



2008 INTERIM REPORT

SCMP Group Limited

Stock Code: 583

SCMP Group Limited

Interim Results

The Directors of SCMP Group Limited (the "Company") are pleased to announce the unaudited interim results of the Company and its group of companies (the "Group") for the six months ended 30 June 2008 as follows:

Condensed Consolidated Balance Sheet

	Notes	(Unaudited) 30 June 2008 HK\$'000	(Audited) 31 December 2007 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	3	516,303	534,154
Investment properties		1,067,100	1,040,100
Lease premium for land		14,152	31,588
Intangible assets		26,325	29,542
Interests in associates		54,794	55,888
Available-for-sale financial assets		213,304	292,722
Defined benefit plan's assets		53,956	47,808
		1,945,934	2,031,802
Current assets			
Inventories		27,349	23,076
Accounts receivable	4	197,585	231,304
Prepayments, deposits and other receivables		18,820	16,330
Cash and bank balances		225,954	257,685
		469,708	528,395
Assets classified as held for sale	5	1,855	–
		471,563	528,395
Total assets		2,417,497	2,560,197
EQUITY			
Capital and reserves			
Share capital	6	156,095	156,095
Reserves		1,816,902	1,859,438
Proposed dividend		93,657	156,095
		1,910,559	2,015,533
Shareholders' funds		2,066,654	2,171,628
Minority interests		22,453	16,567
Total equity		2,089,107	2,188,195
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		141,522	151,408
		141,522	151,408
Current liabilities			
Accounts payable and accrued liabilities	7	117,632	153,402
Subscriptions in advance		17,159	25,795
Current income tax liabilities		34,560	22,225
Bank overdraft, secured		16,151	19,172
		185,502	220,594
Liabilities classified as held for sale	5	1,366	–
		186,868	220,594
Total liabilities		328,390	372,002
Total equity and liabilities		2,417,497	2,560,197
Net current assets		284,695	307,801
Total assets less current liabilities		2,230,629	2,339,603

The notes on pages 5 to 11 form an integral part of this condensed interim financial information.

SCMP Group Limited

Condensed Consolidated Income Statement

		(Unaudited) For the six months ended 30 June	
	Notes	2008 HK\$'000	2007 HK\$'000 (Restated)
Continuing operations			
Revenue	2	544,721	622,191
Other income		2,558	2,084
Staff costs		(189,217)	(186,219)
Cost of production materials		(76,985)	(85,788)
Rental and utilities		(20,453)	(20,232)
Depreciation and amortisation		(26,890)	(29,100)
Advertising and promotion		(16,722)	(16,806)
Other operating expenses		(74,147)	(70,538)
Gain on disposal of available-for-sale financial assets		—	1,370
Operating profit		142,865	216,962
Net interest income	9	841	3,582
Share of profits of associates		428	943
Profit before income tax		144,134	221,487
Income tax expense	10	(17,322)	(39,710)
Profit for the period from continuing operations		126,812	181,777
Discontinued operations			
Profit for the period from discontinued operations	11	3,616	483
Profit for the period		130,428	182,260
Attributable to:			
Shareholders		124,542	175,000
Minority interests		5,886	7,260
		130,428	182,260
Dividend			
Proposed interim dividend of HK6 cents per share (2007: HK8 cents per share)	12	93,657	124,876
Earnings/(losses) per share			
Basic and diluted	13		
– Continuing operations		7.75 cents	11.33 cents
– Discontinued operations		0.23 cents	(0.12 cents)
		7.98 cents	11.21 cents

The notes on pages 5 to 11 form an integral part of this condensed interim financial information.

