

# 2009

interim report

**SCMP Group Limited**

Stock Code: 583

## Interim Results

The Directors of SCMP Group Limited (the “Company”) would like to announce the unaudited interim results of the Company and its group of companies (the “Group”) for the six months ended 30 June 2009. These results have been reviewed by the Company’s auditors, PricewaterhouseCoopers, in accordance with the Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” and by the Audit Committee of the Company. The review report of the auditors is set out on page 17.

### Condensed Consolidated Balance Sheet

	Notes	(Unaudited) 30 June 2009 HK\$'000	(Audited) 31 December 2008 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3	507,594	502,580
Investment properties	4	873,100	986,100
Lease premium for land	5	114,186	13,969
Intangible assets		23,937	24,729
Interests in associates		49,099	53,334
Available-for-sale financial assets		165,366	105,074
Defined benefit plan’s assets		56,868	60,104
		<b>1,790,150</b>	1,745,890
<b>Current assets</b>			
Inventories		27,335	38,904
Accounts receivable	6	117,578	187,428
Prepayments, deposits and other receivables		13,435	23,411
Cash and bank balances		216,957	272,015
		<b>375,305</b>	521,758
<b>Total assets</b>		<b>2,165,455</b>	2,267,648
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Share capital	7	156,095	156,095
Reserves		1,746,364	1,722,944
Proposed dividend		–	31,219
		<b>1,746,364</b>	1,754,163
Shareholders’ funds		<b>1,902,459</b>	1,910,258
Minority interests		24,536	20,114
<b>Total equity</b>		<b>1,926,995</b>	1,930,372
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred income tax liabilities		122,865	125,861
		<b>122,865</b>	125,861
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	8	94,119	142,466
Subscriptions in advance		15,368	24,550
Current income tax liabilities		6,108	44,399
		<b>115,595</b>	211,415
<b>Total liabilities</b>		<b>238,460</b>	337,276
<b>Total equity and liabilities</b>		<b>2,165,455</b>	2,267,648
<b>Net current assets</b>		<b>259,710</b>	310,343
<b>Total assets less current liabilities</b>		<b>2,049,860</b>	2,056,233

The notes on pages 5 to 16 form an integral part of these condensed consolidated interim financial statements.

# SCMP Group Limited

## Condensed Consolidated Statement of Comprehensive Income

	Notes	(Unaudited)	
		For the six months ended 30 June 2009 HK\$'000	2008 HK\$'000
<b>Continuing operations</b>			
<b>Revenue</b>	2	<b>336,529</b>	544,721
Other income		<b>2,111</b>	2,558
Staff costs		<b>(160,060)</b>	(189,217)
Cost of production materials		<b>(68,800)</b>	(76,985)
Rental and utilities		<b>(21,341)</b>	(20,453)
Depreciation and amortisation		<b>(27,328)</b>	(26,890)
Advertising and promotion		<b>(14,416)</b>	(16,722)
Other operating expenses		<b>(55,176)</b>	(74,147)
<b>Operating (loss)/profit from continuing operations</b>		<b>(8,481)</b>	142,865
Share of (losses)/profits of associates		<b>(836)</b>	428
Net interest income	10	<b>281</b>	841
<b>(Loss)/profit before income tax</b>		<b>(9,036)</b>	144,134
Income tax expense	11	<b>(1,422)</b>	(17,322)
<b>(Loss)/profit for the period from continuing operations</b>		<b>(10,458)</b>	126,812
<b>Discontinued operations</b>			
<b>Profit for the period from discontinued operations</b>	12	<b>–</b>	3,616
<b>(Loss)/profit for the period</b>		<b>(10,458)</b>	130,428
<b>Other comprehensive income</b>			
Fair value gain arising from reclassification of leasehold land to investment properties		<b>–</b>	8,436
Fair value gain/(loss) on available-for-sale financial assets		<b>36,410</b>	(79,947)
Currency translation difference		<b>1,890</b>	(559)
Income tax relating to components of other comprehensive income		<b>–</b>	(1,351)
<b>Other comprehensive income for the period, net of tax</b>		<b>38,300</b>	(73,421)
<b>Total comprehensive income for the period</b>		<b>27,842</b>	57,007
<b>(Loss)/profit attributable to:</b>			
Equity holders of the Company		<b>(14,880)</b>	124,542
Minority interests		<b>4,422</b>	5,886
		<b>(10,458)</b>	130,428
<b>Total comprehensive income attributable to:</b>			
Equity holders of the Company		<b>23,420</b>	51,121
Minority interests		<b>4,422</b>	5,886
		<b>27,842</b>	57,007
<b>(Loss)/earnings per share</b>			
	13		
Basic and diluted			
From continuing operations		<b>(0.95) cents</b>	7.75 cents
From discontinued operations		<b>–</b>	0.23 cents
		<b>(0.95) cents</b>	7.98 cents

Details of dividends are set out in note 14 to these condensed consolidated interim financial statements.

The notes on pages 5 to 16 form an integral part of these condensed consolidated interim financial statements.

## Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2009

	(Unaudited)									
	Attributable to shareholders								Minority interests HK\$'000	Total equity HK\$'000
	Share capital and share premium HK\$'000	Contributed surplus HK\$'000	Investment revaluation reserve HK\$'000	Asset revaluation reserve HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	Total shareholders' funds HK\$'000			
<b>Balance at 1 January 2009</b>	197,066	865,672	37,301	10,709	(29,487)	828,997	1,910,258	20,114		
<b>Change in equity for the period</b>										
<b>Dividends (note 14)</b>	–	–	–	–	–	(31,219)	(31,219)	–	(31,219)	
<b>Total comprehensive income for the period</b>	–	–	36,410	–	1,890	(14,880)	23,420	4,422	27,842	
<b>Balance at 30 June 2009</b>	197,066	865,672	73,711	10,709	(27,597)	782,898	1,902,459	24,536	1,926,995	
Balance at 1 January 2008	197,066	865,672	225,723	3,624	(26,438)	905,981	2,171,628	16,567	2,188,195	
Change in equity for the period										
Dividends (note 14)	–	–	–	–	–	(156,095)	(156,095)	–	(156,095)	
Total comprehensive income for the period	–	–	(79,947)	7,085	(559)	124,542	51,121	5,886	57,007	
Balance at 30 June 2008	197,066	865,672	145,776	10,709	(26,997)	874,428	2,066,654	22,453	2,089,107	

The notes on pages 5 to 16 form an integral part of these condensed consolidated interim financial statements.

# SCMP Group Limited

## Condensed Consolidated Statement of Cash Flows

	(Unaudited)	
	For the six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
Cash flows from operating activities		
Cash generated from operations	<b>55,807</b>	141,006
Hong Kong profits tax paid	<b>(42,577)</b>	(16,056)
Overseas tax paid	<b>(132)</b>	(169)
Net cash generated from operating activities	<b>13,098</b>	124,781
Net cash (used in)/generated from investing activities	<b>(36,937)</b>	4,692
Cash flows from financing activities		
Dividend paid	<b>(31,219)</b>	(156,095)
Interest paid	–	(626)
Net cash used in financing activities	<b>(31,219)</b>	(156,721)
Net decrease in cash and cash equivalents	<b>(55,058)</b>	(27,248)
Cash and cash equivalents at 1 January	<b>272,015</b>	238,513
Cash and cash equivalents at 30 June	<b>216,957</b>	211,265
Analysis of cash and cash equivalents:		
Cash and bank balances	<b>216,957</b>	227,416
Bank overdraft	–	(16,151)
	<b>216,957</b>	211,265

The notes on pages 5 to 16 form an integral part of these condensed consolidated interim financial statements.

