

INTERIM REPORT 2012

BUILDING A DIGITAL FUTURE

二零一二年中期報告 創建數碼未來



SCMP Group Limited

南華早報集團有限公司

Stock Code 股份代號 : 583

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 2012. These results have been reviewed by the Company’s auditor, 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 14.

Condensed Consolidated Balance Sheet

	Notes	(Unaudited) 30 June 2012 HK\$’000	(Restated) 31 December 2011 HK\$’000
ASSETS			
Non-current assets			
Property, plant and equipment	3	524,813	544,064
Investment properties	4	1,584,650	1,462,550
Intangible assets		22,487	19,589
Deposits paid for property, plant and equipment		23,626	–
Investment in associates		50,694	53,870
Available-for-sale financial assets		211,496	190,252
Defined benefit plan’s assets		62,768	62,429
Deferred income tax assets		364	429
		2,480,898	2,333,183
Current assets			
Inventories		19,175	26,408
Accounts receivable	5	184,551	244,224
Prepayments, deposits and other receivables		10,529	11,746
Amount due from an associate		63	39
Short-term bank deposits		75,774	76,117
Cash and cash equivalents		422,951	324,818
		713,043	683,352
Total assets		3,193,941	3,016,535
EQUITY			
Capital and reserves			
Share capital	6	156,095	156,095
Reserves		2,665,041	2,500,111
Proposed dividend		46,828	62,438
		2,711,869	2,562,549
Shareholders’ funds		2,867,964	2,718,644
Non-controlling interests		29,321	22,785
Total equity		2,897,285	2,741,429
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		82,043	83,001
		82,043	83,001
Current liabilities			
Accounts payable and accrued liabilities	8	179,441	158,737
Amounts due to associates		3,038	2,864
Subscriptions in advance		17,386	24,870
Current income tax liabilities		14,748	5,634
		214,613	192,105
Total liabilities		296,656	275,106
Total equity and liabilities		3,193,941	3,016,535
Net current assets		498,430	491,247
Total assets less current liabilities		2,979,328	2,824,430

The notes on pages 5 to 13 form an integral part of these condensed consolidated interim financial information.

Condensed Consolidated Statement of Comprehensive Income

	Notes	(Unaudited)	
		For the six months ended 30 June	
		2012 HK\$'000	2011 HK\$'000 (Restated)
Revenue	2	458,122	443,494
Other income		5,400	4,714
Staff costs		(182,061)	(159,277)
Cost of production materials		(73,823)	(58,898)
Rental and utilities		(10,486)	(9,165)
Depreciation and amortisation		(26,522)	(26,181)
Advertising and promotion		(12,852)	(13,197)
Other operating expenses		(77,177)	(63,961)
Fair value gain on investment properties		122,100	153,450
Operating profit		202,701	270,979
Share of (losses)/profits of associates		(178)	516
Finance income	10	2,601	2,004
Profit before income tax		205,124	273,499
Income tax expense	11	(14,543)	(19,100)
Profit for the period		190,581	254,399
Other comprehensive income/(loss)			
Fair value gain/(loss) on available-for-sale financial assets		21,243	(23,575)
Currency translation difference		5,087	(1,698)
Other comprehensive income/(loss) for the period, net of tax		26,330	(25,273)
Total comprehensive income for the period		216,911	229,126
Profit attributable to:			
Shareholders of the Company		184,045	249,036
Non-controlling interests		6,536	5,363
		190,581	254,399
Total comprehensive income attributable to:			
Shareholders of the Company		210,375	223,763
Non-controlling interests		6,536	5,363
		216,911	229,126
Earnings per share	12		
Basic and diluted		11.79 cents	15.95 cents
The notes on pages 5 to 13 form an integral part of these condensed consolidated interim financial information.			
		HK\$'000	HK\$'000
Dividends	13	46,828	62,438

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2012

	(Unaudited)							
	Attributable to shareholders						Non-controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Other reserves (Note 7) HK\$'000	Retained profits HK\$'000	Total HK\$'000		
Balance at 1 January 2012, as previously reported	156,095	40,971	803,234	79,523	1,507,356	2,587,179	22,785	2,609,964
Adjustment for change in accounting policy (Note 1)	–	–	–	4,404	127,061	131,465	–	131,465
Balance at 1 January 2012, as restated	156,095	40,971	803,234	83,927	1,634,417	2,718,644	22,785	2,741,429
Total comprehensive income for the period	–	–	–	26,330	184,045	210,375	6,536	216,911
Transaction with shareholders:								
Dividends (Note 13)	–	–	–	–	(62,438)	(62,438)	–	(62,438)
Employee share-based compensation benefits	–	–	–	1,383	–	1,383	–	1,383
Total transactions with shareholders	–	–	–	1,383	(62,438)	(61,055)	–	(61,055)
Balance at 30 June 2012	156,095	40,971	803,234	111,640	1,756,024	2,867,964	29,321	2,897,285
Balance at 1 January 2011, as previously reported	156,095	40,971	865,672	175,200	1,199,086	2,437,024	21,855	2,458,879
Adjustment for change in accounting policy (Note 1)	–	–	–	4,404	87,848	92,252	–	92,252
Balance at 1 January 2011, as restated	156,095	40,971	865,672	179,604	1,286,934	2,529,276	21,855	2,551,131
Total comprehensive (loss)/income for the period	–	–	–	(25,273)	249,036	223,763	5,363	229,126
Transaction with shareholders:								
Dividends (Note 13)	–	–	(62,438)	–	–	(62,438)	–	(62,438)
Total transactions with shareholders	–	–	(62,438)	–	–	(62,438)	–	(62,438)
Balance at 30 June 2011, as restated	156,095	40,971	803,234	154,331	1,535,970	2,690,601	27,218	2,717,819

The notes on pages 5 to 13 form an integral part of these condensed consolidated interim financial information.

Condensed Consolidated Statement of Cash Flows

	(Unaudited)	
	For the six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
Cash flows from operating activities		
Cash generated from operations	193,662	100,093
Hong Kong profits tax paid	(6,036)	(1,784)
Overseas tax paid	(263)	(245)
Net cash generated from operating activities	187,363	98,064
Net cash used in investing activities	(26,792)	(23,541)
Cash flows from financing activities		
Dividend paid	(62,438)	(62,438)
Net cash used in financing activities	(62,438)	(62,438)
Net increase in cash and cash equivalents	98,133	12,085
Cash and cash equivalents at 1 January	324,818	432,663
Cash and cash equivalents at 30 June	422,951	444,748
Analysis of cash and cash equivalents:		
Cash and bank balances	422,951	444,748

The notes on pages 5 to 13 form an integral part of these condensed consolidated interim financial information.