SCMP Group Limited

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2008

	(Unaudited)								
	Attributable to shareholders								
	Share capital and share premium HK\$'000	Contributed surplus HK\$'000	Investments revaluation reserve HK\$'000	Asset revaluation reserve HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	Total shareholders' funds HK\$'000	Minority interests HK\$'000	Total equity HK\$'000
Balance at 1 January 2007	197,066	865,672	159,802	3,624	(29,105)	685,696	1,882,755	11,832	1,894,587
Available-for-sale financial assets									
– Fair value gain taken to equity	–	–	19	–	–	–	19	–	19
– Transfer to profit or loss on disposal	–	–	(1,218)	–	–	–	(1,218)	–	(1,218)
Exchange differences on consolidation	–	–	–	–	5,976	–	5,976	(144)	5,832
Net income recognised directly in equity	–	–	(1,199)	–	5,976	–	4,777	(144)	4,633
Profit for the period	–	–	–	–	–	175,000	175,000	7,260	182,260
Total recognised income for the period	–	–	(1,199)	–	5,976	175,000	179,777	7,116	186,893
Dividends	–	–	–	–	–	(202,923)	(202,923)	–	(202,923)
Balance at 30 June 2007	197,066	865,672	158,603	3,624	(23,129)	657,773	1,859,609	18,948	1,878,557
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
Available-for-sale financial assets									
– Fair value loss taken to equity	–	–	(79,947)	–	–	–	(79,947)	–	(79,947)
Exchange differences on consolidation	–	–	–	–	(559)	–	(559)	–	(559)
Fair value gain arising from reclassification of leasehold land to investment properties	–	–	–	8,436	–	–	8,436	–	8,436
Deferred taxation directly charged to equity	–	–	–	(1,351)	–	–	(1,351)	–	(1,351)
Net (loss)/income recognised directly in equity	–	–	(79,947)	7,085	(559)	–	(73,421)	–	(73,421)
Profit for the period	–	–	–	–	–	124,542	124,542	5,886	130,428
Total recognised income for the period	–	–	(79,947)	7,085	(559)	124,542	51,121	5,886	57,007
Dividends	–	–	–	–	–	(156,095)	(156,095)	–	(156,095)
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 11 form an integral part of this condensed interim financial information.

SCMP Group Limited

Condensed Consolidated Cash Flow Statement

	(Unaudited)	
	For the six months	
	ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
Cash generated from operations	141,006	226,969
Hong Kong profits tax paid	(16,056)	(66,724)
Overseas tax paid	(169)	(264)
Net cash generated from operating activities	124,781	159,981
Net cash generated from/(used in) investing activities	4,692	(3,417)
Cash flows from financing activities		
Dividend paid	(156,095)	(202,923)
Interest paid	(626)	(829)
Net cash used in financing activities	(156,721)	(203,752)
Net decrease in cash and cash equivalents	(27,248)	(47,188)
Cash and cash equivalents at 1 January	238,513	242,371
Cash and cash equivalents at 30 June	211,265	195,183
Analysis of cash and cash equivalents:		
Cash and bank balances	225,954	212,300
Cash and bank balances of disposal group held for sale	1,462	–
Bank overdraft	(16,151)	(17,117)
	211,265	195,183

The notes on pages 5 to 11 form an integral part of this condensed interim financial information.

Notes to the 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 2007 annual financial statements.

The accounting policies and methods of computation used in the preparation of these condensed interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2007.

Certain comparative figures in the income statement for the six months ended 30 June 2007 have been reclassified to conform to current period’s presentation. This reclassification had no impact to the results of the Group for the six months ended 30 June 2007.

HKICPA has issued a number of interpretations that are effective for accounting periods beginning on or after 1 January 2008. The Group has carried out an assessment of these interpretations and considered that they have no significant impact on these financial statements.

2. Segment information

The Company acted as an investment holding company during the period. The principal activities of the Group comprised the publishing, printing and distribution of the *South China Morning Post*, *Sunday Morning Post* and other print and digital publications, property investment, video and film post-production, and music publishing.

During the six months ended 30 June 2008, the Group has disposed of its entire interest in the video and film post-production operation and entered into negotiation with a third party in relation to the disposal of the Group’s music publishing business. Accordingly, the results of these operations are presented as discontinued operations in the income statement. The comparative information for the six months ended 30 June 2007 has been reclassified to conform to the current period’s presentation.