## Notes to the condensed consolidated interim financial statements

### 1. Basis of preparation and accounting policies

The unaudited condensed consolidated interim financial statements (“interim financial statements”) 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 financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2008, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

The accounting policies and methods of computation used in the preparation of these interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2008.

HKICPA has issued a number of new/revised accounting standards and interpretations that are effective for accounting periods beginning on or after 1 January 2009, including the following that are relevant to the preparation of the interim financial statements:

HKAS 1 (revised): Presentation of financial statements

HKAS 1 (revised) prohibits the presentation of items of income and expenses (that is ‘non-owner changes in equity’) in the statement of changes in equity, requiring ‘non-owner changes in equity’ to be presented separately from owner changes in equity. All ‘non-owner changes in equity’ are required to be shown in a performance statement.

Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income).

The Group has elected to present one single statement of comprehensive income. The interim financial statements have been prepared under the revised disclosure requirements.

HKFRS 8: Operating segments

HKFRS 8 replaces HKAS 14, ‘Segment reporting’. It requires a ‘management approach’ under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in changes in the reportable segments presented, as the previously reported segment of newspapers, magazines and other publications has been split into newspaper segment and magazine segment.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Group has identified the Managing Director and Chief Executive Officer as the chief operating decision-maker.

## 1. Basis of preparation and accounting policies (continued)

### HKFRS 7: Financial instruments: disclosures

The amendment to HKFRS 7 increases the disclosure requirements about fair value measurement and reinforces existing principles for disclosure about liquidity risk. The amendment introduces a three-level hierarchy for fair value measurement disclosures and requires some specific quantitative disclosures for financial instruments on the lowest level in the hierarchy. It also requires entities to provide additional disclosures about the relative reliability of fair value measurements. These disclosures will help to improve comparability between entities about the effects of fair value measurements. In addition, the amendment clarifies and enhances the existing requirements for the disclosure of liquidity risk primarily requiring a separate liquidity risk analysis for derivative and non-derivative financial liabilities. The Group will make additional relevant disclosures in its financial statements ending 31 December 2009.

### HKICPA's improvements to HKFRS published in October 2008

HKICPA's improvements to HKFRS published in October 2008 sets out a number of amendments to HKFRSs. It includes an amendment to HKAS 28, 'Investments in associates'. The amendment clarified that an investment in an associate is treated as a single asset for the purpose of impairment testing and any impairment loss is not allocated to specific assets included within the investment, for example goodwill. Reversals of impairment are recorded as an adjustment to the investment balance to the extent that the recoverable amount of the associate increases. Following the amendment, the Group now treats its investments in each associate as a single asset for the purpose of impairment testing. Any resulting impairment loss or subsequent reversal will not be allocated to goodwill.

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2009, but are not currently relevant for the Group:

HKAS 23 (amendment), 'Borrowing costs'.

HKFRS 2 (amendment), 'Share-based payment'.

HKAS 32 (amendment), 'Financial instruments: presentation'.

HK(IFRIC) 9 (amendment), 'Reassessment of embedded derivatives' and HKAS 39 (amendment), 'Financial instruments: Recognition and measurement'.

HK(IFRIC) 13, 'Customer loyalty programmes'.

HK(IFRIC) 15, 'Agreements for the construction of real estate'.

HK(IFRIC) 16, 'Hedges of a net investment in a foreign operation'.

HKAS 39 (amendment), 'Financial instruments: Recognition and measurement'.

## 2. Revenue and segment information

The chief operating decision-maker has been identified as the Managing Director and Chief Executive Officer of the Group. She reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The Group has five reportable segments: newspaper, magazine, property, music publishing and video and film post-production. Newspaper segment is engaged in the publication of *South China Morning Post*, *Sunday Morning Post* and other related print and digital publications. It derives its revenue mainly from advertising and sales of newspapers. Magazine segment is engaged in the publication of various magazines in Chinese language and related print and digital publications. Its revenue is derived from advertising and sales of magazines. Property segment holds various commercial and industrial properties in Hong Kong. It also owns advertising billboards for outdoor advertising. It derives revenue through leasing out its properties and billboards. Music publishing segment derives its revenues from the sale of music video and audio discs and its music publishing rights. Video and film post-production segment is engaged in the provision of post-production services for movies, TV commercials and corporate videos. During the year ended 31 December 2008, the Group has disposed of its entire interest in the music publishing and video and film post-production businesses and they have been presented as discontinued operations.

The chief operating decision-maker assesses the performance of the operating segments based on a number of measures, including earnings before interest, tax, depreciation and amortisation (EBITDA) and profit or loss after tax. The Group considers that the measurement principles for profit or loss after tax are most consistent with those used in measuring the corresponding amounts in the Group's financial statements. Hence, profit or loss after tax is used for reporting segment profit or loss.

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies except that: (i) interest in the profit or loss of associates is accounted for on the basis of dividend received or receivable in segment profit or loss while such interest is accounted for under the equity method in the Group's consolidated financial statements, (ii) investment in associates is measured at cost less accumulated impairment losses in segment assets while such investment is accounted for under the equity method in the Group's consolidated financial statements and (iii) the segment asset for Magazine includes a publishing title measured at recoverable amount. Such publishing title has not been recognised in the consolidated financial statements as the publishing title was internally generated by the Group.

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different marketing strategies. Transactions between reportable segments are accounted for on arm's length basis.

Turnover consists of revenue from all of the Group's reportable segments, which comprise newspaper, magazine, property, music publishing and video and film post-production segments, as well as other segments whose contributions to the Group's revenue and profit or loss are below the quantitative threshold for separate disclosures. The turnover for the six months ended 30 June 2009 and 2008 were HK\$336,529,000 and HK\$551,886,000 respectively.



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## 2. Revenue and segment information (continued)

The segment information for the six months ended 30 June 2009 and 2008 is as follows:

### (a) Reportable segment profit or loss

	(Unaudited)								
	Continuing operations				Discontinued operations				
	Newspaper HK\$'000	Magazine HK\$'000	Property HK\$'000	All other HK\$'000	Total from continuing operations HK\$'000	Music publishing HK\$'000	Video and film post- production HK\$'000	Total from discontinued operations HK\$'000	Total HK\$'000
For the six months ended									
30 June 2009									
Total segment revenue	264,233	63,466	11,621	120	339,440	-	-	-	339,440
Inter-segment revenue	(35)	(2,876)	-	-	(2,911)	-	-	-	(2,911)
Revenue from external customers	264,198	60,590	11,621	120	336,529	-	-	-	336,529
Reportable segment profit/(loss)	(17,734)	533	7,632	1,348	(8,221)	-	-	-	(8,221)
For the six months ended									
30 June 2008									
Total segment revenue	459,743	70,409	14,020	3,927	548,099	1,912	5,254	7,166	555,265
Inter-segment revenue	(80)	(3,001)	(200)	(97)	(3,378)	-	(1)	(1)	(3,379)
Revenue from external customers	459,663	67,408	13,820	3,830	544,721	1,912	5,253	7,165	551,886
Reportable segment profit	105,850	6,761	13,300	2,232	128,143	510	2,906	3,416	131,559

### (b) Reportable segment assets

Reportable segment assets as at 30 June 2009	883,783	143,377	993,225	175,964	2,196,349	-	-	-	2,196,349
Reportable segment assets as at 31 December 2008	1,053,662	131,985	989,940	118,689	2,294,276	-	-	-	2,294,276