Notes to the condensed consolidated interim financial information

1. Basis of preparation and accounting policies

The unaudited condensed consolidated interim financial information ("interim financial information") for the six months ended 30 June 2012 has been 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.

The interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2011, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

Except as described below, the accounting policies and methods of computation used in the preparation of this interim financial information are consistent with those used in the annual financial statements for the year ended 31 December 2011.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

The investment properties were valued by an independent professional valuer to determine their fair value as at 30 June 2012. The Group has adopted such valuation and recognised a fair value gain of HK\$122,100,000 accordingly.

The following amendment to standard is relevant to the Group and mandatory for the first time for the financial year beginning 1 January 2012:

Amendment to HKAS 12 "Income Taxes"

In December 2010, the HKICPA amended HKAS 12, 'Income taxes', to introduce an exception to the principle for the measurement of deferred tax assets or liabilities arising on an investment property measured at fair value. HKAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. The amendment introduces a rebuttable presumption that an investment property measured at fair value is recovered entirely by sale. The amendment is applicable retrospectively to annual periods beginning on or after 1 January 2012 with early adoption permitted.

The Group has adopted this amendment retrospectively for the financial period ended 30 June 2012 and the effects of adoption are disclosed as follows.

As disclosed in Note 4, the Group had investment properties measured at their fair values totalling HK\$1,462,550,000 as of 1 January 2012. As required by the amendment, the Group has re-measured the deferred tax relating to investment properties according to the tax consequence on the presumption that they are recovered entirely by sale retrospectively. As a result, deferred tax on revaluation of investment properties is no longer required. The comparative figures for 2011 have been restated to reflect the change in accounting policy, as summarized below.

1. Basis of preparation and accounting policies (continued)

Effect on condensed consolidated balance sheet	30 June 2012 HK\$'000	31 December 2011 HK\$'000
Decrease in deferred tax liabilities	151,612	131,465
Increase in asset revaluation reserve	4,404	4,404
Increase in retained profits	147,208	127,061

Effect on condensed consolidated income statement	For the six months ended 30 June 2012 HK\$'000	2011 HK\$'000
Decrease in income tax expense	20,147	25,319
Increase in net profit attributable to shareholders of the Company	20,147	25,319
Increase in basic earnings per share	1.29 cents	1.62 cents

2. Revenue and segment information

The chief operating decision-maker has been identified as the Chief Executive Officer of the Group, who 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 three reportable segments: newspaper, magazine and property. 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 and contract printing. 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.

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 in the annual financial statements for the year ended 31 December 2011 and note 1 above, except that interest in the profit or loss of an associate 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.

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, 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 2012 and 2011 were HK\$458,122,000 and HK\$443,494,000 respectively.

2. Revenue and segment information (continued)

The segment information for the six months ended 30 June 2012 and 2011 is as follows:

(a) Reportable segment profit or loss

	Newspaper HK\$'000	Magazine HK\$'000	(Unaudited) Property HK\$'000	All other HK\$'000	Total HK\$'000
For the six months ended 30 June 2012					
Total segment revenue	370,444	74,263	17,572	–	462,279
Inter-segment revenue	(376)	(2,776)	(1,005)	–	(4,157)
Revenue from external customers	370,068	71,487	16,567	–	458,122
Reportable segment profit	38,341	21,517	131,344	2,190	193,392
	Newspaper HK\$'000	Magazine HK\$'000	Property HK\$'000 (Restated)	All other HK\$'000	Total HK\$'000 (Restated)
For the six months ended 30 June 2011					
Total segment revenue	369,614	61,498	15,652	–	446,764
Inter-segment revenue	(15)	(2,484)	(771)	–	(3,270)
Revenue from external customers	369,599	59,014	14,881	–	443,494
Reportable segment profit	73,747	18,321	161,890	2,380	256,338

(b) Reconciliation of reportable segment profit or loss

	(Unaudited) For the six months ended 30 June	
	2012 HK\$'000	2011 HK\$'000 (Restated)
Profit for reportable segments	191,202	253,958
Profit for all other segments	2,190	2,380
	193,392	256,338
Reconciling items:		
Share of (losses)/profits of associates under equity method of accounting	(178)	516
Dividend received from associates	(2,633)	(2,455)
	(2,811)	(1,939)
Profit for the period	190,581	254,399

3. Property, plant and equipment

	(Unaudited)			
	Leasehold properties HK\$'000	Other fixed assets HK\$'000	Assets in progress HK\$'000	Total HK\$'000
At 1 January 2012	307,927	231,368	4,769	544,064
Additions	–	7,759	1,766	9,525
Depreciation	(4,877)	(19,730)	–	(24,607)
Disposals	–	(427)	–	(427)
Reclassification	–	2,533	(2,533)	–
Transfer	–	–	(3,742)	(3,742)
Net book value at 30 June 2012	303,050	221,503	260	524,813
At 30 June 2012				
Cost	420,375	904,891	260	1,325,526
Accumulated depreciation	(117,325)	(683,388)	–	(800,713)
Net book value at 30 June 2012	303,050	221,503	260	524,813

4. Investment properties

	(Unaudited) 30 June 2012 HK\$'000	(Audited) 31 December 2011 HK\$'000
Opening balance	1,462,550	1,224,900
Fair value gain	122,100	237,650
Ending balance	1,584,650	1,462,550

5. 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 2012		(Audited) 31 December 2011	
	Balance HK\$'000	Percentage %	Balance HK\$'000	Percentage %
Current	104,627	55.5	134,640	54.3
Less than 30 days past due	42,761	22.7	21,570	8.7
31 to 60 days past due	6,911	3.7	52,352	21.1
61 to 90 days past due	26,302	13.9	29,411	11.9
Over 90 days past due	7,955	4.2	9,889	4.0
Total	188,556	100.0	247,862	100.0
Less: Allowance for impairment	(4,005)		(3,638)	
	184,551		244,224	

6. Share capital

	(Unaudited) 30 June 2012 HK\$'000	(Audited) 31 December 2011 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 (2011: 1,560,945,596) shares of HK\$0.10 each	156,095	156,095

