-27/10/2007	4.95	720,000	–	–	(200,000)	520,000
23/09/2003	23/09/2004-27/10/2007	3.90	2,100,000	–	–	(200,000)	1,900,000
Total			8,326,000	–	–	(553,000)	7,773,000

Valuation of share options has not been presented as the exercise prices of all the share options which were vested as at 30 June 2005 were above the market price of the shares of the Company as at 30 June 2005.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the six months ended 30 June 2005.

CORPORATE GOVERNANCE

The Board of Directors and Management are committed to upholding the Group's obligations to shareholders. Over the years, the Group has adopted sound corporate governance practices to ensure it adheres to the highest ethical and business standards.

The corporate governance principles adopted by the Group during the six months ended 30 June 2005 are in line with the corporate governance statement set out in the Company's 2004 Annual Report. The terms of reference of the Audit Committee and the Remuneration Committee were modified in April 2005 to incorporate certain provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules (the "Code"). At the Company's annual general meeting held in May 2005, shareholders approved the amendments to the Company's Bye-laws for adherence to the Code provisions concerning specific term of appointment of non-executive directors and poll voting at general meetings of shareholders. Other than as stated below, the Company has complied with all the Code Provisions of the Code and, insofar as relevant and practicable, the Recommended Best Practices.

The Executive Chairman of the Company oversees the management of the Board and the Group's business with the assistance of the Group's senior management team. After careful consideration of the Code Provision concerning distinction of the roles and responsibilities of chairman and chief executive, the Board was of the view that the current management structure has been effective in facilitating the operation and development of the Group and its business for a considerable period of time and that the necessary checks and balances consistent with sound corporate governance practices are in place. The Board will review the management structure from time to time to ensure it continues to meet these objectives.

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 2005 to 30 June 2005.

AUDIT COMMITTEE

The Company established an Audit Committee in 1998 with written terms of reference. The Audit Committee currently comprises three Independent Non-executive Directors, namely Mr. Peter Lee Ting Chang, Mr. Ronald J. Arculli and Sir David Li Kwok Po. Two meetings were held by the Audit Committee in the first six months of 2005. The Audit Committee has reviewed the Group's unaudited interim results for the six months ended 30 June 2005.

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.

NOMINATION COMMITTEE

The Company established a Nomination Committee in April 2005 with written terms of reference. The Nomination 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, 13 September 2005