**2. Revenue and segment information (continued)**

**(c) Reconciliation of reportable segment profit or loss**

	<b>(Unaudited)</b>	
	<b>For the six months ended 30 June</b>	
	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
Continuing operations:		
(Loss)/profit for reportable segments	<b>(9,569)</b>	125,911
Profit for all other segments	<b>1,348</b>	2,232
	<b>(8,221)</b>	128,143
Reconciling items:		
Share of (losses)/profits of associates under equity method of accounting	<b>(836)</b>	428
Dividend received from associates	<b>(1,401)</b>	(1,559)
	<b>(2,237)</b>	(1,131)
(Loss)/profit from continuing operations	<b>(10,458)</b>	127,012
Discontinued operations:		
Profit for reportable segments	–	3,416
(Loss)/profit for the period	<b>(10,458)</b>	130,428

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## 3. Property, plant and equipment

	<b>Group (Unaudited)</b>			
	<b>Leasehold buildings HK\$'000</b>	<b>Other fixed assets HK\$'000</b>	<b>Assets in progress HK\$'000</b>	<b>Total HK\$'000</b>
At 1 January 2009				
Cost or valuation	299,411	883,594	3,892	1,186,897
Accumulated depreciation and impairment losses	(86,011)	(598,306)	–	(684,317)
<b>Net book value at 1 January 2009</b>	<b>213,400</b>	<b>285,288</b>	<b>3,892</b>	<b>502,580</b>
Additions	–	7,795	7,733	15,528
Depreciation	(3,204)	(19,902)	–	(23,106)
Translation differences	–	(6)	–	(6)
Disposals	–	(2)	–	(2)
Transfer	12,600	7,830	(7,830)	12,600
<b>Net book value at 30 June 2009</b>	<b>222,796</b>	<b>281,003</b>	<b>3,795</b>	<b>507,594</b>
At 30 June 2009				
Cost or valuation	312,011	898,332	3,795	1,214,138
Accumulated depreciation and impairment losses	(89,215)	(617,329)	–	(706,544)
<b>Net book value at 30 June 2009</b>	<b>222,796</b>	<b>281,003</b>	<b>3,795</b>	<b>507,594</b>
<b>Analysis of cost and valuation as at 30 June 2009</b>				
At cost	302,816	898,332	3,795	1,204,943
At valuation – 1990	9,195	–	–	9,195
	312,011	898,332	3,795	1,214,138

## 4. Investment properties

	<b>Group (Unaudited) 2009 HK\$'000</b>	<b>(Audited) 2008 HK\$'000</b>
At 1 January	<b>986,100</b>	1,040,100
Additions	–	150
Transfer	<b>(113,000)</b>	27,000
Fair value loss	–	(81,150)
<b>At 30 June/31 December</b>	<b>873,100</b>	986,100

## 5. Leasehold premium for land

	(Unaudited) 2009 HK\$'000	Group (Audited) 2008 HK\$'000
At 1 January	13,969	31,588
Revaluation	–	8,436
Transfer	100,400	(25,470)
Amortisation	(183)	(585)
At 30 June/31 December	114,186	13,969

## 6. Accounts receivable

The Group allows an average credit period of 7 to 90 days to its trade customers. An ageing analysis of accounts receivable by due date is as follows:

	(Unaudited) 30 June 2009		Group (Audited) 31 December 2008	
	Balance HK\$'000	Percentage %	Balance HK\$'000	Percentage %
Current	52,954	44.3	108,971	57.6
Less than 30 days past due	31,553	26.4	12,341	6.5
31 to 60 days past due	9,617	8.0	40,221	21.3
61 to 90 days past due	14,745	12.4	20,344	10.8
Over 90 days past due	10,649	8.9	7,226	3.8
Total	119,518	100.0	189,103	100.0
Less: Allowance for impairment	(1,940)		(1,675)	
	117,578		187,428	

## 7. Share capital

	(Unaudited) 30 June 2009 HK\$'000	Company and Group (Audited) 31 December 2008 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 (2008: 1,560,945,596) shares of HK\$0.10 each	156,095	156,095

## 8. Accounts payable and accrued liabilities

An ageing analysis of the accounts payable is as follows:

	<b>Group</b>		<b>Group</b>	
	<b>(Unaudited)</b> <b>30 June 2009</b>		<b>(Audited)</b> <b>31 December 2008</b>	
	<b>Balance</b>	<b>Percentage</b>	<b>Balance</b>	<b>Percentage</b>
	<b>HK\$'000</b>	<b>%</b>	<b>HK\$'000</b>	<b>%</b>
0 to 30 days	<b>12,211</b>	<b>66.9</b>	26,643	77.1
31 to 60 days	<b>2,070</b>	<b>11.3</b>	4,121	11.9
61 to 90 days	<b>2,689</b>	<b>14.7</b>	2,208	6.4
Over 90 days	<b>1,291</b>	<b>7.1</b>	1,595	4.6
Total accounts payable	<b>18,261</b>	<b>100.0</b>	34,567	100.0
Accrued liabilities	<b>75,858</b>		107,899	
Total accounts payable and accrued liabilities	<b>94,119</b>		142,466	

## 9. Capital commitments

	<b>Group</b>	
	<b>(Unaudited)</b> <b>30 June 2009</b>	<b>(Audited)</b> <b>31 December 2008</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Capital commitments for property, plant and equipment		
Contracted, but not provided for	<b>14,175</b>	7,898
Authorised, but not contracted for	<b>18,593</b>	50,518
	<b>32,768</b>	58,416

## 10. Net interest income

	<b>Group</b>	
	<b>(Unaudited)</b>	
	<b>For the six months ended 30 June</b>	<b>For the six months ended 30 June</b>
	<b>2009</b>	<b>2008</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Interest income on bank deposits	<b>281</b>	1,467
Interest expense on bank loans and overdraft	<b>—</b>	(626)
	<b>281</b>	841

## 11. Income tax expense

	<b>Group (Unaudited)</b>	
	<b>For the six months ended 30 June</b>	
	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
Current income tax		
Hong Kong profits tax	<b>4,286</b>	28,400
Overseas taxation	<b>132</b>	160
Deferred income tax		
Resulting from a decrease in tax rate	–	(8,541)
Relating to the origination and reversal of temporary differences	<b>(2,996)</b>	(2,697)
	<b>1,422</b>	17,322

Hong Kong profits tax has been provided for at a rate of 16.5% (2008: 16.5%) on the estimated assessable profit 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.

## 12. Discontinued operations

During the year ended 31 December 2008, the Group disposed of its entire interest in the video and film post-production and the music publishing operations. Accordingly, the results of these operations are presented as discontinued operations in the income statement. An analysis of the results of the discontinued operations is as follows:

	<b>Group (Unaudited)</b>	
	<b>For the six months ended 30 June</b>	
	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
<b>Revenue</b>	–	7,165
Other income	–	1
Staff costs	–	(4,923)
Cost of production materials	–	(2,705)
Rental and utilities	–	(480)
Depreciation and amortisation	–	(60)
Advertising and promotion	–	(21)
Other operating expenses	–	(524)
Net interest income	–	7
Loss of discontinued operations	–	(1,540)
Gain on disposal of a discontinued operation	–	5,156
<b>Profit for the period from discontinued operations</b>	–	3,616

## 12. Discontinued operations (continued)

Cash flows from discontinued operations are as follows:

	<b>Group (Unaudited)</b>	
	<b>For the six months ended 30 June</b>	
	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
Net cash used in operating activities	—	(1,997)
Net cash used in investing activities	—	(28)
Net decrease in cash and cash equivalents	—	(2,025)

## 13. (Loss)/earnings per share

The calculation of basic and diluted (loss)/earnings per share is based on the (loss)/profit for the period attributable to shareholders as shown below and 1,560,945,596 (2008: 1,560,945,596) shares in issue during the period. (Loss)/profit attributable to shareholders of the Company from continuing operations and discontinued operations are analysed as follows:

	<b>Group (Unaudited)</b>	
	<b>For the six months ended 30 June</b>	
	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
Continuing operations	<b>(14,880)</b>	120,926
Discontinued operations	—	3,616
	<b>(14,880)</b>	124,542

As at 30 June 2009 and 2008, there were no share options outstanding that enable holders to subscribe for shares in the Company.