7. Other reserves

	(Unaudited)				
	Investment revaluation reserve HK\$'000	Asset revaluation reserve HK\$'000	Translation reserve HK\$'000	Employee share-based compensation reserve HK\$'000	Total HK\$'000
At 1 January 2012, as previously reported	82,549	21,713	(25,141)	402	79,523
Adjustment for change in accounting policy (Note 1)	–	4,404	–	–	4,404
At 1 January 2012, as restated	82,549	26,117	(25,141)	402	83,927
Other comprehensive income					
Available-for-sale financial assets					
– Fair value gain taken to equity	21,243	–	–	–	21,243
Exchange difference on consolidation					
– Translation for the period	–	–	(655)	–	(655)
– Transferred to profit or loss on termination of a foreign operation	–	–	5,742	–	5,742
Total other comprehensive income	21,243	–	5,087	–	26,330
Employee share-based compensation benefits	–	–	–	1,383	1,383
At 30 June 2012	103,792	26,117	(20,054)	1,785	111,640

7. Other reserves (continued)

	Investment revaluation reserve HK\$'000	Asset revaluation reserve HK\$'000	Translation reserve HK\$'000	Employee share-based compensation reserve HK\$'000	Total HK\$'000
At 1 January 2011, as previously reported	176,299	21,713	(22,812)	–	175,200
Adjustment for change in accounting policy (Note 1)	–	4,404	–	–	4,404
At 1 January 2011, as restated	176,299	26,117	(22,812)	–	179,604
Other comprehensive loss					
Available-for-sale financial assets					
– Fair value loss charged to equity	(23,575)	–	–	–	(23,575)
Exchange difference on consolidation	–	–	(1,698)	–	(1,698)
Total other comprehensive loss	(23,575)	–	(1,698)	–	(25,273)
At 30 June 2011, as restated	152,724	26,117	(24,510)	–	154,331

8. Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities are set out as below:

	(Unaudited) 30 June 2012		(Audited) 31 December 2011	
	Balance HK\$'000	Percentage %	Balance HK\$'000	Percentage %
0 to 30 days	29,966	71.6	26,302	76.2
31 to 60 days	8,341	19.9	5,489	15.9
61 to 90 days	2,941	7.0	2,158	6.2
Over 90 days	610	1.5	586	1.7
Total accounts payable	41,858	100.0	34,535	100.0
Accrued liabilities	137,583		124,202	
Total accounts payable and accrued liabilities	179,441		158,737	

9. Capital commitments

	30 June 2012 HK\$'000	31 December 2011 HK\$'000
Capital commitments for property, plant and equipment		
Contracted, but not provided for	62,309	26,979
Authorised, but not contracted for	42,534	47,655
	104,843	74,634

10. Finance income

	(Unaudited)	
	For the six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
Interest income on bank deposits	1,856	1,263
Interest income on available-for-sales financial assets	745	741
	2,601	2,004

11. Income tax expense

Hong Kong profits tax has been provided for at a rate of 16.5% (2011: 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.

Income tax expense is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the period is 7.1% (2011: 7.0%).

	(Unaudited)	
	For the six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000 (Restated)
Current income tax		
Hong Kong profits tax	15,171	20,218
Overseas taxation	263	245
Deferred income tax		
Other deferred tax credits	(891)	(1,363)
	14,543	19,100

12. 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\$184,045,000 (2011: HK\$249,036,000) and 1,560,945,596 (2011: 1,560,945,596) shares in issue during the period.

As at 30 June 2012, there were 9,700,000 share options outstanding that enable the holders to subscribe for shares (30 June 2011: nil) in the Company. These share options could potentially dilute basic earnings per share in the future, but were not included in the calculation of diluted earnings per share because they are antidilutive for the periods presented.

13. Dividend

A 2011 final dividend of HK4 cents per share, totaling HK\$62,438,000 was paid out of the Company's retained profits in June 2012. A 2010 final dividend of HK4 cents per share, totaling HK\$62,438,000 was paid out of the Company's contributed surplus in May 2011.

The Directors have declared an interim dividend of HK3 cents per share for the period, totaling HK\$46,828,000 (2011: HK4 cents per share, totaling HK\$62,438,000).

14. Related party transactions

Kerry Media Limited, a company incorporated in the British Virgin Islands, is 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”), which were carried out in the normal course of the Group’s business at terms determined and agreed by both parties, are as follows:

	(Unaudited)	
	For the six months ended 30 June	
	2012	2011
	HK\$’000	HK\$’000
Rendering of services		
– Advertising revenue	608	753
– Magazine production service fee	4,125	3,987
	4,733	4,740

(b) Balances arising from transactions with Kerry Group

	(Unaudited)	(Audited)
	30 June 2012	31 December 2011
	HK\$’000	HK\$’000
Receivables arising from advertising services	167	148
Receivables arising from magazine production services	2,829	5,872
	2,996	6,020

(c) Key management personnel compensation

	(Unaudited)	
	For the six months ended 30 June	
	2012	2011
	HK\$’000	HK\$’000
Salaries and other short-term employee benefits	13,690	12,656
Post-employment benefits	285	225
Termination benefits	260	910
Employee share-based compensation benefits	582	–
	14,817	13,791

15. Event occurring after the balance sheet date

On 19 June 2012, the Company announced that SCMP Publications Limited (the “Purchaser”), a wholly-owned subsidiary of the Company, has entered into a sale and purchase agreement with Hearst Magazines Hong Kong Limited (the “Seller”), pursuant to which the Seller agreed to sell and the Purchaser agreed to purchase 70% of the issued share capital of SCMP Hearst Hong Kong Limited (the “Target Company”) at EUR7,700,000. Immediately before this acquisition, the Seller would transfer its business of publishing, printing, advertising and distributing the Hong Kong editions of *ELLE*, *Elle Décor* and any derivatives thereof, operating the CAR AND DRIVER website and operating a custom publishing business in Hong Kong to the Target Company. The acquisition was completed on 3 July 2012 and upon completion, the Target Company became an indirectly-owned subsidiary of the Company. As of the date of the report, the purchase price allocation process is ongoing and has yet to be finalised. These values will be reflected in the consolidated financial statements for the year ending 31 December 2012 upon the finalisation of the purchase price allocation.

16. Approval of the interim financial information

This interim financial information was approved by the Board of Directors on 22 August 2012.



