

2 0 1 0 I N T E R I M R E P O R T



**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 2010. 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 12.

## Condensed Consolidated Balance Sheet

		(Unaudited)	(Restated)
	Notes	30 June 2010 HK\$'000	31 December 2009 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3	585,067	608,782
Investment properties	4	1,026,100	1,008,100
Intangible assets		16,504	19,165
Interests in associates		49,021	46,451
Available-for-sale financial assets		197,206	200,995
Defined benefit plan's assets		54,311	52,198
		<b>1,928,209</b>	1,935,691
<b>Current assets</b>			
Inventories		20,437	18,557
Accounts receivable	5	153,695	156,719
Prepayments, deposits and other receivables		9,939	15,764
Tax recoverable		967	3,508
Cash and bank balances		350,550	254,112
		<b>535,588</b>	448,660
<b>Total assets</b>		<b>2,463,797</b>	2,384,351
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Share capital	6	156,095	156,095
Reserves		1,965,531	1,935,277
Proposed dividend		31,219	-
		<b>1,996,750</b>	1,935,277
Shareholders' funds		<b>2,152,845</b>	2,091,372
Minority interests		26,494	21,037
<b>Total equity</b>		<b>2,179,339</b>	2,112,409
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred income tax liabilities		145,364	145,308
		<b>145,364</b>	145,308
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	7	107,549	99,450
Subscriptions in advance		15,639	23,104
Current income tax liabilities		15,906	4,080
		<b>139,094</b>	126,634
<b>Total liabilities</b>		<b>284,458</b>	271,942
<b>Total equity and liabilities</b>		<b>2,463,797</b>	2,384,351
<b>Net current assets</b>		<b>396,494</b>	322,026
<b>Total assets less current liabilities</b>		<b>2,324,703</b>	2,257,717

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

# SCMP Group Limited

## Condensed Consolidated Statement of Comprehensive Income

		(Unaudited)	
		For the six months ended 30 June	
	Notes	2010 HK\$'000	2009 HK\$'000
<b>Revenue</b>	2	<b>411,698</b>	336,529
Other income		<b>3,089</b>	2,111
Staff costs		<b>(182,109)</b>	(160,060)
Cost of production materials		<b>(54,483)</b>	(68,800)
Rental and utilities		<b>(9,671)</b>	(21,341)
Depreciation and amortisation		<b>(28,865)</b>	(27,328)
Advertising and promotion		<b>(12,319)</b>	(14,416)
Other operating expenses		<b>(57,747)</b>	(55,176)
<b>Operating profit/(loss)</b>		<b>69,593</b>	(8,481)
Share of profits/(losses) of associates		<b>705</b>	(836)
Finance income	9	<b>909</b>	281
<b>Profit/(loss) before income tax</b>		<b>71,207</b>	(9,036)
Income tax expense	10	<b>(13,431)</b>	(1,422)
<b>Profit/(loss) for the period</b>		<b>57,776</b>	(10,458)
<b>Other comprehensive income</b>			
Fair value gain arising from reclassification of leasehold properties to investment properties		<b>13,178</b>	-
Fair value (loss)/gain on available-for-sale financial assets		<b>(3,784)</b>	36,410
Currency translation difference		<b>1,934</b>	1,890
Income tax relating to components of other comprehensive income		<b>(2,174)</b>	-
<b>Other comprehensive income for the period, net of tax</b>		<b>9,154</b>	38,300
<b>Total comprehensive income for the period</b>		<b>66,930</b>	27,842
<b>Profit/(loss) attributable to:</b>			
Shareholders of the Company		<b>52,319</b>	(14,880)
Minority interests		<b>5,457</b>	4,422
		<b>57,776</b>	(10,458)
<b>Total comprehensive income attributable to:</b>			
Shareholders of the Company		<b>61,473</b>	23,420
Minority interests		<b>5,457</b>	4,422
		<b>66,930</b>	27,842
<b>Earnings/(loss) per share</b>			
Basic and diluted	11	<b>3.35 cents</b>	(0.95) cents

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

		HK\$'000	HK\$'000
Dividends	12	<b>31,219</b>	-

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## Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2010

	(Unaudited)									
	Attributable to shareholders								Minority interests HK\$'000	Total equity HK\$'000
	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			
<b>Balance at 1 January 2010</b>	197,066	865,672	109,332	10,709	(27,336)	935,929	2,091,372	21,037		
<b>Total comprehensive income for the period</b>	-	-	(3,784)	11,004	1,934	52,319	61,473	5,457	66,930	
<b>Balance at 30 June 2010</b>	197,066	865,672	105,548	21,713	(25,402)	988,248	2,152,845	26,494	2,179,339	
Balance at 1 January 2009	197,066	865,672	37,301	10,709	(29,487)	828,997	1,910,258	20,114	1,930,372	
Transaction with shareholders:										
Dividends (note 12)	-	-	-	-	-	(31,219)	(31,219)	-	(31,219)	
Total comprehensive income for the period	-	-	36,410	-	1,890	(14,880)	23,420	4,422	27,842	
Balance at 30 June 2009	197,066	865,672	73,711	10,709	(27,597)	782,898	1,902,459	24,536	1,926,995	