## 14. Dividends

A 2008 final dividend of HK2 cents per share, totalling HK\$31,219,000 was paid in May 2009. A 2007 final dividend of HK10 cents per share, totalling HK\$156,095,000 was paid in May 2008.

The Directors have resolved not to declare any interim dividend for the period (2008: HK6 cents per share or HK\$93,657,000).

## 15. Related party transactions

On 11 February 2008, Kerry Media Limited, a company incorporated in the British Virgin Islands, became the immediate holding company of the Company. Kerry Group Limited, a company incorporated in the Cook Islands, is the ultimate holding company of Kerry Media Limited. The directors regard Kerry Group Limited as the ultimate holding company of the Company as of the balance sheet date.

### (a) Transactions with Kerry Group

Significant transactions with Kerry Group Limited and its group of subsidiaries ("Kerry Group") since its becoming the Group's holding company are as follows:

	<b>Group (Unaudited)</b>	
	<b>For the six months ended 30 June</b>	
	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
Rendering of services		
– Advertising revenue	<b>421</b>	909
– Magazine production service fee	<b>640</b>	640
	<b>1,061</b>	1,549

### (b) Balances arising from transactions with Kerry Group

	<b>(Unaudited)</b>	<b>Group (Audited)</b>
	<b>30 June 2009</b>	31 December 2008
	<b>HK\$'000</b>	HK\$'000
Receivables arising from advertising services	<b>204</b>	132
Receivables arising from magazine production services	–	636
	<b>204</b>	768

### (c) Key management personnel compensation

	<b>Group (Unaudited)</b>	
	<b>For the six months ended 30 June</b>	
	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
Salaries and other short-term employee benefits	<b>7,103</b>	9,729
Post-employment benefits	<b>188</b>	277
Termination benefits	–	136
	<b>7,291</b>	10,142



## **15. Related party transactions (continued)**

### **(d) Investment in guaranteed notes issued by a related party**

In June 2009, the Group acquired guaranteed notes of US\$3,000,000 in the secondary market at a consideration of US\$3,057,000 (equivalent to HK\$23,719,000). The notes were issued by Gain Silver Finance Limited, an indirect subsidiary of Kerry Group Limited, on 25 August 2006. They bear a coupon interest of 6.375% and will mature in 2016. The Group has designated the notes as available-for-sale financial asset. The fair values of the notes were HK\$23,648,000 as at 30 June 2009 (31 December 2008: Nil).

## **16. Approval of the interim financial statements**

These interim financial statements were approved by the Board of Directors on 14 September 2009.



羅兵咸永道會計師事務所

**PricewaterhouseCoopers**  
22nd Floor, Prince's Building  
Central, Hong Kong  
Telephone: (852) 2289 8888  
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**REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION  
TO THE BOARD OF DIRECTORS OF SCMP GROUP LIMITED**  
(incorporated in Bermuda with limited liability)

### **Introduction**

We have reviewed the interim financial information set out on pages 1 to 16, which comprises the condensed consolidated balance sheet of SCMP Group Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2009 and the related condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended. The Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### **Scope of Review**

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

**PricewaterhouseCoopers**  
Certified Public Accountants

Hong Kong, 14 September 2009

## Management Discussion and Analysis

### Operating Results of the Group

The Group's consolidated operating results for the six months ended 30 June 2009 and 2008 were as follows:

<i>(HK\$ millions, except per share amounts)</i>	<b>For the six months ended 30 June</b>		
	<b>2009</b>	2008	% Change
<b>Continuing operations:</b>			
<b>Revenue</b>	<b>336.5</b>	544.7	(38)
Staff costs	<b>(160.1)</b>	(189.2)	(15)
Production costs	<b>(68.8)</b>	(77.0)	(11)
Rental and utilities	<b>(21.3)</b>	(20.5)	4
Advertising and promotions	<b>(14.4)</b>	(16.7)	(14)
Other operating expenses	<b>(55.2)</b>	(74.1)	(26)
Operating costs before depreciation and amortisation	<b>(319.8)</b>	(377.5)	(15)
Depreciation and amortisation	<b>(27.3)</b>	(26.9)	1
<b>Operating (loss)/profit from principal activities</b>	<b>(10.6)</b>	140.3	*
Other income	<b>2.1</b>	2.6	(19)
<b>Operating (loss)/profit</b>	<b>(8.5)</b>	142.9	*
Net interest income	<b>0.2</b>	0.8	(75)
Share of (losses)/profits of associates	<b>(0.8)</b>	0.4	*
Taxation	<b>(1.4)</b>	(17.3)	(92)
<b>(Loss)/profit from continuing operations</b>	<b>(10.5)</b>	126.8	*
<b>Discontinued operations:</b>			
Net gain from discontinued operations	—	3.6	(100)
<b>(Loss)/profit for the period</b>	<b>(10.5)</b>	130.4	*
Minority interests	<b>(4.4)</b>	(5.9)	(25)
<b>(Loss)/profit attributable to shareholders</b>	<b>(14.9)</b>	124.5	*
<b>(Loss)/earnings per share (HK cents)</b>	<b>(1.0)</b>	8.0	*

\* Represents a decrease in excess of 100%

Loss attributable to shareholders for the first half of 2009 was \$14.9 million, compared with a profit of \$124.5 million in the same period last year. The Group's businesses were seriously affected by the severe impact of the global financial crisis on business operation resulting in a significant drop in the Group's revenues.

## Revenue

The consolidated revenue for the six months ended 30 June 2009 and 2008 by business segment and for the Group were as follows:

<i>(HK\$ millions)</i>	<b>2009</b>	2008	% Change
Newspaper publishing	<b>264.2</b>	459.7	(43)
Magazine publishing	<b>60.6</b>	67.4	(10)
Property	<b>11.6</b>	13.8	(16)
Book publishing and others	<b>0.1</b>	3.8	(97)
Total revenue from continuing operations	<b>336.5</b>	544.7	(38)

## Operating Costs and Expenses

Operating costs and expenses for the six months ended 30 June 2009 and 2008 were as follows:

<i>(HK\$ millions)</i>	<b>2009</b>	2008	% Change
<b>Continuing operations</b>			
Staff costs	<b>160.1</b>	189.2	(15)
Production costs	<b>68.8</b>	77.0	(11)
Rental and utilities	<b>21.3</b>	20.5	4
Advertising and promotions	<b>14.4</b>	16.7	(14)
Other operating expenses	<b>55.2</b>	74.1	(26)
Depreciation and amortisation	<b>27.3</b>	26.9	1
Total operating costs and expenses	<b>347.1</b>	404.4	(14)

As part of the efficiency improvement programs, staff costs decreased 15% or \$29.1 million due to lower salary payment and bonus provision. Average headcount for the period dropped 10% as compared to last year as a result of disposal or suspension of non-core businesses and staff retrenchment. Production costs decreased 11% resulting from lower newsprint consumption and the suspension of the book publishing business last year. The drop in newsprint consumption was partly offset by higher newsprint cost. Average 45gsm newsprint cost rose from US\$604 per metric ton in 1H08 to US\$823 per metric ton in 1H09. Market price of newsprint began to drop since the last quarter of 2008 and the latest order price of 45gsm newsprint is US\$473 per metric ton. Other operating expenses were generally lower than last year, reduced by 26% or \$18.9 million, mainly because of various cost saving initiatives driven by management.