Substantially all the activities of the Group are based in Hong Kong and below is an analysis of the Group’s revenue and contribution to operating profit by principal activity:

	(Unaudited) Revenue for the six months ended 30 June		(Unaudited) Contribution to operating profit for the six months ended 30 June	
	2008 HK\$’000	2007 HK\$’000	2008 HK\$’000	2007 HK\$’000
Continuing operations:				
Newspapers, magazines and other publications	530,901	613,270	131,711	210,208
Investment properties	13,820	8,921	11,154	6,754
	544,721	622,191	142,865	216,962
Discontinued operations:				
Video and film post-production	5,253	9,393	3,099	128
Music publishing	1,912	1,276	510	774
	7,165	10,669	3,609	902
Total	551,886	632,860	146,474	217,864

SCMP Group Limited

3. Property, plant and equipment

	(Unaudited)			
	Leasehold buildings HK\$'000	Other fixed assets HK\$'000	Assets in progress HK\$'000	Total HK\$'000
At 1 January 2008				
Cost or valuation	308,868	1,028,684	2,249	1,339,801
Accumulated depreciation and impairment losses	(87,511)	(718,083)	(53)	(805,647)
Net book value at 1 January 2008	221,357	310,601	2,196	534,154
Additions	–	3,585	3,305	6,890
Depreciation	(3,223)	(19,498)	–	(22,721)
Translation differences	–	59	–	59
Disposals	–	(527)	–	(527)
Transfer	(1,529)	443	(443)	(1,529)
Classified as held for sale	–	(23)	–	(23)
	(4,752)	(15,961)	2,862	(17,851)
Net book value at 30 June 2008	216,605	294,640	5,058	516,303
At 30 June 2008				
Cost or valuation	299,411	982,292	5,058	1,286,761
Accumulated depreciation and impairment losses	(82,806)	(687,652)	–	(770,458)
Net book value at 30 June 2008	216,605	294,640	5,058	516,303
Analysis of cost and valuation as at 30 June 2008				
At cost	290,216	982,292	5,058	1,277,566
At valuation - 1990	9,195	–	–	9,195
	299,411	982,292	5,058	1,286,761

4. Accounts receivable

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

	(Unaudited) 30 June 2008		(Audited) 31 December 2007	
	Balance HK\$'000	Percentage %	Balance HK\$'000	Percentage %
Current	122,669	61.4	149,374	63.7
Less than 30 days past due	55,807	28.0	22,184	9.5
31 to 60 days past due	5,355	2.7	45,832	19.5
61 to 90 days past due	14,614	7.3	15,599	6.7
Over 90 days past due	1,180	0.6	1,505	0.6
Total	199,625	100.0	234,494	100.0
Less: Allowance for impairment	(2,040)		(3,190)	
	197,585		231,304	

SCMP Group Limited

5. Disposal group held for sale

As disclosed in note 2, the Group entered into negotiation with a third party in relation to the disposal of the Group's music publishing business during the six months ended 30 June 2008, the disposal was expected to be completed in the second half of 2008. Accordingly, all assets and liabilities associated with the music publishing operation have been classified as a disposal group held for sale. The major classes of assets and liabilities held for sale are:

	(Unaudited) 30 June 2008 HK\$'000
ASSETS	
Property, plant and equipment	23
Inventories	20
Accounts receivable	349
Prepayments, deposits and other receivables	1
Cash and bank balances	1,462
Assets classified as held for sale	1,855
LIABILITIES	
Accounts payable and accrued liabilities	1,366
Liabilities classified as held for sale	1,366

6. Share capital

	(Unaudited) 30 June 2008 HK\$'000	(Audited) 31 December 2007 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 (2007: 1,560,945,596) shares of HK\$0.10 each	156,095	156,095

7. Accounts payable and accrued liabilities

An ageing analysis of the accounts payable is as follows:

	(Unaudited) 30 June 2008		(Audited) 31 December 2007	
	Balance HK\$'000	Percentage %	Balance HK\$'000	Percentage %
0 to 30 days	18,632	89.4	20,114	86.2
31 to 60 days	848	4.1	947	4.1
61 to 90 days	161	0.8	241	1.0
Over 90 days	1,192	5.7	2,025	8.7
Total accounts payable	20,833	100.0	23,327	100.0
Accrued liabilities	96,799		130,075	
Total accounts payable and accrued liabilities	117,632		153,402	

SCMP Group Limited

8. Capital commitments

	(Unaudited) 30 June 2008 HK\$'000	(Audited) 31 December 2007 HK\$'000
Capital commitments for property, plant and equipment		
Contracted, but not provided for	13,748	6,068
Authorised, but not contracted for	19,426	33,388
	33,174	39,456

9. Net interest income

	(Unaudited) For the six months ended 30 June 2008 HK\$'000	2007 HK\$'000 (Restated)
Interest income on bank deposits	1,467	3,974
Interest expense on bank loans and overdraft	(626)	(392)
	841	3,582

10. Income tax expense

	(Unaudited) For the six months ended 30 June 2008 HK\$'000	2007 HK\$'000
Current income tax		
Hong Kong profits tax	28,400	41,857
Overseas taxation	160	264
Deferred income tax		
Resulting from a decrease in tax rate	(8,541)	—
Relating to the origination and reversal of temporary differences	(2,697)	(2,411)
	17,322	39,710

Hong Kong profits tax has been provided for at a rate of 16.5% (2007: 17.5%) 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.