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

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## Condensed Consolidated Statement of Cash Flows

	(Unaudited)	
	For the six months ended 30 June	
	2010	2009
	HK\$'000	HK\$'000
Cash flows from operating activities		
Cash generated from operations	<b>102,182</b>	55,807
Hong Kong profits tax paid	<b>(1,182)</b>	(42,577)
Overseas tax paid	-	(132)
Net cash generated from operating activities	<b>101,000</b>	13,098
Net cash used in investing activities	<b>(4,562)</b>	(36,937)
Cash flows from financing activities		
Dividend paid	-	(31,219)
Net cash used in financing activities	-	(31,219)
Net increase/(decrease) in cash and cash equivalents	<b>96,438</b>	(55,058)
Cash and cash equivalents at 1 January	<b>254,112</b>	272,015
Cash and cash equivalents at 30 June	<b>350,550</b>	216,957
Analysis of cash and cash equivalents:		
Cash and bank balances	<b>350,550</b>	216,957

The notes on pages 5 to 11 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”) 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 information should be read in conjunction with the annual financial statements for the year ended 31 December 2009, 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 these interim financial information are consistent with those used in the annual financial statements for the year ended 31 December 2009.

HKICPA has issued Improvements to HKFRSs 2009 in May 2009, which include amendments to the following standards that are relevant to the Group and effective for financial year 2010:

HKAS 17 (amendment): Leases

HKAS 17 (amendment), ‘Leases’, deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Prior to the amendment, land interest which title is not expected to pass to the Group by the end of the lease term was classified as operating lease under “Lease premium for land”, and amortised over the lease term.

HKAS 17 (amendment) has been applied retrospectively for annual periods beginning 1 January 2010 in accordance with the effective date and transitional provisions of the amendment. The Group has reassessed the classification of unexpired leasehold land as at 1 January 2010 on the basis of information existing at the inception of those leases, and recognised the leasehold land in Hong Kong as finance lease retrospectively. As a result of the reassessment, the Group has reclassified the leasehold land from operating lease to finance lease. Accordingly, the Group has reclassified these interests from “Lease premium for land” amortised over the lease term to “Property, plant and equipment” depreciated over the lease term. This amendment had no impact on the Group’s retained earnings and current period’s profit.

HKFRS 8: Operating segments

HKFRS 8 (amendment), ‘Operating segments’, includes minor textual amendment to the standard, and amendment to the basis of conclusion, to clarify that an entity is required to disclose a measure of segment assets only if that measure is regularly reported to the chief operating decision-maker. As a result of the amendment, segment asset is no longer disclosed in the notes. This amendment had no impact on the Group’s profit or loss.

### 2. Revenue and segment information

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

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## 2. Revenue and segment information (continued)

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. 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 except that interest in the profit or loss of associates is accounted for on the basis of dividend received or receivable in segment profit or loss while such interest is accounted for under the equity method in the Group's consolidated financial statements.

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 2010 and 2009 were HK\$411,698,000 and HK\$336,529,000 respectively.

The segment information for the six months ended 30 June 2010 and 2009 is as follows:

### (a) Reportable segment profit or loss

	(Unaudited)				
	Newspaper HK\$'000	Magazine HK\$'000	Property HK\$'000	All other HK\$'000	Total HK\$'000
<b>For the six months ended</b>					
<b>30 June 2010</b>					
<b>Total segment revenue</b>	<b>340,038</b>	<b>62,281</b>	<b>13,949</b>	-	<b>416,268</b>
<b>Inter-segment revenue</b>	<b>(220)</b>	<b>(3,579)</b>	<b>(771)</b>	-	<b>(4,570)</b>
<b>Revenue from external customers</b>	<b>339,818</b>	<b>58,702</b>	<b>13,178</b>	-	<b>411,698</b>
<b>Reportable segment profit</b>	<b>41,007</b>	<b>7,148</b>	<b>7,171</b>	<b>1,745</b>	<b>57,071</b>
<b>For the six months ended</b>					
<b>30 June 2009</b>					
Total segment revenue	264,233	63,466	11,621	120	339,440
Inter-segment revenue	(35)	(2,876)	-	-	(2,911)
Revenue from external customers	264,198	60,590	11,621	120	336,529
Reportable segment profit/(loss)	(17,734)	533	7,632	1,348	(8,221)

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## 2. Revenue and segment information (continued)