羅兵咸永道

**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 13, which comprises the condensed consolidated balance sheet of SCMP Group Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2012 and the related condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and other explanatory notes. 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, 22 August 2012

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MANAGEMENT DISCUSSION AND ANALYSIS

Operating Results of the Group

The Group's consolidated operating results for the six months ended 30 June 2012 and 2011 were as follows:

<i>(HK\$ millions, except per share amounts)</i>	For the six months ended 30 June		% Change
	2012	2011 (Restated)	
Revenue	458.1	443.5	3
Staff costs	(182.1)	(159.3)	14
Production costs	(73.8)	(58.9)	25
Rental and utilities	(10.5)	(9.2)	14
Advertising and promotions	(12.9)	(13.2)	(2)
Other operating expenses	(77.1)	(63.9)	21
Operating costs before depreciation and amortisation	(356.4)	(304.5)	17
Depreciation and amortisation	(26.5)	(26.2)	1
Operating profit from principal activities	75.2	112.8	(33)
Other income	5.4	4.7	15
Fair value gain on investment properties	122.1	153.5	(20)
Operating profit	202.7	271.0	(25)
Net interest income	2.6	2.0	30
Share of (loss)/profits of associates	(0.2)	0.5	*
Taxation	(14.5)	(19.1)	(24)
Profit for the period	190.6	254.4	(25)
Non-controlling interests	(6.6)	(5.4)	22
Profit attributable to shareholders	184.0	249.0	(26)
Earnings per share (HK cents)	11.8	16.0	(26)

* Represents a change in excess of 100%

Net profit for the first half of 2012 was \$184.0 million, compared with \$249.0 million in the first half of 2011. The results include fair value gains on investment properties of \$122.1 million and \$153.5 million for 2012 and 2011 respectively. Carving out these gains, net profit fell 35% from \$95.5 million in 2011 to \$61.9 million in 2012. Revenue for the first half was \$458.1 million, 3% higher than last year. The increase was mainly driven by higher advertising sales from Magazine publishing business, while revenue from Newspaper publishing business was stable. Revenue generated from Advertising and Marketing Services remained steady. Additional revenue from new contract printing service was mostly offset by decline in Recruitment Services revenue.

Revenue

The consolidated revenue for the six months ended 30 June 2012 and 2011 by business segment and for the Group were as follows:

<i>(HK\$ millions)</i>	2012	2011	% Change
Newspaper publishing	370.4	369.6	–
Magazine publishing	74.3	61.5	21
Property	17.6	15.7	12
Inter-segment eliminations	(4.2)	(3.3)	27
Total revenue	458.1	443.5	3

Operating Costs and Expenses

Operating costs and expenses for the six months ended 30 June 2012 and 2011 were as follows:

<i>(HK\$ millions)</i>	2012	2011	% Change
Staff costs	182.1	159.3	14
Production costs	73.8	58.9	25
Rental and utilities	10.5	9.2	14
Advertising and promotions	12.9	13.2	(2)
Other operating expenses	77.1	63.9	21
Depreciation and amortisation	26.5	26.2	1
Total operating costs and expenses	382.9	330.7	16

Staff cost went up 14% or \$22.8 million compared with the same period last year. The increase in staff cost was due to increase in headcount and salary.

Production costs increased 25% or \$14.9 million compared with last year. It was partly due to increase in newsprint consumption for the new contract printing business. External printing and binding cost and other production costs also went up to support the revenue growth of *Post Magazine* and Magazine publishing business.

Other operating expenses increased 21% or \$13.2 million. The increase was partly due to legal and professional fee incurred for editorial workflow consultation and the acquisition of *ELLE* business. Sales commission and volume discount also increased to drive revenue growth in Magazine and Advertising and Marketing Services. Contributor fees and news services expense was also higher compared with last year to strengthen our editorial content.

EBITDA and Operating Profit

Earnings before interest, tax, depreciation and amortisation (EBITDA) and operating profit from principal activities for the six months ended 30 June 2012 and 2011 by business segment and for the Group were as follows:

<i>(HK\$ millions)</i>	EBITDA			Operating profit from principal activities		
	2012	2011	% Change	2012	2011	% Change
Newspaper publishing	61.0	104.0	(41)	38.1	81.0	(53)
Magazine publishing	26.7	22.3	20	25.8	21.8	18
Property	14.0	13.0	8	11.3	10.3	10
All other	–	(0.3)	(100)	–	(0.3)	(100)
Total	101.7	139.0	(27)	75.2	112.8	(33)

Financial Review by Business

Newspaper Publishing

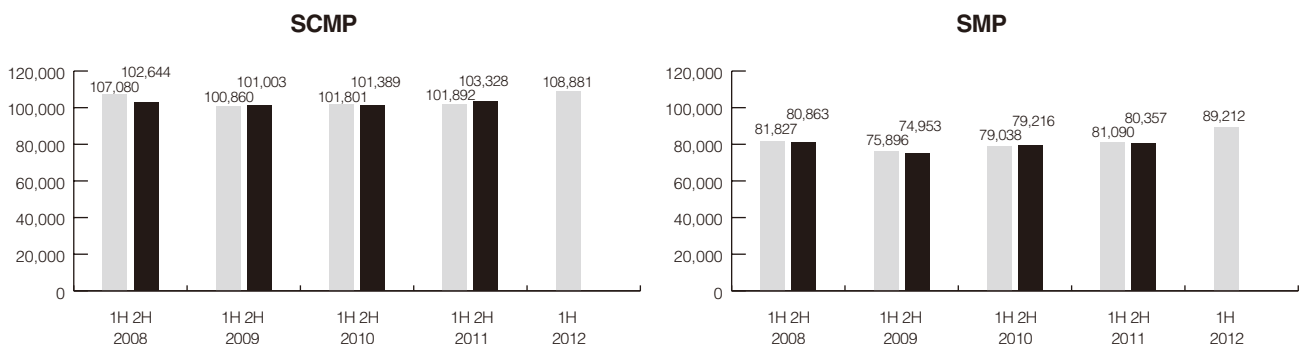
(HK\$ millions)	For the six months ended 30 June		% Change
	2012	2011	
Revenue	370.4	369.6	–
EBITDA	61.0	104.0	(41)
Operating profit from principal activities	38.1	81.0	(53)
Net profit attributable to shareholders	38.3	73.7	(48)
EBITDA margin	16%	28%	
Operating margin	10%	22%	

Net profit of the newspaper division dropped 48% to \$38.3 million as compared with first half last year. Revenue was flat to last year level at \$370.4 million. The drop in revenue from Recruitment Services was offset by the new revenue source generated from the contract printing service. Operating expenses rose 16% or \$43.8 million to \$309.4 million primarily due to higher staff cost, increases in newsprint cost for contract printing service (which was covered by higher contract printing revenue), external printing and binding expenses, legal & professional fees for editorial workflow consultation and various other potential investments, and contributor fee.