11. Discontinued operations

As disclosed in notes 2 and 5, the Group has disposed of its entire interest in the video and film post-production operation and has classified the assets and liabilities of the music publishing operation as a disposal group held for sale during the period. 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:

	(Unaudited) For the six months ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
Revenue	7,165	10,669
Other income	1	7
Staff costs	(4,923)	(4,782)
Cost of production materials	(2,705)	(2,482)
Rental and utilities	(480)	(1,309)
Depreciation and amortisation	(60)	(49)
Advertising and promotion	(21)	(15)
Other operating expenses	(524)	(1,137)
Net interest income/(expenses)	7	(419)
(Loss)/profit of discontinued operations	(1,540)	483
Gain on disposal of a discontinued operation	5,156	–
Profit for the period from discontinued operations	3,616	483

Cash flows from discontinued operations are as follows:

	(Unaudited) For the six months ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
Net cash (used in)/generated from operating activities	(1,997)	725
Net cash used in investing activities	(28)	(682)
Net (decrease)/increase in cash and cash equivalents	(2,025)	43

SCMP Group Limited

12. Dividend

A 2007 final dividend of HK10 cents per share, totalling HK\$156,095,000 was paid in May 2008. A 2006 final dividend of HK13 cents per share, totalling HK\$202,923,000 was paid in May 2007.

The Directors have declared an interim dividend of HK6 cents per share (2007: HK8 cents per share), amounting to HK\$93,657,000 (2007: HK\$124,876,000), for the period.

13. Earnings/(losses) per share

The calculation of basic and diluted earnings per share is based on the profit for the period attributable to shareholders of HK\$124,542,000 (2007: HK\$175,000,000) and 1,560,945,596 (2007: 1,560,945,596) shares in issue during the period. Profit attributable to shareholders of the Company from continuing operations and discontinued operations are analysed as follows:

Profit/(loss) attributable to shareholders:

	(Unaudited) For the six months ended 30 June	
	2008 HK\$'000	2007 HK\$'000
Continuing operations	120,926	176,867
Discontinued operations	3,616	(1,867)
	124,542	175,000

As at 30 June 2008, there were no share options outstanding that enable holders to subscribe for shares (30 June 2007: 6,463,000 shares) in the Company. The share options outstanding in 2007 could potentially dilute basic earnings per share in the future, but were not included in the calculation of diluted earnings per share because they were antidilutive for the period presented.

14. Related party disclosures

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:

	(Unaudited) For the six months ended 30 June 2008 HK\$'000
Rendering of services	
– Advertising revenue	909
– Magazine production service fee	640
	1,549

(b) Balances arising from transactions with Kerry Group

	(Unaudited) 30 June 2008 HK\$'000
Receivables arising from advertising services	105
Receivables arising from magazine production services	636
	741

(c) Key management personnel compensation

	(Unaudited) For the six months ended 30 June	
	2008 HK\$'000	2007 HK\$'000
Salaries and other short-term employee benefits	9,729	7,620
Post-employment benefits	277	242
Termination benefits	136	–
	10,142	7,862

15. Approval of the interim financial statements

These interim financial statements were approved by the Board of Directors on 1 September 2008.