### (b) Reconciliation of reportable segment profit or loss

	(Unaudited)	
	For the six months ended 30 June 2010 HK\$'000	2009 HK\$'000
Profit/(loss) for reportable segments	55,326	(9,569)
Profit for all other segments	1,745	1,348
	<b>57,071</b>	(8,221)
Reconciling items:		
Share of profits/(losses) of associates under equity method of accounting	705	(836)
Dividend received from associates	-	(1,401)
	<b>705</b>	(2,237)
Profit/(loss) for the period	<b>57,776</b>	(10,458)

## 3. Property, plant and equipment

	Group			
	(Unaudited)			
	Leasehold properties HK\$'000	Other fixed assets HK\$'000	Assets in progress HK\$'000	Total HK\$'000
At 1 January 2010, as previously reported	219,242	275,143	1,276	495,661
Adjustment for the adoption of amendment to HKAS 17	113,121	-	-	113,121
At 1 January 2010, as restated	332,363	275,143	1,276	608,782
Additions	191	3,184	2,543	5,918
Depreciation	(5,176)	(19,585)	-	(24,761)
Translation differences	-	10	-	10
Disposals	-	(60)	-	(60)
Revaluation	13,178	-	-	13,178
Transfer	-	2,830	(2,830)	-
Reclassification to investment properties	(18,000)	-	-	(18,000)
<b>Net book value at 30 June 2010</b>	<b>322,556</b>	<b>261,522</b>	<b>989</b>	<b>585,067</b>
At 30 June 2010				
Cost	420,375	884,769	989	1,306,133
Accumulated depreciation	(97,819)	(623,247)	-	(721,066)
<b>Net book value at 30 June 2010</b>	<b>322,556</b>	<b>261,522</b>	<b>989</b>	<b>585,067</b>

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## 4. Investment properties

	Group	
	(Unaudited)	(Audited)
	2010	2009
	HK\$'000	HK\$'000
At 1 January	1,008,100	986,100
Additions	-	81
Reclassification from/(to) leasehold properties	18,000	(113,000)
Fair value gain	-	134,919
At 30 June/31 December	1,026,100	1,008,100

## 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:

	Group			
	(Unaudited)		(Audited)	
	30 June 2010		31 December 2009	
	Balance	Percentage	Balance	Percentage
	HK\$'000	%	HK\$'000	%
Current	95,436	60.7	89,280	55.7
Less than 30 days past due	38,705	24.6	19,557	12.2
31 to 60 days past due	4,518	2.9	34,209	21.4
61 to 90 days past due	10,649	6.8	11,769	7.3
Over 90 days past due	7,789	5.0	5,375	3.4
Total	157,097	100.0	160,190	100.0
Less: Allowance for impairment	(3,402)		(3,471)	
	153,695		156,719	

## 6. Share capital

	Company and Group	
	(Unaudited)	(Audited)
	30 June 2010	31 December 2009
	HK\$'000	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 (2009: 1,560,945,596) shares of HK\$0.10 each	156,095	156,095

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## 7. Accounts payable and accrued liabilities

An ageing analysis of the accounts payable is as follows:

	Group			
	(Unaudited)		(Audited)	
	30 June 2010		31 December 2009	
	Balance HK\$'000	Percentage %	Balance HK\$'000	Percentage %
0 to 30 days	13,794	91.7	16,583	57.7
31 to 60 days	315	2.1	6,428	22.4
61 to 90 days	159	1.0	2,714	9.4
Over 90 days	777	5.2	3,026	10.5
Total accounts payable	15,045	100.0	28,751	100.0
Accrued liabilities	92,504		70,699	
Total accounts payable and accrued liabilities	107,549		99,450	

## 8. Capital commitments

	Group	
	(Unaudited)	(Audited)
	30 June 2010 HK\$'000	31 December 2009 HK\$'000
Capital commitments for property, plant and equipment		
Contracted, but not provided for	3,883	5,997
Authorised, but not contracted for	21,658	24,821
	25,541	30,818

## 9. Finance income

	Group	
	(Unaudited)	
	For the six months ended 30 June 2010 HK\$'000	2009 HK\$'000
Interest income on bank deposits	168	281
Interest income on available-for-sales financial assets	741	-
	909	281

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## 10. Income tax expense

	Group	
	(Unaudited)	
	For the six months ended 30 June	
	2010	2009
	HK\$'000	HK\$'000
Current income tax		
Hong Kong profits tax	15,549	4,286
Overseas taxation	-	132
Deferred income tax		
Relating to the origination and reversal of temporary differences	(2,118)	(2,996)
	<b>13,431</b>	<b>1,422</b>

Hong Kong profits tax has been provided for at a rate of 16.5% (2009: 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.

## 11. Earnings/(loss) per share

The calculation of basic and diluted earnings/(loss) per share is based on the profit for the period attributable to shareholders of HK\$52,319,000 (2009: Loss of HK\$14,880,000) and 1,560,945,596 (2009: 1,560,945,596) shares in issue during the period.