# SCMP Group Limited

## EBITDA and Operating Profit

Earnings before interest, tax, depreciation and amortisation (EBITDA) and operating (loss)/profit for the six months ended 30 June 2009 and 2008 by business segment and for the Group were as follows:

(HK\$ millions)	Contribution to EBITDA			Contribution to operating (loss)/profit		
	2009	2008	% Change	2009	2008	% Change
Newspaper publishing	<b>4.0</b>	144.0	(97)	<b>(20.5)</b>	120.4	*
Magazine publishing	<b>3.9</b>	11.7	(67)	<b>3.3</b>	11.1	(70)
Property	<b>8.8</b>	11.2	(21)	<b>8.8</b>	10.8	(19)
Book publishing and others	<b>—</b>	0.3	(100)	<b>(0.1)</b>	0.6	*
Total from continuing operations	<b>16.7</b>	167.2	(90)	<b>(8.5)</b>	142.9	*

\* Represents a decrease in excess of 100%

## Financial Review by Business

### Newspaper Publishing

(HK\$ millions)	For the six months ended 30 June		
	2009	2008	% Change
Revenue	<b>264.2</b>	459.7	(43)
EBITDA	<b>4.0</b>	144.0	(97)
Operating (loss)/profit	<b>(20.5)</b>	120.4	*
Net (loss)/profit attributable to shareholders	<b>(17.7)</b>	105.8	*
EBITDA margin	<b>2%</b>	31%	
Operating margin	<b>n/a</b>	26%	

\* Represents a decrease in excess of 100%

South China Morning Post's revenue dropped 43% to \$264.2 million due to significant decline in advertising sales in line with the general market trend.

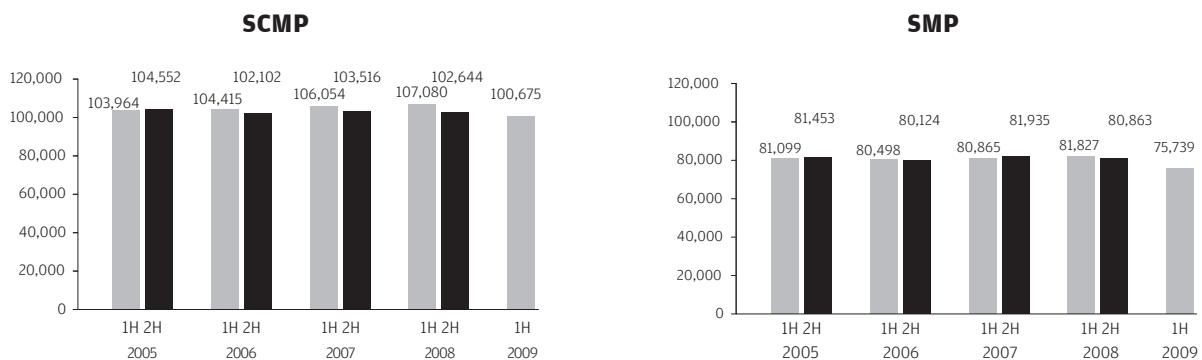
Display advertising volume and yield dropped across most products. The continued weakness in Hong Kong's economy has been extremely challenging for our advertising business. Banking & finance, airlines and overseas property categories were particularly affected.

Recruitment activity remained quiet, all key sectors dropped with government and education appointments being the least affected.

Notices revenue dropped 44%, within which revenue from IPO related activities dropped 73%. There were a total of 14 IPOs listed in the first half of 2009 compared with 31 IPOs in the first half of 2008.

In response to the difficult operating environment, management had initiated various cost reduction programs to mitigate the impact of the revenue shortfall on the Group's profit and cash. We had instituted a temporary company-wide salary reduction program and a rightsizing exercise to maintain the company's viability and competitiveness. We had also achieved significant savings through using lighter weight newsprint and reducing the pagination of certain sections of the paper.

Based on the un-audited circulation figures for the first half of the year, average circulation of *South China Morning Post* and *Sunday Morning Post* dropped 6% and 7% respectively when compared to same period last year. The swine flu spread in Hong Kong has impacted the circulation in the hospitality segment in particular.



Audited except 1H 2009

## Magazine Publishing

(HK\$ millions)	For the six months ended 30 June		
	2009	2008	% Change
Revenue	<b>60.6</b>	67.4	(10)
EBITDA	<b>3.9</b>	11.7	(67)
Operating profit	<b>3.3</b>	11.1	(70)
Net (loss)/profit attributable to shareholders	<b>(3.9)</b>	1.0	*

\* Represents a decrease in excess of 100%

Operating profit from the Magazine division declined in the first half of 2009, mainly due to lower advertising revenues and our continued investment in our PRC titles. While advertising sales of all titles have been affected by the difficult business environment, the women's titles in Hong Kong continued to be profitable.

# SCMP Group Limited

## Property

<i>(HK\$ millions)</i>	For the six months ended 30 June		
	2009	2008	% Change
Revenue	<b>11.6</b>	13.8	(16)
EBITDA	<b>8.8</b>	11.2	(21)
Operating profit	<b>8.8</b>	10.8	(19)
Net profit attributable to shareholders	<b>7.6</b>	13.1	(42)

Profits from our property portfolio dropped due in part to the expiry of the lease for our property on Leighton Road in December 2008. The Leighton property will be occupied for our own use upon the expiry of the lease for the Somerset office in late 2009. We shall achieve significant savings in office rental expenses starting from 2010.

## Liquidity and Capital Resources

The Group's main source of liquidity is recurring cash flows from the publishing business which is supplemented from time to time by banking facilities. The Group's financial position as at 30 June 2009 and 31 December 2008 were as follows:

<i>(HK\$ millions)</i>	30 June 2009	31 December 2008	% Change
Cash and bank balances	<b>217.0</b>	272.0	(20)
Shareholders' funds	<b>1,902.5</b>	1,910.3	—
Ratios:			
Gearing	—	—	
Current ratio	<b>3.2</b>	2.5	

The Group's cash and bank balances are held predominantly in Hong Kong dollars and the Group has no significant exposure to foreign exchange fluctuations.

As at 30 June 2009, the Group had no gearing (after deducting bank balances and deposits). The ratio of current assets to current liabilities was 3.2 times.

The Group managed to maintain a very strong cash position and expects its cash and bank balances, cash generated from operations and funds available from external sources to be adequate to meet its working capital requirements, to finance planned capital expenditures and to pay dividends.

## **Operating Activities**

The newspaper publishing business was the major source of the Group's cash flow from operating activities. Net cash generated from operating activities for the period was \$13.1 million compared with \$124.8 million for the same period last year. The lower cash inflow was caused by the drop in advertising income.

## **Investment Activities**

Net cash outflow from investing activities for the period was \$36.9 million compared with an inflow of \$4.7 million for the same period in 2008. The major cash outflow items for this period include investments in corporate bonds of \$23.7 million to improve returns on our capital and capital expenditure of \$18.8 million, which was spent mainly on the office relocation project during the period.

## **Financing Activities**

Net cash used in financing activities for the period was for payment of the 2008 final dividend.