SCMP Group Limited

Management Discussion and Analysis

Operating Results of the Group

The Group's consolidated operating results for the six months ended 30 June 2008 and 2007 were as follows:

<i>(HK\$ millions, except per share amounts)</i>	For the six months ended 30 June		% Change
	2008	2007 (restated)	
Continuing operations:			
Revenue	544.7	622.2	(12)
Staff costs	(189.2)	(186.2)	2
Production costs	(77.0)	(85.8)	(10)
Rental and utilities	(20.5)	(20.2)	1
Advertising and promotions	(16.7)	(16.8)	(1)
Other operating expenses	(74.1)	(70.5)	5
Operating costs before depreciation and amortisation	(377.5)	(379.5)	(1)
Depreciation and amortisation	(26.9)	(29.1)	(8)
Other income	2.6	2.0	30
Gain on disposal of available-for-sale financial assets	—	1.4	(100)
Operating profit	142.9	217.0	(34)
Net interest income	0.8	3.6	(78)
Share of profits of associates	0.4	0.9	(56)
Income tax expense	(17.3)	(39.7)	(56)
Profit from continuing operations	126.8	181.8	(30)
Discontinued operations:			
Profit from discontinued operations	3.6	0.5	*
Profit for the period	130.4	182.3	(28)
Minority interests	(5.9)	(7.3)	(19)
Profit attributable to shareholders	124.5	175.0	(29)
Earnings per share (HK cents)	8.0	11.2	(29)

* Represents an increase in excess of 100%

Profit attributable to shareholders dropped \$50.5 million or 29% to \$124.5 million, mainly due to decline in notices advertising following the change in listing rules in June 2007 and the volatile stock market.

SCMP Group Limited

Revenue

The consolidated revenue for the six months ended 30 June 2008 and 2007 by business segment and for the Group were as follows:

<i>(HK\$ millions)</i>	2008	2007	% Change
Continuing operations			
Newspaper publishing	459.7	542.2	(15)
Magazine publishing	67.4	64.2	5
Book publishing	3.8	6.9	(45)
Investment properties	13.8	8.9	55
	544.7	622.2	(12)
Discontinued operations			
Video and film post-production	5.3	9.4	(44)
Music publishing	1.9	1.3	46
	7.2	10.7	(33)
Total revenue	551.9	632.9	(13)

Operating Costs and Expenses

Operating costs and expenses for the six months ended 30 June 2008 and 2007 were as follows:

<i>(HK\$ millions)</i>	2008	2007	% Change
Continuing operations			
Staff costs	189.2	186.2	2
Production costs	77.0	85.8	(10)
Rental and utilities	20.5	20.2	1
Advertising and promotions	16.7	16.8	(1)
Other operating expenses	74.1	70.5	5
Depreciation and amortisation	26.9	29.1	(8)
	404.4	408.6	(1)
Discontinued operations			
Video and film post-production	7.3	9.4	(22)
Music publishing	1.4	0.5	*
	8.7	9.9	(12)
Total operating costs and expenses	413.1	418.5	(1)

* Represents an increase in excess of 100%

Staff costs increased 2% or \$3.0 million due to salary increment and higher recruitment expense. Production costs dropped 10%, mainly because of decrease in average newsprint cost from US\$635 to US\$604 per metric ton and lower consumption. Latest market price of 48.8 gsm newsprint has surged significantly to US\$881 per metric ton driven by high oil price, weak US dollar, reduced worldwide newsprint capacity and high demand. Other operating expenses increased mainly due to higher legal and professional fees, traveling expenses for reporting Sichuan earthquake and Olympic events and volume discount granted to customers in line with increase in Display advertising revenue.

SCMP Group Limited

Operating Profit and EBITDA

Operating profit and EBITDA for the six months ended 30 June 2008 and 2007 by business segment and for the Group were as follows:

<i>(HK\$ millions)</i>	Contribution to EBITDA			Contribution to operating profit		
	2008	2007	% Change	2008	2007	% Change
Continuing operations						
Newspaper publishing	143.9	223.9	(36)	120.2	198.8	(40)
Magazine publishing	11.7	13.1	(11)	11.1	12.5	(11)
Book publishing	0.4	(1.1)	*	0.4	(1.1)	*
Investment properties	11.2	6.8	65	11.2	6.8	65
	167.2	242.7	(31)	142.9	217.0	(34)
Discontinued operations						
Video and film post-production	(2.0)	0.1	*	3.1	0.1	*
Music publishing	0.5	0.8	(38)	0.5	0.8	(38)
	(1.5)	0.9	*	3.6	0.9	*
Total	165.7	243.6	(32)	146.5	217.9	(33)

* Represents an increase/decrease in excess of 100%

Financial Review by Business

Publishing

<i>(HK\$ millions)</i>	For the six months ended 30 June		
	2008	2007	% Change
Revenue			
Newspaper publishing	459.7	542.2	(15)
Magazine publishing	67.4	64.2	5
Book publishing	3.8	6.9	(45)
Total	530.9	613.3	(13)
EBITDA	156.0	235.9	(34)
Operating profit	131.7	210.2	(37)
Net profit	107.5	171.3	(37)
EBITDA margin	29%	38%	
Operating profit margin	25%	34%	

Publishing revenues dropped 13% and accounted for 96% of total revenue of the Group. EBITDA and operating profit margin went down due to the loss of high margin notices revenue.