As at 30 June 2010 and 2009, there were no share options outstanding that enable holders to subscribe for shares in the Company.

## 12. Dividend

No final dividend was declared in respect of financial year 2009. A 2008 final dividend of HK2 cents per share, totaling HK\$31,219,000 was paid in May 2009.

The Directors have declared an interim dividend of HK2 cents per share for the period, totaling HK\$31,219,000 (2009: nil).

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## 13. 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") since its becoming the Group's holding company are as follows:

	<b>Group</b>	
	<b>(Unaudited)</b>	
	<b>For the six months ended 30 June</b>	
	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
Rendering of services		
- Advertising revenue	<b>2,439</b>	421
- Magazine production service fee	<b>640</b>	640
	<b>3,079</b>	1,061

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

	<b>Group</b>	
	<b>(Unaudited)</b>	(Audited)
	<b>30 June 2010</b>	31 December 2009
	<b>HK\$'000</b>	HK\$'000
Receivables arising from advertising services	<b>755</b>	430
Receivables arising from magazine production services	<b>640</b>	636
	<b>1,395</b>	1,066

### (c) Key management personnel compensation

	<b>Group</b>	
	<b>(Unaudited)</b>	
	<b>For the six months ended 30 June</b>	
	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
Salaries and other short-term employee benefits	<b>11,066</b>	7,103
Post-employment benefits	<b>164</b>	188
	<b>11,230</b>	7,291

## 14. Approval of the interim financial information

These interim financial information were approved by the Board of Directors on 26 August 2010.



羅兵咸永道會計師事務所

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## **REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF SCMP GROUP LIMITED**

(incorporated in Bermuda with limited liability)

### **Introduction**

We have reviewed the interim financial information set out on pages 1 to 11, which comprises the condensed consolidated balance sheet of SCMP Group Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2010 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, 26 August 2010

# 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 2010 and 2009 were as follows:

	For the six months ended 30 June		
<i>(HK\$ millions, except per share amounts)</i>	2010	2009	% Change
<b>Revenue</b>	<b>411.7</b>	336.5	22
Staff costs	<b>(182.1)</b>	(160.1)	14
Production costs	<b>(54.5)</b>	(68.8)	(21)
Rental and utilities	<b>(9.7)</b>	(21.3)	(54)
Advertising and promotions	<b>(12.3)</b>	(14.4)	(15)
Other operating expenses	<b>(57.7)</b>	(55.2)	5
Operating costs before depreciation and amortisation	<b>(316.3)</b>	(319.8)	(1)
Depreciation and amortisation	<b>(28.9)</b>	(27.3)	6
<b>Operating profit/(loss) from principal activities</b>	<b>66.5</b>	(10.6)	*
Other income	<b>3.1</b>	2.1	48
<b>Operating profit/(loss)</b>	<b>69.6</b>	(8.5)	*
Net interest income	<b>0.9</b>	0.2	*
Share of profits/(losses) of associates	<b>0.7</b>	(0.8)	*
Taxation	<b>(13.4)</b>	(1.4)	*
<b>Profit/(loss) for the period</b>	<b>57.8</b>	(10.5)	*
Minority interests	<b>(5.5)</b>	(4.4)	25
<b>Profit/(loss) attributable to shareholders</b>	<b>52.3</b>	(14.9)	*
<b>Earnings/(loss) per share (HK cents)</b>	<b>3.4</b>	(1.0)	*

\* Represents an increase in excess of 100%

The operating results of the Group for the first half of 2010 improved significantly as a result of strengthened revenue to cost management practices and a healthier economy compared with the same period in 2009 when the global economic crisis adversely affected the economy of Hong Kong and the businesses of the Group.

Revenue rose 22%, or \$75.2 million, to \$411.7 million. Revenues from newspaper advertising and recruitment services improved significantly upon the recovery of the local economy. Despite the rise in direct selling expenses to support the revenue growth, operating costs before depreciation and amortisation for the period reduced 1% to \$316.3 million under various cost control measures. Operating profit went up to \$69.6 million from a loss of \$8.5 million last year. Net profit for the period was \$52.3 million, compared with a loss of \$14.9 million in the same period last year.