## **Outlook**

Signs of significant recovery are still not obvious in the second half of the year. Initial feedback from advertisers suggests that they are still cautious about their spending. Our sales team will seek new revenue streams through tactical campaigns and response driven advertising. On the recruitment side, we believe that hiring activities should pick up in the second half of the year. We also expect more IPOs due to strong investor interests in recent IPOs for companies from the Mainland.

The Group will continue to explore new revenues drivers and growth opportunities. Efficiency improvement programs will continue to reduce operating expenses for the Group. With aggressive cash collection practice and proactive working capital management, the Group is confident to maintain its strong cash position.

## **Staff**

As at 30 June 2009, the Group had 885 employees compared with 943 as at 31 December 2008. Salaries of employees are maintained at competitive levels while discretionary bonuses are granted based on individual and business performance. Other employee benefits include provident fund, medical insurance and share option scheme.

## **Interim Dividend**

The Directors have resolved not to declare any interim dividend for the six months ended 30 June 2009 (2008: HK6 cents per share).



## Directors

The Directors of the Company during the six months ended 30 June 2009 and up to the date of this report were:

### *Non-executive Directors*

Dr. David J. Pang (Chairman)  
Mr. Roberto V. Ongpin (Deputy Chairman)  
Tan Sri Dr. Khoo Kay Peng  
Mr. Kuok Khoon Ean

### *Independent Non-executive Directors*

The Hon. Ronald J. Arculli  
Mr. Peter Lee Ting Chang  
Dr. The Hon. Sir David Li Kwok Po  
Mr. Wong Kai Man

### *Executive Director*

Ms. Kuok Hui Kwong (Managing Director and Chief Executive Officer)

## Board of Directors

### **Dr. David J. Pang**

#### *Chairman*

Dr. Pang was appointed a Non-executive Director of the Company in December 2007 and became the Non-executive Chairman in January 2009. He has been a director of Kerry Holdings Limited, a substantial shareholder of the Company, since 15 March 2007. Dr. Pang also serves on the board of Visa Inc. (listed on the New York stock exchange). He previously held senior global business management positions with multinational corporations and taught at universities in North America and Asia. Dr. Pang served as Chief Executive Officer of Airport Authority Hong Kong from January 2001 to February 2007 after a successful career with the conglomerate E.I. DuPont, where he was Corporate Vice President in charge of DuPont worldwide nonwovens business and Chairman, DuPont Greater China. During his career with DuPont, Dr. Pang held a number of progressively senior positions across various DuPont businesses and with responsibilities spanning the Asia Pacific, North America, Europe and South America since 1980.

### **Mr. Roberto V. Ongpin**

#### *Deputy Chairman*

Mr. Ongpin was appointed as the Deputy Chairman of the Company in October 1993. He is a Non-executive Director of Shangri-La Asia Limited, listed on The Stock Exchange of Hong Kong Limited. He is also the Chairman of PhilWeb Corporation and ISM Communications Corporation, Vice Chairman of Philex Mining Corporation and Director of San Miguel Corporation, Petron Corporation and Araneta Properties Inc., all of which are listed companies on the Philippine Stock Exchange, Inc. He is also a Director of Forum Energy PLC, a listed company on the London Stock Exchange. In addition, he is also Chairman of the following companies: Eastern Telecommunications Philippines, Inc. (ETPI), Alphaland Corporation and Developing Countries Investment Corp. He was a director of E2-Capital (Holdings) Limited, listed on The Stock Exchange of Hong Kong Limited, until June 2008. Prior to 1979, Mr. Ongpin was the Chairman and Managing Partner of the SGV Group, the largest accounting and consulting firm in Asia. He was the Minister of Trade and Industry of the Republic of the Philippines from 1979 to 1986. He has an MBA from Harvard University and is a Certified Public Accountant (Philippines).

## **The Hon. Ronald J. Arculli**

*GBS, CVO, OBE, JP*

Mr. Arculli is the Independent Non-executive Chairman of Hong Kong Exchanges and Clearing Limited (listed in Hong Kong). He was the Chairman of The Hong Kong Jockey Club from 2002 to August 2006. Mr. Arculli is a practising solicitor and was an elected member of the Legislative Council until the end of the legislative session at the end of June 2000. He had served on the Legislative Council and the Provisional Legislative Council since 1988, representing the Real Estate and Construction functional constituency since 1991. Mr. Arculli has served, and continues to serve, on numerous Government committees and advisory bodies including Committee on the Review of Post-service Outside Work for Directorate Civil Servants and West Kowloon Cultural District Authority. He is currently a Member of the Executive Council of Hong Kong. Mr. Arculli is an independent non-executive director of Hang Lung Properties Limited and a non-executive director of HKR International Limited, Hongkong Electric Holdings Limited, Hutchison Harbour Ring Limited, Sino Hotels (Holdings) Limited, Sino Land Company Limited and Tsim Sha Tsui Properties Limited (all listed in Hong Kong). He was an independent non-executive director of Shanghai Century Acquisition Corporation (listed on the American stock exchange). During the period, Mr. Arculli resigned as an independent non-executive director of The Hong Kong Mortgage Corporation Limited.

## **Tan Sri Dr. Khoo Kay Peng**

Tan Sri Dr. Khoo is the Chairman and Chief Executive of The MUI Group, which is a business corporation with diversified operations in the Asia Pacific, the United States of America ("USA") and the United Kingdom. He is the Chairman and Chief Executive of Malayan United Industries Berhad and MUI Properties Berhad (both listed in Kuala Lumpur). Dr. Khoo is also the Chairman of Laura Ashley Holdings plc (listed in London), Corus Hotels Limited (previously listed in London) and Morning Star Resources Limited (listed in Hong Kong). He is also a director of Pan Malaysian Industries Berhad (listed in Kuala Lumpur) and The Bank of East Asia, Limited (listed in Hong Kong). Dr. Khoo is a trustee of the Regent University, Virginia, USA and a board member of Northwest University, Seattle, USA. He also serves as a Council Member of the Malaysian-British Business Council, the Malaysia-China Business Council and the Asia Business Council.

## **Ms. Kuok Hui Kwong**

*Managing Director and Chief Executive Officer*

Ms. Kuok was appointed an Executive Director of SCMP Group in February 2004 and became the Managing Director and Chief Executive Officer in January 2009. She is responsible for overseeing the management of the Group's businesses and operations. She is also a board director of The Post Publishing Public Company Limited (publisher of the *Bangkok Post* and listed in Thailand). Prior to joining SCMP Group in October 2003, Ms. Kuok worked as an analyst in the investment banking unit of JP Morgan. Ms. Kuok received her undergraduate degree from Harvard University. She is the sister of Mr. Kuok Khoon Ean, a director of the Company.

## **Mr. Kuok Khoon Ean**

Mr. Kuok was appointed Chairman of the Company in January 1998 and became an Executive Director in January 2000 and assumed the role of Executive Chairman in August 2000 until his re-designation as Non-executive Director in January 2009. He is a director of Kerry Group Limited, the ultimate holding company of the Company, and Kerry Holdings Limited, a substantial shareholder of the Company. Mr. Kuok is Chairman of Shangri-La Asia Limited (listed in Hong Kong and Singapore). He is also a director of The Post Publishing Public Company Limited and Wilmar International Limited, listed in Thailand and Singapore, respectively. Mr. Kuok is also an independent non-executive director of The Bank of East Asia, Limited (listed in Hong Kong). He is a graduate in Economics from Nottingham University, UK. Mr. Kuok is the brother of Ms. Kuok Hui Kwong, the Managing Director and Chief Executive Officer of the Company. During the period, Mr. Kuok was appointed a director of Shangri-La Hotel Public Company Limited (listed in Thailand).