Revenue from Advertising & Marketing Services was slightly ahead of first half of last year by \$1.4 million to \$224.8 million, within which IPO revenue dropped significantly as number of IPOs advertised declined from 42 to 20 due to the weak financial market. The drop was compensated by the increase in revenue from *Post Magazine*, special reports and glossy magazines. Revenue from Online and Marketing Services also grew by 19% and 22% respectively, though from a smaller base hence increasing revenue by \$2.6 million. Apart from the local property projects and “SHANG” magazine, more events and creative services projects were secured from new categories.

Revenue from Recruitment Services decreased \$12.6 million or 14% to \$78.9 million. The job market continued to be impacted by the uncertain economic outlook and most companies did not have large recruitment campaign.

The unaudited first half 2012 circulation figures of *South China Morning Post* and *Sunday Morning Post* was 108,881 and 89,212 respectively, increased by 7% and 10% respectively as compared with same period last year. The 1H 2012 figures included 11,000 online subscribers now permitted by ABC to be included in the circulation numbers, but not in 1H 2011.



Audited except 1H 2012

Magazine Publishing

<i>(HK\$ millions)</i>	For the six months ended 30 June		% Change
	2012	2011	
Revenue	74.3	61.5	21
EBITDA	26.7	22.3	20
Operating profit from principal activities	25.8	21.8	18
Net profit attributable to shareholders	15.0	13.0	15

Advertising business in women's magazine market remained strong in first half of 2012. The Magazines division reported a considerable growth in advertising revenue across all titles and market segments. Circulation revenue remained stable. Recurring operating profit at \$25.8 million improved 18% from last year.

Property

<i>(HK\$ millions)</i>	For the six months ended 30 June		% Change
	2012	2011	
Revenue	17.6	15.7	12
EBITDA	14.0	13.0	8
Operating profit from principal activities	11.3	10.3	10
Net profit attributable to shareholders	131.3	161.9	(19)

Rental income increased by 12% to \$17.6 million in first half of 2012 mainly due to the higher rental from advertising boards and lease renewal of Yau Tong property in May 2011.

Management continues its intention of holding all the properties for long-term investment and is pursuing different options to enhance value of the properties and discussing with relevant parties in that regard.

Liquidity and Capital Resources

The Group's main source of liquidity is recurring cash flows from the publishing business. The Group's financial position as at 30 June 2012 and 31 December 2011 were as follows:

<i>(HK\$ millions)</i>	30 June 2012	31 December 2011	% Change
Short-term bank deposits with original maturity of more than three months	75.8	76.1	–
Cash and cash equivalents	423.0	324.8	30
Shareholders' funds	2,868.0	2,718.6	5
Ratios:			
Gearing	–	–	
Current ratio	3.3	3.6	

The Group's short-term bank deposits with original maturity of more than three months are held in Renminbi. Cash and cash equivalents are held predominantly in Hong Kong dollars. Apart from the deposits in Renminbi, the Group has no significant exposure to foreign exchange fluctuations.

The Group had no gearing as at 30 June 2012. The ratio of current assets to current liabilities was 3.3 times.

The Group managed to maintain a very strong cash position and expects its cash and cash equivalents, 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 continued to be the major source of the Group's cash flow from operating activities. Net cash generated from operating activities for the six months ended 30 June 2012 was \$187.4 million, compared with \$98.1 million for the same period last year. The increase was mainly because of lower staff bonus payment and better working capital management during the period.

Investment Activities

Net cash outflow from investing activities for the period was \$26.8 million. Capital expenditure for the period amounted to \$34.2 million, including prepayment made for web width reduction project and printing press machines. The remaining balance was mainly for production equipment, computer equipment and website development.

Financing Activities

Net cash used in financing activities was \$62.4 million, same as last year. This amount solely represents final dividend for 2011 paid to shareholders.

Outlook

We close up the first half of 2012 steadily within our financial targets, but remain cautious about the economic climate. We are taking steps to ensure our business continues to maintain financial stability and be in a position to grow.

The Hong Kong economy during the first half of 2012 has been shaken by two key factors: the Eurozone crisis and the slowing down of the Chinese economy. This has in turn shaped advertiser behaviour. Declining sales figures and forecasts for certain sectors have resulted in reduced or deferred advertising spends.

Most noticeable for our business has been the reduction in the number of businesses preparing for IPO in the first half of the year, and the slowing down of the recruitment market. We foresee this trend continuing through the next quarter as the Eurozone crisis continues unabated. However, we remain poised for modest recovery, provided the European and China economies are over the worst before the year end.

Despite the economic conditions, there have been a few bright spots which have ensured that our business has maintained resilience relative to our industry. Our strength in the luxury sector, in women's publishing and in contract printing has held us in a healthy shape during the first half of the year.

The luxury retail market, and in particular the fashion, watches and jewellery segments have been strong and have seen year on year growth.

We have further reinforced our strength in women's interest titles with an enhanced partnership agreement between SCMP Group and Hearst Magazines International in the form of joint venture company, SCMP Hearst Hong Kong Ltd to publish *ELLE* and *ELLE.com.hk*. This is in addition to our existing strong line up of women's titles, *Cosmopolitan*, *CosmoGirl!* and *Harper's Bazaar*.

Expanding further upon our desire to maximise our printing capacity, we have extended our previous contract printing agreement with the local Chinese free newspaper AM730 to a sizeable long term full run contract starting Q3 2013.

We have also laid the groundwork for a number of new projects that will support our performance for the second half. In August, we are in the process of implementing a reduction in web-width for the *South China Morning Post* printed newspaper, to reduce our paper and ink consumption by up to 10% without impacting the quality or content.

In late August, we are also launching the new *SCMP.com* website. Powered by a brand new publishing system, it is a fully enhanced and newly built portal that will help us capture more readers from around the world as well as provide a significantly improved reader experience. We continue to incubate other new digital media projects and look forward to launching some of these in the near future.

We have been steadfastly driving cost efficiency and maintaining a lean organisation, while also taking steps to ensure that we are investing in future revenue sources and in the talent that will be required for us to grow as a world class media group. People remain our biggest single cost and our greatest investment. Talent is the key competitive value we provide as a media company, so we will continue to ensure that we have the right people in place to help us grow.

From the restructuring of the editorial newsroom and efforts throughout the entire organisation right up to the hiring of our new CEO, Mr. Robin Hu, we have been progressively reshaping our business to become more competitive in the digital space. While we will ensure our bread-and-butter print products continue to thrive, we will also aim to meet the demands of today's multi-media advertisers and consumers with a broad range of digital advertising and consumer products and services.