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## Revenue

The consolidated revenue for the six months ended 30 June 2010 and 2009 by business segment and for the Group were as follows:

<i>(HK\$ millions)</i>	<b>2010</b>	2009	% Change
Newspaper publishing	<b>339.8</b>	264.2	29
Magazine publishing	<b>58.7</b>	60.6	(3)
Property	<b>13.2</b>	11.6	14
Book publishing and others	-	0.1	(100)
Total revenue	<b>411.7</b>	336.5	22

## Operating Costs and Expenses

Operating costs and expenses for the six months ended 30 June 2010 and 2009 were as follows:

<i>(HK\$ millions)</i>	<b>2010</b>	2009	% Change
Staff costs	<b>182.1</b>	160.1	14
Production costs	<b>54.5</b>	68.8	(21)
Rental and utilities	<b>9.7</b>	21.3	(54)
Advertising and promotions	<b>12.3</b>	14.4	(15)
Other operating expenses	<b>57.7</b>	55.2	5
Depreciation and amortisation	<b>28.9</b>	27.3	6
Total operating costs and expenses	<b>345.2</b>	347.1	(1)

Staff costs increased 14% or \$22.0 million mainly due to provision for staff bonus in the period. There was no bonus provision in 2009 when our business was adversely impacted by the financial tsunami. Production costs decreased 21% or \$14.3 million resulting from the significant drop in the newsprint cost. Average cost of 45gsm newsprint in the first half of 2010 was US\$521 per metric ton, down from US\$823 in the same period last year. Newsprint price was on an increasing trend since the third quarter of 2009 with the latest purchase price at US\$619 per metric ton. Rental and utilities decreased 54% or \$11.6 million as the lease of the Somerset office expired and our town office has been relocated to the Group's owned property on Leighton Road.

## EBITDA and Operating profit

Earnings before interest, tax, depreciation and amortisation (EBITDA) and operating profit for the six months ended 30 June 2010 and 2009 by business segment and for the Group were as follows:

<i>(HK\$ millions)</i>	Contribution to EBITDA			Contribution to operating profit		
	<b>2010</b>	2009	% Change	<b>2010</b>	2009	% Change
Newspaper publishing	<b>72.5</b>	4.0	*	<b>48.9</b>	(20.5)	*
Magazine publishing	<b>12.0</b>	3.9	*	<b>11.5</b>	3.3	*
Property	<b>10.9</b>	8.8	24	<b>8.2</b>	8.8	(7)
Book publishing and others	-	-	-	<b>1.0</b>	(0.1)	*
Total	<b>95.4</b>	16.7	*	<b>69.6</b>	(8.5)	*

\* Represents an increase in excess of 100%

# SCMP Group Limited

## Financial Review by Business

### Newspaper Publishing

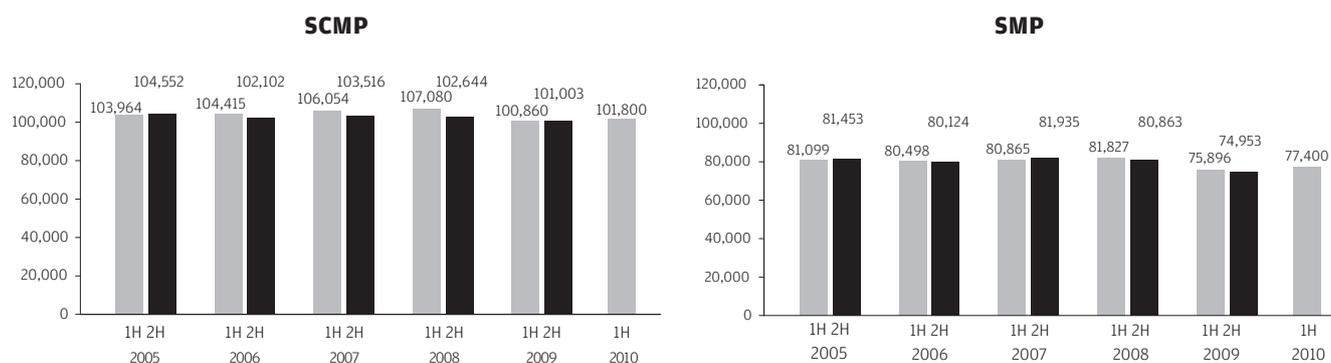
For the six months ended 30 June			
(HK\$ millions)	2010	2009	% Change
Revenue	<b>339.8</b>	264.2	29
EBITDA	<b>72.5</b>	4.0	*
Operating profit/(loss)	<b>48.9</b>	(20.5)	*
Net profit/(loss) attributable to shareholders	<b>41.0</b>	(17.7)	*
EBITDA margin	<b>21%</b>	2%	
Operating margin	<b>14%</b>	n/a	

\* Represents an increase in excess of 100%

Operating profit for the first half of 2010 was \$48.9 million, as compared to a loss of \$20.5 million in the same period last year. Revenues rose 29% or \$75.6 million to \$339.8 million, mainly driven by increase in display advertising and recruitment ad volume. Operating expenses increased 3% or \$7.1 million, mainly due to increase in staff cost after provision for staff bonus, partly offset by lower newsprint cost and rental and utilities expenses.