SCMP Group Limited

The audited circulation of *South China Morning Post* and *Sunday Morning Post* both showed a moderate increase of 1%, driven mainly by growth in subscriptions, Macau market and sales to airlines.



Display advertising revenue increased 6%, contributed mainly by rising demand of creative ad executions and higher advertising volume and yield generated from *Post Magazine*. The first ever panorama was published in May 2008 and we had a record number of wrappers in the first half of 2008.

Recruitment advertising revenue decreased 2% due to slow down of recruitment activity as a result of the worsening global economy. Volatile stock market and the stagnant property market in Hong Kong also contribute to the uncertainty for the second half year and some companies have ceased all hiring activities. Other cost cautious clients are shifting towards lower cost publications or online, which has benefited *Jiu Jik* and online recruitment, revenue of which increased by 16% and 18% respectively.

Notices revenue dropped 72% or \$90.2 million, within which revenue from result and other corporate announcements dropped \$47.7 million, while IPO related revenue dropped \$42.5 million.

Revenue from result and other corporate announcements went down after the implementation of the HKEx rules which abolished the requirement to publish announcements in newspaper in June 2007 (Phase 1) and the requirement to publish notification in newspaper in December 2007 (Phase 2). The first half results reflected the full impact of the changes in listing rules.

Revenue from IPOs declined owing to the volatile stock market, which resulted in companies holding back or postponing their listing plans. Number of IPOs and revenue per IPO were both lower than last year.

Revenue from Magazine Division grew 5% to \$67.4 million. Advertising sales from *Cosmopolitan* and *Harper's Bazaar* remained strong, despite the fierce competition on newsstands which has led to lower circulation revenue. Net profit from Magazine Division was lower, mainly because of the pre-launch expenses of a new magazine title in Mainland China.

Investment Properties

(HK\$ millions)	For the six months ended 30 June		
	2008	2007	% Change
Revenue	13.8	8.9	55
EBITDA	11.2	6.8	65
Operating profit	11.2	6.8	65
Net Profit	13.4	5.5	*

* Represents an increase in excess of 100%

A floor in the Bank of America Tower was leased out at a higher rent and the advertising board in Leighton Road also generated higher revenue than last year.

SCMP Group Limited

Video and Film Post-Production

(HK\$ millions)	For the six months ended 30 June		
	2008	2007	% Change
Revenue	5.3	9.4	(44)
EBITDA	(2.0)	0.1	*
Operating profit	3.1	0.1	*
Net profit/(loss)	3.1	(2.6)	*

* Represents an increase/decrease in excess of 100%

The operation has been sold through a management buyout on 30 April 2008. The Group has recognised a gain on disposal of \$5.2 million.

Music Publishing

(HK\$ millions)	For the six months ended 30 June		
	2008	2007	% Change
Revenue	1.9	1.3	46
EBITDA	0.5	0.8	(38)
Operating profit	0.5	0.8	(38)
Net Profit	0.5	0.8	(38)

Despite difficult market situation, revenue increased mainly from the sale of one compilation album which featured 50 greatest hits and 10 music videos released during the period. The album aroused much public interests and brand awareness. We also closed a number of synchronization deals for concert live products and licensed songs for heavily-played TV commercials.

Liquidity and Capital Resources

Overview

The Group's main source of liquidity is recurring cash flows from the publishing business which is supplemented from time to time by committed banking facilities. The Group's financial position as at 30 June 2008 and 31 December 2007 were as follows:

(HK\$ millions)	30 June 2008	31 December 2007	% Change
Cash and bank balances	227.4	257.7	(12)
Bank overdraft	16.2	19.2	(16)
Shareholders' funds	2,066.7	2,171.6	(5)
Ratios:			
Gearing	—	—	
Current ratio	2.5	2.4	

As at 30 June 2008, the Group's only borrowing was a bank overdraft of \$16.2 million denominated in Renminbi, which was payable within one year. 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 2008, the Group had no gearing (after deducting bank balances and deposits). The ratio of current assets to current liabilities was 2.5 times.