Our business has weathered a challenging first half with determination and hard work. Barring unforeseen circumstances, we believe we are in good shape to greet the second half with cautious confidence despite the overall economic uncertainty.

Staff

The Company's remuneration policy is established to attract, motivate and retain high performing individuals. 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. As at 30 June 2012, the Group had 863 employees compared with 838 as at 31 December 2011.

Interim Dividend

The Directors have declared an interim dividend of HK3 cents (2011: HK4 cents) per share, amounting to HK\$46,828,000, payable to shareholders whose names appear on the Register of Members of the Company on Friday, 21 September 2012 and payable on Tuesday, 25 September 2012.

Book Closure

The Register of Members of the Company will be closed from Tuesday, 18 September 2012 to Friday, 21 September 2012, 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 4:30 p.m. on Monday, 17 September 2012 so as to qualify for the interim dividend.

DIRECTORS

The Directors of the Company during the six months ended 30 June 2012 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

Mr. Ronald J. Arculli

Dr. Fred Hu Zu Liu

Dr. the Hon. Sir David Li Kwok Po

Mr. Wong Kai Man

Executive Director

Ms. Kuok Hui Kwong

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 and a director of Makati Shangri-la Hotel & Resort, Inc. He is the Chairman of PhilWeb Corporation, ISM Communications Corporation, Alphaland Corporation and Atok-Big Wedge Co., Inc., Co-Chairman of Philippine Bank of Communications and is Director of San Miguel Corporation, Ginebra San Miguel, Inc., Petron Corporation and PAL Holdings Inc., all of which are listed on the Philippine Stock Exchange, Inc. ("PSE"). Mr. Ongpin is also a Director of Philippine Airlines, Inc. He is a Non-executive Director of Forum Energy PLC, a listed company on the London Stock Exchange and is Chairman of Acentic GmbH (Germany). He served as Chairman of Developing Countries Investment Corp. (Bahamas) and Eastern Telecommunications Philippines, Inc. until 2011. He was also Director of Araneta Properties, Inc. until 2010 and Philex Mining Corporation until 2009, which are both listed on the PSE. He was a director of E2-Capital (Holdings) Limited (presently known as CIAM Group Limited), listed on The Stock Exchange of Hong Kong Limited, until 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).

Mr. Ronald J. Arculli

GBM, CVO, GBS, OBE, JP

Mr. Arculli was the Independent Non-executive Chairman of Hong Kong Exchanges and Clearing Limited (listed in Hong Kong) from 2006 to April 2012 and remains its independent non-executive director. 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 was a member of the Executive Council of Hong Kong and the Honours Committee of the HKSAR Government until the end of June 2012. He has served, and continues to serve, on the board of West Kowloon Cultural District Authority. Mr. Arculli is an independent non-executive director of Hang Lung Properties Limited and a non-executive director of HKR International Limited, Hutchison Harbour Ring Limited, Power Assets Holdings 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) from October 2005 to May 2008.

Dr. Fred Hu Zu Liu

Dr. Hu is Chairman and founder of Primavera Capital Group, a China-based global investment firm. He was formerly a partner, managing director and Chairman of Greater China at Goldman Sachs and was instrumental in building the firm's franchise in the region. He also served as an economist at the I.M.F. in Washington D.C., where he was engaged in macroeconomic research, policy consultations and technical assistance for member country governments including China. He has been Co-director at the National Center for Economic Research and professor at Tsinghua University since 1996 and is a member of the editorial board for several academic journals and a columnist for China's leading business magazines. Dr. Hu has advised the Chinese government on financial and pension reform, SOE restructuring and macroeconomic policies. He currently sits on Hong Kong Government's Strategic Development Committee. He is a member of the advisory committees of Harvard China Fund, Stanford Center for International Development and the Chazen Institute of Columbia Business School. He is also a trustee of China Medical Board and the Chair of the Nature Conservatory's China Board. Dr. Hu is an independent non-executive director of Hang Seng Bank Limited (listed in Hong Kong) and an external supervisor of Shanghai Pudong Development Bank Co., Ltd. (listed in Shanghai). He was an independent director of Shanghai Pudong Development Bank Co., Ltd. from 2002 to 2008. Dr. Hu holds a Master in Engineering Science from Tsinghua University, and a Master and PhD in Economics from Harvard University.

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 ("UK"). 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, UK and Pan Malaysian Industries Berhad (listed in Kuala Lumpur). He is also a director of The Bank of East Asia, Limited (listed in Hong Kong). He was the Chairman of Morning Star Resources Limited (listed in Hong Kong) until October 2010. Dr. Khoo is a trustee of 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

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 until she decided to step down in June 2012. She remains an Executive Director of the Company to work with the Board to focus on the overall growth strategy of the Company. She was 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 and Chief Executive Officer of Shangri-La Asia Limited (listed in Hong Kong and Singapore). He is also a director of Shangri-La Hotel Public Company Limited and The Post Publishing Public Company Limited (both listed in Thailand), and Wilmar International Limited (listed in Singapore). Mr. Kuok is also an independent non-executive director of The Bank of East Asia, Limited (listed in Hong Kong) and an independent director of IHH Healthcare Berhad (listed in Malaysia). He is a graduate in Economics from Nottingham University, UK. Mr. Kuok is the brother of Ms. Kuok Hui Kwong, a director of the Company.

Dr. the Hon. Sir David Li Kwok Po

GBM, GBS, OBE, MA Cantab. (Economics & Law), Hon. DSc. (Imperial), Hon. DBA (Edinburgh Napier), Hon. D.Hum.Litt. (Trinity, USA), Hon. DSocSc (Lingnan), Hon. LLD (Hong Kong), Hon. LLD (Warwick), Hon. LLD (Cantab), Hon. D.Litt. (Macquarie), 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, Commandeur dans l'Ordre National de la Légion 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. 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, 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 CaixaBank, S.A., listed in Malaysia and Spain, respectively. Sir David was an independent director of COSCO Pacific Limited (listed in 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 a 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). He is a non-executive director of the Securities and Futures Commission. In addition, he serves in a number of government committees and the board of certain non-governmental 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.

CORPORATE EXECUTIVES

Mr. Robin Hu Yee Cheng

Chief Executive Officer

Mr. Hu joined the SCMP Group as Chief Executive Officer in June 2012. Before joining SCMP, he was Senior EVP with the Singapore Press Holdings overseeing its Chinese Newspaper Business and the group's Newspaper Services function. Prior to that, he held various senior management positions with Singtel's IT services arm NCS Ltd, the Singapore Economic Development Board based in Suzhou and Shanghai and later Asiacontent.com in Beijing where he was instrumental in launching and managing several portals for leading international media brands. Mr. Hu graduated from the University of Kent with a BSc in Mathematics and the University of Wales with an MSc in Computer Science.