Revenue from advertising and marketing services increased 32%. The increase was mainly driven by higher volume of display ad in our paper, followed by revenues from notices advertising and customised publishing. IPO activities were very active in the first half of the year. 37 IPOs was captured by SCMP out of the total of 38 in the market, as compared to only 10 IPOs captured out of a total of 14 in the same period last year. Recruitment revenues increased 56%, driven mainly by increase in volume of both *Classified Post* and *Jiu Jik*.

Unaudited first half circulation of *South China Morning Post* and *Sunday Morning Post* are 101,800 and 77,400 respectively, increased by 1% and 2% respectively as compared with same period last year.



Audited except 1H 2010

# SCMP Group Limited

## Magazine Publishing

(HK\$ millions)	For the six months ended 30 June		
	2010	2009	% Change
Revenue	<b>58.7</b>	60.6	(3)
EBITDA	<b>12.0</b>	3.9	*
Operating profit	<b>11.5</b>	3.3	*
Net profit/(loss) attributable to shareholders	<b>2.5</b>	(3.9)	*

\* Represents an increase in excess of 100%

Magazine division recorded an operating profit of \$11.5 million in the first half of 2010. Advertising revenue rose across all women's titles in Hong Kong and reduced loss from PRC titles after the cessation of publication of *Maxim* contributed the significant improvement in operating profit.

## Property

(HK\$ millions)	For the six months ended 30 June		
	2010	2009	% Change
Revenue	<b>13.2</b>	11.6	14
EBITDA	<b>10.9</b>	8.8	24
Operating profit	<b>8.2</b>	8.8	(7)
Net profit attributable to shareholders	<b>6.4</b>	7.6	(16)

Rental revenue increased 14% to \$13.2 million in the first half of 2010 mainly due to higher rental from Seaview property and the advertising boards. Operating profit dropped 7% resulting from the inclusion of depreciation charge of Yue King office after the property has been converted for own use.

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 which is supplemented from time to time by banking facilities. The Group's financial position as at 30 June 2010 and 31 December 2009 were as follows:

(HK\$ millions)	30 June 2010	31 December 2009	% Change
Cash and cash equivalents	<b>350.6</b>	254.1	38
Shareholders' funds	<b>2,152.8</b>	2,091.4	3
Ratios:			
Gearing	-	-	
Current ratio	<b>3.9</b>	3.5	

# SCMP Group Limited

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

The Group had no gearing as at 30 June 2010. The ratio of current assets to current liabilities was 3.9 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 was the major source of the Group's cash flow from operating activities. Net cash generated from operating activities for the period was \$101.0 million, a significant increase from \$13.1 million for the same period last year. The higher cash inflow was contributed mainly by increase in advertising income.

## Investment Activities

Net cash outflow from investing activities for the period was \$4.6 million compared with \$36.9 million for 2009. The higher cash outflow in 2009 was mainly due to investment in corporate bonds and spending on the office relocation. The cash outflow for the current period was mainly for IT related capital expenditure.

## Financing Activities

No dividend was paid in the six months ended 30 June 2010. Net cash used in financing activities in 2009 represents the final dividend payment in respect of financial year 2008.

## OUTLOOK

In the first half of 2010, revenue has begun to recover across the major aspects of the Group's business. Although the advertising market has not yet fully returned to pre-2009 levels, we are seeing solid, improving trends in display, recruitment and magazine sectors. The Group is also actively building new revenue streams through innovation such as offering a broader array of marketing services to our clients.

The Group is aggressively developing new consumer products with revenue driving potential such as the launch of the *South China Morning Post's* iPad App. Efficiency programs remain in place to ensure that the Group is focused on to drive our operational requirements without expending resources unnecessarily. The Group continues to operate from a strong cash position.

## STAFF

The Company's remuneration policy is established to attract, motivate and retain high performing individuals. A comprehensive review of the fringe benefits including medical, dental and annual leave entitlement is concluded. Salaries of employees are maintained at competitive levels. As at 30 June 2010, the Group had 822 employees compared with 807 as at 31 December 2009.

# SCMP Group Limited

## INTERIM DIVIDEND

The Directors have declared an interim dividend of HK2 cents per share, amounting to HK\$31,219,000 (2009: Nil), payable to shareholders whose names appear on the Register of Members of the Company on Wednesday, 22 September 2010 and payable on Tuesday, 28 September 2010.

## BOOK CLOSURE

The Register of Members of the Company will be closed from Monday, 20 September 2010 to Wednesday, 22 September 2010, 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 Friday, 17 September 2010 so as to qualify for the interim dividend.