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

SCMP Group Limited

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 six months ended 30 June 2008 was \$124.8 million compared with \$160.0 million for the same period last year. The lower cash flow was mainly caused by the drop in notices advertising revenue.

Investment Activities

Net cash inflow from investing activities for the six months ended 30 June 2008 was \$4.7 million compared with an outflow of \$3.4 million in 2007. The major cash inflows for the current period were net proceeds from the disposal of subsidiaries, dividend and interest income, offset by capital expenditure on systems enhancements and investment in computer-to-plate technology.

Financing Activities

Net cash used in financing activities for the six months ended 30 June 2008 was \$156.7 million, comprising dividend payments of \$156.1 million to shareholders of the Group and interest payment on bank overdraft.

Outlook

With the change in listing rules on company announcements last year, we expect that revenues from corporate notices in the second half year will be consistent with the first half of this year. Revenue from IPO announcements however will depend on mood of the market and preliminary feedback from people in the industry suggests that a recovery is unlikely this year.

The second half of 2008 is full of challenges. The surging fuel prices and rampant inflation pressure will inevitably lead to slowdown in global economy. We have already seen a decline in banking and property advertising, and although the luxury sector was not affected in the first half year, some advertisers have started to reduce ad budget for the second half. We expect that the growth in display advertising revenue will slow down in the second half of this year.

The recruitment market in Hong Kong remains strong, even though employers are beginning to slow down their expansion plan amid uncertainty over the economy. Given the trend to go online for recruitment advertising, we will continue our investment to enhance *classifiedpost.com* and *jiujik.com* and to explore new opportunities outside our home market.

Staff

As at 30 June 2008, the Group had 985 employees compared with 1,032 as at 31 December 2007. 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 declared an interim dividend of HK6 cents per share, amounting to HK\$93,657,000, payable to shareholders whose names appear on the Register of Members of the Company on Friday, 26 September 2008 and payable on Thursday, 2 October 2008.

Book Closure

The Register of Members of the Company will be closed from Tuesday, 23 September 2008 to Friday, 26 September 2008, 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, 22 September 2008 so as to qualify for the interim dividend.

SCMP Group Limited

Directors

The Directors of the Company during the six months ended 30 June 2008 and up to the date of this report were:

Executive Directors

Mr. Kuok Khoon Ean Chairman
Ms. Kuok Hui Kwong

Non-executive Directors

Mr. Roberto V. Ongpin Deputy Chairman
Tan Sri Dr. Khoo Kay Peng
Dr. David J. Pang

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

Directors' Interests in Shares, Underlying Shares and Debentures

As at 30 June 2008, 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

Ordinary shares of the Company

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

(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	Total	Approximate % of issued share capital
Kerry Group Limited	Mr. Kuok Khoon Ean	Corporate	51,973,807 ¹	–	51,973,807	3.40% ⁶
	Ms. Kuok Hui Kwong	Family/Other	23,899,988 ²	–	23,899,988	1.56% ⁶
Kerry Properties Limited	Mr. Kuok Khoon Ean	Corporate	1,283,082 ¹	–	1,283,082	0.09% ⁷
	Ms. Kuok Hui Kwong	Family/Other	1,252,048 ³	300,000 ⁴	1,552,048	0.11% ⁷

SCMP Group Limited

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 2008.
6. Approximate percentage calculated based on the 1,527,684,428 ordinary shares of Kerry Group Limited in issue as at 30 June 2008.
7. Approximate percentage calculated based on the 1,426,835,887 ordinary shares of Kerry Properties Limited in issue as at 30 June 2008.

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 2008, 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 2008.