Ms. Elsie Cheung Hoi Sze

Chief Operating Officer

Ms. Cheung was promoted to Chief Operating Officer of the SCMP Group in January 2011, and is in charge of all commercial operations within the newspaper group. Ms. Cheung began her career at the *South China Morning Post*, before building broad experience across other blue-chip media organisations including TVB, Hong Kong Telecom and SUNeVision. She returned to the SCMP Group in 2001 and continued growing her career, first within the Recruitment Services division, then as the Director of Advertising and Marketing Services, before being promoted to her current position.

Mr. Alex Kam Kwong Fai

Chief Financial Officer

Mr. Kam joined the SCMP Group on 10 March 2011. With a career spanning Hong Kong, England and Sydney, Mr. Kam is a qualified Chartered Accountant with 30 years' experience that covers corporate finance, treasury, financial control and strategic planning. He was most recently in a General Management position at the Airport Authority Hong Kong, where he has held multiple senior management positions over a period of 11 years. Prior to this he held senior positions at HSBC Markets, Chase Manhattan Asia Ltd, Credit Suisse First Boston HK and Citicorp International Ltd.

Mr. Wang Xiang Wei

Editor-in-Chief

Mr. Wang took up the role of Editor-in-Chief in February 2012, responsible for the editorial direction and newsroom operations. He started his 20-year career at the *China Daily*, before moving to the UK, where he gained valuable experience at a number of news organisations, including the BBC Chinese Service. In 1993, he moved to Hong Kong and worked at the *Eastern Express* before joining the *South China Morning Post* in 1996 as our China Business Reporter. He was subsequently promoted to China Editor in 2000 and Deputy Editor in 2007, a position he held for four years prior to being promoted to his current position. Mr. Wang has a Masters degree in Journalism, and a Bachelors degree in English.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2012, 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

Name of Director	Capacity/Nature of interests	Number of ordinary shares held	Approximate % of issued share capital
Mr. Kuok Khoon Ean	Corporate	340,000 ¹	0.02% ⁸
Dr. the Hon. Sir David Li Kwok Po	Personal	4,778,000	0.31% ⁸

(ii) Associated Corporations

Name of Associated Corporation	Name of Director	Number of ordinary shares held			Number of underlying ordinary shares held under equity derivatives	Total	Approximate % of issued share capital
		Personal interests	Corporate interests	Family/Other interests			
Kerry Group Limited	Dr. David J. Pang	1,300,000	–	–	700,000 ²	2,000,000	0.13% ⁹
	Ms. Kuok Hui Kwong	–	–	47,399,988 ³	2,000,000 ⁴	49,399,988	3.22% ⁹
	Mr. Kuok Khoon Ean	–	53,973,807 ¹	–	3,000,000 ⁵	56,973,807	3.72% ⁹
Kerry Properties Limited	Ms. Kuok Hui Kwong	17,000	–	1,302,048 ⁶	700,000 ⁷	2,019,048	0.14% ¹⁰
	Mr. Kuok Khoon Ean	–	1,283,082 ¹	–	–	1,283,082	0.09% ¹⁰

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 represents interests in options held by Dr. David J. Pang to subscribe for the relevant underlying ordinary shares in respect of option shares granted by Kerry Group Limited, details of which are set out in the section headed “Directors’ Rights to Acquire Shares or Debentures” below.
3. This includes 1,500,000 shares held by the spouse of Ms. Kuok Hui Kwong and 45,899,988 shares held by a discretionary trust of which Ms. Kuok and her spouse are contingent beneficiaries.
4. This represents interests in options held by Ms. Kuok Hui Kwong and her spouse to subscribe for the relevant underlying ordinary shares in respect of option shares granted by Kerry Group Limited, details of which are set out in the section headed “Directors’ Rights to Acquire Shares or Debentures” below.
5. This represents interests in options held by Mr. Kuok Khoon Ean to subscribe for the relevant underlying ordinary shares in respect of option shares granted by Kerry Group Limited, details of which are set out in the section headed “Directors’ Rights to Acquire Shares or Debentures” below.
6. This includes 1,252,048 shares held by a discretionary trust of which Ms. Kuok Hui Kwong and her spouse are contingent beneficiaries and 50,000 shares held by a discretionary trust of which Ms. Kuok’s spouse is a contingent beneficiary.
7. This represents interests in options held by the spouse of Ms. Kuok Hui Kwong to subscribe for the relevant underlying ordinary shares in respect of option shares granted by Kerry Properties Limited, details of which are set out in the section headed “Directors’ Rights to Acquire Shares or Debentures” below.
8. Approximate percentage calculated based on the 1,560,945,596 ordinary shares of the Company in issue as at 30 June 2012.
9. Approximate percentage calculated based on the 1,533,345,792 ordinary shares of Kerry Group Limited in issue as at 30 June 2012.
10. Approximate percentage calculated based on the 1,438,568,228 ordinary shares of Kerry Properties Limited in issue as at 30 June 2012.

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 2012, 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 2012.

(ii) Associated Corporations

(a) Kerry Group Limited

Dr. David J. Pang, Ms. Kuok Hui Kwong and her spouse and Mr. Kuok Khoon Ean have interests in the share options ("KGL Options") to subscribe for shares in Kerry Group Limited, an associated corporation of the Company (within the meaning of the SFO), during the six months ended 30 June 2012. Details are set out as follows:

Name of Director	Date of grant	Number of KGL Options held as at 01/01/2012	Number of KGL Options granted during the period	Number of KGL Options exercised during the period	Number of KGL Options held as at 30/06/2012	Exercise price/share HK\$	Exercise period
Dr. David J. Pang	19/07/2010	800,000	–	(100,000)	700,000	10.00	19/07/2010–15/07/2017
Ms. Kuok Hui Kwong	19/07/2010 ¹	1,000,000	–	–	1,000,000	10.00	19/07/2010–15/07/2017
	26/07/2010	1,000,000	–	–	1,000,000	10.00	26/07/2010–15/07/2017
Mr. Kuok Khoon Ean	03/08/2010	3,000,000	–	–	3,000,000	10.00	03/08/2010–15/07/2017

Note:

- The KGL Options were granted to the spouse of Ms. Kuok Hui Kwong.