## **Mr. Peter Lee Ting Chang**

*JP*

Mr. Lee is Chairman of Hysan Development Company Limited and a non-executive director of Cathay Pacific Airways Limited, CLP Holdings Limited and Hang Seng Bank Limited (all listed in Hong Kong). He is also a director of a number of other companies. He is a Vice President of the Real Estate Developers Association of Hong Kong. Mr. Lee is a graduate in Civil Engineering from the University of Manchester and also qualified as a Solicitor of the Supreme Court of England and Wales. During the period, Mr. Lee resigned as a director of Maersk China Limited.

## **Dr. The Hon. Sir David Li Kwok Po**

*GBM, GBS, OBE, MA Cantab. (Economics & Law), Hon. DSc. (Imperial), Hon. DBA (Napier), Hon. D.Hum.Litt. (Trinity, USA), Hon. DSocSc (Lingnan), Hon. LLD (Hong Kong), Hon. LLD (Warwick), Hon. LLD (Cantab), FCA, FCPA, FCPA (Aust.), FCIB, FHKIB, FBCS, CITP, FCI Arb, JP, Officier de L'Ordre de la Couronne, Grand Officer of the Order of the Star of Italian Solidarity, The Order of the Rising Sun, Gold Rays with Neck Ribbon, Officier de la Legion d'Honneur*

Sir David is Chairman and Chief Executive of The Bank of East Asia, Limited (listed in Hong Kong) and a director of numerous other companies in Hong Kong and overseas. Sir David is a Member of the Legislative Council of Hong Kong. He is the Chairman of The Chinese Banks' Association, Limited and the Hong Kong Management Association. He is also a member of the Banking Advisory Committee and the Council of the Treasury Markets Association. Sir David is an independent director of China Overseas Land & Investment Limited, COSCO Pacific Limited, Guangdong Investment Limited, The Hong Kong and China Gas Company Limited, The Hongkong and Shanghai Hotels, Limited, PCCW Limited, San Miguel Brewery Hong Kong Limited and Vitasoy International Holdings Limited (all listed in Hong Kong). He is a director of AFFIN Holdings Berhad and Criteria CaixaCorp, S.A., listed in Malaysia and Spain, respectively. Sir David was an independent director of AviChina Industry & Technology Company Limited and China Merchants China Direct Investments Limited (both listed in Hong Kong) and a director of Dow Jones & Company, Inc. (listed on the New York stock exchange). He was a Member of the Executive Council of Hong Kong.

## **Mr. Wong Kai Man**

*BBS, JP*

Mr. Wong is an accountant with 32 years of audit, initial public offer and computer audit experience. He was a member of the Growth Enterprise Market Listing Committee of The Stock Exchange of Hong Kong Limited from 1999 to 2003. He retired as an audit partner from PricewaterhouseCoopers, Hong Kong on 30 June 2005 and is currently the director of two charity foundations: Victor and William Fung Foundation Ltd. and Li & Fung (1906) Foundation Limited, and an Honorary Associate Professor of the School of Business of the University of Hong Kong. He is currently an independent non-executive director of China Construction Bank Corporation (listed in Hong Kong and Shanghai), Shangri-La Asia Limited (listed in Hong Kong and Singapore) and SUNeVision Holdings Ltd. (listed in Hong Kong). In addition, he serves in a number of government committees and the board of certain non-government organisations. Mr. Wong obtained his Bachelor of Science in Physics from the University of Hong Kong and Master of Business Administration from the Chinese University of Hong Kong, and is a fellow of the Association of Chartered Certified Accountants, United Kingdom and a fellow of the Hong Kong Institute of Certified Public Accountants. During the period, Mr. Wong was appointed a non-executive director of the Securities and Futures Commission.

## Corporate Executives

### **Ms. Kuok Hui Kwong**

*Managing Director and Chief Executive Officer, SCMP Group Limited*

Ms. Kuok was appointed an Executive Director of SCMP Group in February 2004 and became the Managing Director and Chief Executive Officer in January 2009. She is responsible for overseeing the management of the Group's businesses and operations. She is also a board director of The Post Publishing Public Company Limited (publisher of the *Bangkok Post* in Thailand). Prior to joining SCMP Group in October 2003, Ms. Kuok worked as an analyst in the investment banking unit of JP Morgan. Ms. Kuok received her undergraduate degree from Harvard University.

### **Mr. Ponch Poon**

*Chief Financial Officer, SCMP Group Limited*

Mr. Poon is responsible for financial planning, business strategy, risk management, compliance, management reporting and investor relations. Mr. Poon joined the Group in September 2008 with over 20 years of financial management experience in Hong Kong, Mainland China and Canada. He has held senior financial management roles including Regional CFO of Asia for several multinational companies. Mr. Poon is a graduate of Canada's Simon Fraser University with a double major degree in Business Administration and Computer Science. He is also a member of the Association of Certified Management Accountants.

### **Mr. Reginald Chua**

*Editor-in-Chief*

Mr. Chua is responsible for the editorial direction and newsroom operations of the century-old, award-winning news media company based in Hong Kong. He graduated with a Master's in Journalism from Columbia University and a Bachelor's in Mathematics from the University of Chicago. Prior to joining the SCMP Group in July 2009, Mr. Chua worked at *The Wall Street Journal*, based in New York, and at the *Journal's* Hong Kong-based Asian edition, as well as at Singapore's *Straits Times* and Reuters in Singapore; he was also a television and radio journalist at the then-Singapore Broadcasting Corp. Mr. Chua has taught undergraduate- and graduate-level journalism classes at Hong Kong University, Nanyang Technological University in Singapore, and New York University. He also created a fellowship that sends promising journalists from Asia to NYU's Business and Economic Reporting program each year.

## Directors' Interests in Shares, Underlying Shares and Debentures

As at 30 June 2009, 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 (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 of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"):

### **(i) Company**

<b>Name of Director</b>	<b>Capacity/Nature of interests</b>	<b>Number of ordinary shares held</b>	<b>Approximate % of issued share capital</b>
Mr. Kuok Khoon Ean	Corporate	340,000 <sup>1</sup>	0.02% <sup>5</sup>
Dr. The Hon. Sir David Li Kwok Po	Personal	4,778,000	0.31% <sup>5</sup>

# SCMP Group Limited

## (ii) Associated Corporations

Name of Associated Corporation	Name of Director	Capacity/Nature of interests	Number of ordinary shares held	Number of underlying ordinary shares held under equity derivatives		Approximate % of issued share capital
					Total	
Kerry Group Limited	Mr. Kuok Khoon Ean	Corporate	51,973,807 <sup>1</sup>	–	51,973,807	3.40% <sup>6</sup>
	Ms. Kuok Hui Kwong	Family/Other	23,899,988 <sup>2</sup>	–	23,899,988	1.56% <sup>6</sup>
Kerry Properties Limited	Mr. Kuok Khoon Ean	Corporate	1,283,082 <sup>1</sup>	–	1,283,082	0.09% <sup>7</sup>
	Ms. Kuok Hui Kwong	Family/Other	1,252,048 <sup>3</sup>	400,000 <sup>4</sup>	1,652,048	0.12% <sup>7</sup>

### Notes:

1. This represents deemed corporate interests held by Mr. Kuok Khoon Ean through Allerlon Limited, which is wholly owned by Mr. Kuok and his spouse.
2. This includes 1,000,000 shares held by the spouse of Ms. Kuok Hui Kwong and 22,899,988 shares held by Ms. Kuok through a discretionary trust of which she is a contingent beneficiary.
3. This represents interests held by Ms. Kuok Hui Kwong through a discretionary trust of which she is a contingent beneficiary.
4. This represents interests in share options held by the spouse of Ms. Kuok Hui Kwong to subscribe for the relevant underlying ordinary shares of Kerry Properties Limited, details of which are set out in the section headed "Directors' Rights to Acquire Shares or Debentures" below.
5. Approximate percentage calculated based on the 1,560,945,596 ordinary shares of the Company in issue as at 30 June 2009.
6. Approximate percentage calculated based on the 1,527,684,428 ordinary shares of Kerry Group Limited in issue as at 30 June 2009.
7. Approximate percentage calculated based on the 1,427,699,759 ordinary shares of Kerry Properties Limited in issue as at 30 June 2009.