(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 2008. Details are set out as follows:

Date of grant	Number of KPL Options held as at 01/01/2008	Number of KPL Options granted during the period	Number of KPL Options held as at 30/06/2008	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

Save as stated above, at no time during the six months ended 30 June 2008 was the Company, its subsidiaries, its fellow subsidiaries or its holding companies a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SCMP Group Limited

Substantial Interests in Share Capital

As at 30 June 2008, 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	Approximate % of issued share capital ⁷
Kerry Group Limited	Interest of controlled corporations	1,155,061,308	74.00%
Kerry Holdings Limited	Interest of controlled corporations	1,155,061,308 ¹	74.00%
Kerry 1989 (C.I.) Limited	Interest of controlled corporations	1,078,717,308 ²	69.11%
Kerry Media Limited	Beneficial owner	1,078,717,308 ³	69.11%
Silchester International Investors Limited ⁴	Investment manager	219,485,000	14.06%
Silchester International Investors International Value Equity Trust	Beneficial owner	114,331,634 ^{5, 6}	7.32% ⁵

Notes:

1. 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.
2. 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.
3. 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.
4. Investment manager acting on behalf of clients and not connected with the Company.
5. The Company has been notified informally that as at 30 June 2008, Silchester International Investors International Value Equity Trust was interested in 111,375,634 shares (representing approximately 7.14% of the Company's issued share capital) and this decrease in shareholding was not required to be disclosed under Part XV of the SFO.
6. The interests held by Silchester International Investors International Value Equity Trust are duplicated in the interests reported above for Silchester International Investors Limited.
7. Approximate percentage calculated based on the 1,560,945,596 ordinary shares of the Company in issue as at 30 June 2008.

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

Save as stated above, as at 30 June 2008, 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 2008, no share option was granted, exercised, cancelled or lapsed under the Scheme. No share option was outstanding under the Scheme as at 30 June 2008.

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 2008.

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 2008 are in line with the corporate governance statement as set out in the Company's 2007 Annual Report. The Group's corporate governance practices comply 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") except where stated and explained below. The Group also adheres to the recommended best practices of the Stock Exchange Code insofar as they are relevant and practicable.

The Group has an Executive Chairman. No individual has been appointed as a chief executive officer. The Executive Chairman oversees the management of the Board and the Group's business with the assistance of the Group's senior management team. The Executive Chairman oversees the overall management of the Group. Other functions normally undertaken by a chief executive officer of a company are delegated to members of the Group's senior management team.

This structure deviates from the relevant code provision of the Stock Exchange Code that requires the roles of the chairman and chief executive officer to be separate and not performed by the same individual. The Board has considered this matter carefully and decided not to adopt the provision. The Board believes that the current management structure has been effective in facilitating the operation and development of the Group and its business for a considerable period of time and that the necessary checks and balances consistent with sound corporate governance practices are in place. The Board consists of high calibre individuals who have many years of experience in serving public companies and who are highly committed to the good running of the Group. Accordingly, the Board does not believe the Group should change its current management structure. However, the Board will review the management structure from time to time to ensure it continues to meet these objectives.

Code for Securities Transactions by Directors

The Board of Directors of the Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (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 2008 to 30 June 2008.

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 Mr. Peter Lee Ting Chang, The Hon. Ronald J. Arculli, Sir David Li Kwok Po and Mr. Wong Kai Man. The Audit Committee met once in the first six months of 2008. The Audit Committee has reviewed the Group's unaudited interim results for the six months ended 30 June 2008.

SCMP Group Limited

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 the Executive Chairman, 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 Executive Chairman, Mr. Kuok Khoon Ean.

Public Float

Immediately following the close of the mandatory conditional offer made by Kerry Media Limited (the "Offeror"), details of which are set out in the Offeror's offer document dated 4 January 2008, (i) the Offeror and members of its concert group owned in aggregate 1,169,543,308 shares of the Company, representing approximately 74.93% of issued share capital of the Company; (ii) approximately 14.06% of the Company's issued shares was held/controlled by Silchester International Investors Limited ("Silchester"), a substantial shareholder and, thus, a connected person of the Company; and (iii) approximately 11% of the issued shares of the Company was held by the public. The Company is required to restore the public float to 25% under Rule 8.08(1)(a) of the Listing Rules and the Stock Exchange has granted the Company's applications for a waiver from strict compliance with Rule 8.08(1)(a) for a period from 25 February 2008 to 5 September 2008. Trading in the shares of the Company was suspended as from 27 February 2008 and the Stock Exchange indicated that suspension should continue until the 25% public float is restored. Details of the public float arrangements have been disclosed in the Company's announcements dated 6 March 2008, 15 April 2008, 9 July 2008 and 24 July 2008.

On behalf of the Board
KUOK Khoon Ean
Chairman

Hong Kong, 1 September 2008