(b) Kerry Properties Limited

The spouse of Ms. Kuok Hui Kwong has interests in the 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 2012. Details are set out as follows:

Date of grant	Number of KPL Options held as at 01/01/2012	Number of KPL Options granted during the period	Number of KPL Options exercised during the period	Number of KPL Options held as at 30/06/2012	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
30/04/2012	–	300,000	–	300,000	35.45	Tranche I (150,000) – 31/10/2012–29/04/2022 Tranche II (150,000) – 31/10/2013–29/04/2022

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 2012.

SUBSTANTIAL INTERESTS IN SHARE CAPITAL

As at 30 June 2012, 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 ⁸
Kerry Group Limited	Interest of controlled corporations	1,155,061,308 ¹	Long position	74.00%
Kerry Holdings Limited	Interest of controlled corporations	1,155,061,308 ²	Long position	74.00%
Kerry 1989 (C.I.) Limited	Interest of controlled corporations	1,078,717,308 ³	Long position	69.11%
Kerry Media Limited	Beneficial owner	1,078,717,308 ⁴	Long position	69.11%
Silchester International Investors LLP	Investment manager	221,365,000	Long position	14.18%
Silchester International Investors International Value Equity Trust	Beneficial owner	108,275,634 ^{5,6}	Long position	6.94%
JPMorgan Chase & Co.	Beneficial owner	75,000,000	Long position	4.80%
	Investment manager	18,468,000	Long position	1.18%
	Beneficial owner	75,000,000	Short position	4.80%
The Bank of East Asia, Limited	Beneficial owner	77,194,595 ⁷	Long position	4.95%
	Investment manager	1,341,710	Long position	0.09%
	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.
- The Company has been notified informally that as at 30 June 2012, Silchester International Investors International Value Equity Trust was interested in 104,157,634 shares (representing approximately 6.67% 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 LLP.
- The Company has been notified informally that as at 30 June 2012, The Bank of East Asia, Limited was interested in 77,652,583 shares (representing approximately 4.97% of the Company's issued share capital) and this increase 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 2012.

Save as stated above, as at 30 June 2012, 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 24 May 2010. The Scheme is designed to motivate the eligible persons, whose contributions are or will be beneficial to the performance, growth and success of the Group, to optimise their future contributions to the Group and reward them for their past contributions and enable the Group to attract and retain individuals with experience and ability.

No share option was granted under the Scheme during the six months ended 30 June 2012 (the “Period”).

The outstanding shares in respect of options granted under the Scheme as at 30 June 2012 are summarised below:

	Number of shares in respect of options granted
Outstanding at 1 January 2012	13,000,000
Granted during the Period	–
Exercised during the Period	–
Cancelled during the Period	–
Lapsed during the Period	(3,300,000)
Outstanding at 30 June 2012	9,700,000

Details of the movements during the six months ended 30 June 2012 in the options granted under the Scheme are as follows:

(i) Options Granted to Directors

None of the Directors of the Company has any outstanding options or has any options exercised, cancelled or lapsed during the six months ended 30 June 2012.

(ii) Options Granted to Employees

Date of grant	Tranche	Number of options				Outstanding at 30/06/2012	Exercise price/Share HK\$	Exercise period
		Outstanding at 01/01/2012	Granted during the Period	Exercised during the Period	Lapsed during the Period			
28/11/2011	1	1,872,000	-	-	(528,000)	1,344,000	1.484	19/07/2012-27/11/2021
28/11/2011	2	702,000	-	-	(198,000)	504,000	1.484	19/10/2012-27/11/2021
28/11/2011	3	702,000	-	-	(198,000)	504,000	1.484	19/01/2013-27/11/2021
28/11/2011	4	702,000	-	-	(198,000)	504,000	1.484	19/04/2013-27/11/2021
28/11/2011	5	910,000	-	-	(198,000)	712,000	1.484	19/07/2013-27/11/2021
28/11/2011	6	897,000	-	-	(231,000)	666,000	1.484	19/10/2013-27/11/2021
28/11/2011	7	897,000	-	-	(231,000)	666,000	1.484	19/01/2014-27/11/2021
28/11/2011	8	897,000	-	-	(231,000)	666,000	1.484	19/04/2014-27/11/2021
28/11/2011	9	897,000	-	-	(231,000)	666,000	1.484	19/07/2014-27/11/2021
28/11/2011	10	1,027,000	-	-	(264,000)	763,000	1.484	19/10/2014-27/11/2021
28/11/2011	11	1,027,000	-	-	(264,000)	763,000	1.484	19/01/2015-27/11/2021
28/11/2011	12	1,027,000	-	-	(264,000)	763,000	1.484	19/04/2015-27/11/2021
28/11/2011	13	1,027,000	-	-	(264,000)	763,000	1.484	19/07/2015-27/11/2021
28/11/2011	14	104,000	-	-	-	104,000	1.484	19/10/2015-27/11/2021
28/11/2011	15	104,000	-	-	-	104,000	1.484	19/01/2016-27/11/2021
28/11/2011	16	104,000	-	-	-	104,000	1.484	19/04/2016-27/11/2021
28/11/2011	17	104,000	-	-	-	104,000	1.484	19/07/2016-27/11/2021
Total		13,000,000	-	-	(3,300,000)	9,700,000		

Note:

No options were granted, exercised or cancelled during the Period.

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 2012.

CORPORATE GOVERNANCE

The Board of Directors 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 2012 are in line with the corporate governance statement as set out in the Company's 2011 Annual Report. During the period, the Group's corporate governance practices have complied with all the code provisions of the Corporate Governance Code ("Stock Exchange Code") as set out in Appendix 14 of the 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 2012 to 30 June 2012.

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 Dr. the Hon. Sir David Li Kwok Po, Mr. Ronald J. Arculli and Mr. Wong Kai Man. The Audit Committee met once in the first six months of 2012. The Audit Committee has reviewed the Group's unaudited interim results for the six months ended 30 June 2012.

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. Wong Kai Man and Mr. 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. Ronald J. Arculli and Mr. Wong Kai Man, and the Non-executive Chairman, Dr. David J. Pang.

STRATEGY COMMITTEE

The Company established a Strategy Committee in March 2010 with written terms of reference. The Strategy Committee currently comprises an Executive Director, Ms. Kuok Hui Kwong, the Non-executive Chairman, Dr. David J. Pang and an Independent Non-executive Director, Dr. Fred Hu Zu Liu. The Strategy Committee met once in the first six months of 2012.

On behalf of the Board
David J. Pang
Chairman

Hong Kong, 22 August 2012



SCMP Group Limited

南華早報集團有限公司

Stock Code 股份代號 : 583

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