All the interests stated above represent long positions in the shares of the Company or its associated corporations.

Apart from the aforesaid, as at 30 June 2009, 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.

## Directors' Rights to Acquire Shares or Debentures

### (i) Company

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 during the six months ended 30 June 2009.

### (ii) Associated Corporation

The spouse of Ms. Kuok Hui Kwong was granted share options ("KPL Options") to subscribe for shares in Kerry Properties Limited, an associated corporation of the Company (within the meaning of the SFO), during the six months ended 30 June 2009. Details are set out as follows:

Date of grant	Number of KPL Options held as at 01/01/2009	Number of KPL Options granted during the period	Number of KPL Options held as at 30/06/2009	Exercise price/share HK\$	Exercise period
02/04/2008	300,000	–	300,000	47.70	Tranche I (75,000) – 02/04/2009 – 01/04/2018 Tranche II (75,000) – 02/04/2010 – 01/04/2018 Tranche III (150,000) – 02/04/2011 – 01/04/2018
06/02/2009	–	100,000	100,000	17.58	Tranche I (50,000) – 06/02/2010 – 05/02/2019 Tranche II (50,000) – 06/02/2011 – 05/02/2019
	300,000	100,000	400,000		

Save as stated above, none of the Directors (including their spouses and children under 18 years of age) had been granted any rights to subscribe for shares or debentures of any of the associated corporations of the Company (within the meaning of the SFO) and had not exercised any such rights during the six months ended 30 June 2009.



## Substantial Interests in Share Capital

As at 30 June 2009, the following persons (other than the 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 interests	Number of ordinary shares held	Long position/ Short position	Approximate % of issued share capital <sup>9</sup>
Kerry Group Limited	Interest of controlled corporations	1,155,061,308 <sup>1</sup>	Long position	74.00%
Kerry Holdings Limited	Interest of controlled corporations	1,155,061,308 <sup>2</sup>	Long position	74.00%
Kerry 1989 (C.I.) Limited	Interest of controlled corporations	1,078,717,308 <sup>3</sup>	Long position	69.11%
Kerry Media Limited	Beneficial owner	1,078,717,308 <sup>4</sup>	Long position	69.11%
Silchester International Investors Limited <sup>5</sup>	Investment manager	219,485,000 <sup>6</sup>	Long position	14.06%
Silchester International Investors International Value Equity Trust	Beneficial owner	114,331,634 <sup>7,8</sup>	Long position	7.32%
The Bank of East Asia, Limited	Beneficial owner	77,194,595	Long position	4.95%
	Investment manager	1,341,710	Long position	0.09%
	Beneficial owner	75,000,000	Short position	4.80%
JPMorgan Chase & Co.	Beneficial owner	75,000,000	Long position	4.80%
	Investment manager	3,048,000	Long position	0.20%
	Beneficial owner	75,000,000	Short position	4.80%

### Notes:

- The interests in the 1,155,061,308 shares held by Kerry Group Limited comprise both the interests in 930,061,308 shares and the interests in 225,000,000 shares from equity derivatives.
- The interests in the 1,155,061,308 shares held by Kerry Holdings Limited are duplicated in the interests reported above for Kerry Group Limited.
- The interests in the 1,078,717,308 shares held by Kerry 1989 (C.I.) Limited are duplicated in the respective interests reported above for Kerry Group Limited and Kerry Holdings Limited.
- The interests in the 1,078,717,308 shares held by Kerry Media Limited are duplicated in the respective interests reported above for Kerry Group Limited, Kerry Holdings Limited and Kerry 1989 (C.I.) Limited.
- Investment manager acting on behalf of clients and not connected with the Company.
- The Company has been notified informally that as at 30 June 2009, Silchester International Investors Limited was interested in 220,985,000 shares (representing approximately 14.16% of the Company's issued share capital) and this increase in shareholding was not required to be disclosed under Part XV of the SFO.
- The Company has been notified informally that as at 30 June 2009, Silchester International Investors International Value Equity Trust was interested in 110,483,634 shares (representing approximately 7.08% 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 held by Silchester International Investors International Value Equity Trust are duplicated in the interests reported above for Silchester International Investors Limited.
- Approximate percentage calculated based on the 1,560,945,596 ordinary shares of the Company in issue as at 30 June 2009.

Save as stated above, as at 30 June 2009, 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 at the annual general meeting of the Company held on 25 May 2006. 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.

During the six months ended 30 June 2009, no share option was granted, exercised, cancelled or lapsed under the Scheme. No share option was outstanding under the Scheme as at 30 June 2009.

## 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 2009.

## Corporate Governance

The Board of Directors (the “Board”) and management are committed to upholding the Group’s obligations to shareholders. We regard the promotion and protection of shareholders’ interests as one of our priorities and keys to success.

Over the years, the Group has put in place sound corporate governance practices to ensure it adheres to the highest ethical and business standards. The key test of corporate governance practices is if they align the interests of management with those of shareholders to adequately protect and promote shareholders’ interests. The Group constantly reviews these guidelines and policies and implements new ones to ensure they remain relevant and practical in today’s fast changing business environment and market expectations.

The corporate governance principles adopted by the Group during the six months ended 30 June 2009 are in line with the corporate governance statement as set out in the Company’s 2008 Annual Report. During the period, the Group’s corporate governance practices have complied with all the code provisions of the Code on Corporate Governance Practices (“Stock Exchange Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”). The Group also adheres to the recommended best practices of the Stock Exchange Code insofar as they are relevant and practicable.

## 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 (the “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 2009 to 30 June 2009.



## Audit Committee

The Company established an Audit Committee in 1998 with written terms of reference. The Audit Committee currently comprises four Independent Non-executive Directors, namely Dr. The Hon. Sir David Li Kwok Po, The Hon. Ronald J. Arculli, Mr. Peter Lee Ting Chang and Mr. Wong Kai Man. With effect from 24 August 2009, Dr. The Hon. Sir David Li Kwok Po was appointed the chairman of the Audit Committee in place of Mr. Peter Lee Ting Chang who stepped down and remains a member of the Committee. The Audit Committee met once in the first six months of 2009. The Audit Committee has reviewed the Group's unaudited interim results for the six months ended 30 June 2009.

## 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 The Hon. Ronald J. Arculli, and a Non-executive Director, Mr. Kuok Khoon Ean.

## Nomination Committee

The Company established a Nomination Committee in 2005 with written terms of reference. The Nomination Committee currently comprises two Independent Non-executive Directors, namely Mr. Peter Lee Ting Chang and The Hon. Ronald J. Arculli, and the Non-executive Chairman, Dr. David J. Pang.

On behalf of the Board

**David J. Pang**

*Chairman*

Hong Kong, 14 September 2009