## DIRECTORS

The Directors of the Company during the six months ended 30 June 2010 and up to the date of this report were:

### *Non-executive Directors*

Dr. David J. Pang (*Chairman*)

Mr. Roberto V. Ongpin (*Deputy Chairman*)

Tan Sri Dr. Khoo Kay Peng

Mr. Kuok Khoon Ean

### *Independent Non-executive Directors*

The Hon. Ronald J. Arculli

Dr. Fred Hu Zu Liu (appointed with effect from 23 March 2010)

Dr. The Hon. Sir David Li Kwok Po

Mr. Wong Kai Man

### *Executive Director*

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

## Board of Directors

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

#### *Chairman*

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

# SCMP Group Limited

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

*Deputy Chairman*

Mr. Ongpin was appointed as the Deputy Chairman of the Company in October 1993. He is a Non-executive Director of Shangri-La Asia Limited, listed on The Stock Exchange of Hong Kong Limited. He is also the Chairman of PhilWeb Corporation, ISM Communications Corporation, Alphaland Corporation and Atok-Big Wedge Co., Inc. and Director of San Miguel Corporation, Petron Corporation and Araneta Properties, Inc., all of which are listed companies on the Philippine Stock Exchange, Inc. He is also a Director of Forum Energy PLC, a listed company on the London Stock Exchange. In addition, he is also Chairman of the following companies: Acentic GmbH, Eastern Telecommunications Philippines, Inc. (ETPI) and Developing Countries Investment Corp. He retired as Director of Philex Mining Corporation in December 2009, which is listed on the Philippine Stock Exchange, Inc. 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 June 2008. Prior to 1979, Mr. Ongpin was the Chairman and Managing Partner of the SGV Group, the largest accounting and consulting firm in Asia. He was the Minister of Trade and Industry of the Republic of the Philippines from 1979 to 1986. He has an MBA from Harvard University and is a Certified Public Accountant (Philippines).

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

*GBM, CVO, GBS, OBE, JP*

Mr. Arculli is the Independent Non-executive Chairman of Hong Kong Exchanges and Clearing Limited (listed in Hong Kong). He was the Chairman of The Hong Kong Jockey Club from 2002 to August 2006. Mr. Arculli is a practising solicitor and was an elected member of the Legislative Council until the end of the legislative session at the end of June 2000. He had served on the Legislative Council and the Provisional Legislative Council since 1988, representing the Real Estate and Construction functional constituency since 1991. Mr. Arculli has served, and continues to serve, on numerous Government committees and advisory bodies, including West Kowloon Cultural District Authority and the Honours Committee of the HKSAR Government. He is currently a Member of the Executive Council of Hong Kong. Mr. Arculli is an independent non-executive director of Hang Lung Properties Limited and a non-executive director of HKR International Limited, Hongkong Electric Holdings Limited, Hutchison Harbour Ring Limited, Sino Hotels (Holdings) Limited, Sino Land Company Limited and Tsim Sha Tsui Properties Limited (all listed in Hong Kong). He was an independent non-executive director of Shanghai Century Acquisition Corporation (listed on the American Stock Exchange) from October 2005 to May 2008.

## **Dr. Fred Hu Zu Liu**

Dr. Hu was formerly Chairman of Greater China at Goldman Sachs. Before joining Goldman Sachs in 1997, Dr. Hu was a staff member at the International Monetary Fund (IMF) in Washington D.C., where he was engaged in macroeconomic research and policy consultations for a number of member country governments including China. Dr. Hu has advised the Chinese government on financial reform, pension reform and macroeconomic policies, and has worked closely with China's leading companies including Bank of China, Bank of Communications, China Development Bank, ICBC, Ping An and ZTE on business strategy, capital raising and cross-border merger and acquisitions. At Goldman Sachs he has led several of the world's largest and most significant transactions, and has been instrumental in building the firm's franchise in the region. Dr. Hu is a member of the Advisory Committee for the Hong Kong Securities and Futures Commission and is also a member of the Asia Pacific Council of the Nature Conservancy. He also sits on the advisory board for China Huarong Asset Management Company, Shanghai Pudong Development Bank and the Harvard China Fund. Dr. Hu has served since 1996 as co-director and professor at the National Center for Economic Research (NCER) at Tsinghua University, where he teaches a graduate course in international finance and macroeconomics. He is a member of the Strategic Development Committee chaired by the Chief Executive of Hong Kong Special Administrative Region. Dr. Hu has published widely on economics and financial markets. He is a member of the editorial board for several academic journals, including the *International Economic Review*, and is a columnist for *Caijing*, China's leading financial and business magazine. Dr. Hu earned an MS in Engineering Science from Tsinghua University and an MA and PhD in Economics from Harvard University.

# SCMP Group Limited

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

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

## **Ms. Kuok Hui Kwong**

*Managing Director and Chief Executive Officer*

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

## **Mr. Kuok Khoon Ean**

Mr. Kuok was appointed Chairman of the Company in January 1998 and became an Executive Director in January 2000 and assumed the role of Executive Chairman in August 2000 until his re-designation as Non-executive Director in January 2009. He is a director of Kerry Group Limited, the ultimate holding company of the Company, and Kerry Holdings Limited, a substantial shareholder of the Company. Mr. Kuok is Chairman 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). He is a graduate in Economics from Nottingham University, UK. Mr. Kuok is the brother of Ms. Kuok Hui Kwong, the Managing Director and Chief Executive Officer of the Company.

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

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

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

# SCMP Group Limited

## **Mr. Wong Kai Man**

*BBS, JP*

Mr. Wong is an accountant with 32 years of audit, initial public offer and computer audit experience. He was a member of the Growth Enterprise Market Listing Committee of The Stock Exchange of Hong Kong Limited from 1999 to 2003. He retired as an audit partner from PricewaterhouseCoopers, Hong Kong on 30 June 2005 and is currently the director of two charity foundations: Victor and William Fung Foundation Ltd. and Li & Fung (1906) Foundation Limited, and an Honorary Associate Professor of the School of Business of the University of Hong Kong. He is currently an independent non-executive director of China Construction Bank Corporation (listed in Hong Kong and Shanghai), Shangri-La Asia Limited (listed in Hong Kong and Singapore) and SUNeVision Holdings Ltd. (listed in Hong Kong). 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**

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

*Managing Director and Chief Executive Officer*

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

### **Mr. Eric Levin**

*Chief Financial Officer*

Mr. Levin was appointed as Chief Financial Officer in September 2009, responsible for the corporate financials, information technology, corporate administration and content resources. Prior to this appointment Mr. Levin was the CEO and founder of City On Demand, and CFO of Home Box Office in U.S.A. He is a director of The Post Publishing Public Company Limited (listed in Thailand). Mr. Levin received his Bachelor of Science degree in Electrical Engineering from the University of Pennsylvania, and attended the Booth School of Business in Chicago for his Master of Business Administration degree in Finance and Economics.

### **Mr. Reginald Chua**

*Editor-in-Chief*

Mr. Chua joined the SCMP Group in July 2009, responsible for the editorial direction and newsroom operations as Editor-in-Chief. He graduated with a Master Degree in Journalism from Columbia University and a Bachelor Degree in Mathematics from the University of Chicago. Previously Mr. Chua worked for *The Wall Street Journal* for 16 years, in Manila, Hanoi, Hong Kong and later in the New York office. During the tenure as Editor of the Journal's Asian edition, the publication won numerous editorial awards. Mr. Chua also covered the Philippines for Singapore's *Straits Times*, worked at Reuters in Singapore and was a television and radio journalist at the then-Singapore Broadcasting Corp.

# SCMP Group Limited

## DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2010, 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 <sup>1</sup>	0.02% <sup>5</sup>
Dr. The Hon. Sir David Li Kwok Po	Personal	4,778,000	0.31% <sup>5</sup>

### (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	Ms. Kuok Hui Kwong	-	-	25,899,988 <sup>2</sup>	-	25,899,988	1.70% <sup>6</sup>
	Mr. Kuok Khoon Ean	-	51,973,807 <sup>1</sup>	-	-	51,973,807	3.40% <sup>6</sup>
Kerry Properties Limited	Ms. Kuok Hui Kwong	50,000	-	1,252,048 <sup>3</sup>	400,000 <sup>4</sup>	1,702,048	0.12% <sup>7</sup>
	Mr. Kuok Khoon Ean	-	1,283,082 <sup>1</sup>	-	-	1,283,082	0.09% <sup>7</sup>

#### Notes:

- This represents deemed corporate interests held by Mr. Kuok Khoon Ean through Allerlon Limited, which is wholly owned by Mr. Kuok and his spouse.
- This includes 1,000,000 shares held by the spouse of Ms. Kuok Hui Kwong and 24,899,988 shares held by Ms. Kuok through a discretionary trust of which she is a contingent beneficiary.
- This represents interests held by Ms. Kuok Hui Kwong through a discretionary trust of which she is a contingent beneficiary.
- 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.
- Approximate percentage calculated based on the 1,560,945,596 ordinary shares of the Company in issue as at 30 June 2010.
- Approximate percentage calculated based on the 1,527,684,428 ordinary shares of Kerry Group Limited in issue as at 30 June 2010.
- Approximate percentage calculated based on the 1,434,570,658 ordinary shares of Kerry Properties Limited in issue as at 30 June 2010.

# SCMP Group Limited

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 2010, 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 2010.

### (ii) Associated Corporations

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 2010. Details are set out as follows:

Date of grant	Number of KPL Options held as at 01/01/2010	Number of KPL Options exercised during the period	Number of KPL Options held as at 30/06/2010	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
	400,000	-	400,000		

Save as stated above, none of the Directors (including their spouses and children under 18 years of age) had been granted any rights to subscribe for shares or debentures of any of the associated corporations of the Company (within the meaning of the SFO) and had not exercised any such rights during the six months ended 30 June 2010.

# SCMP Group Limited

## SUBSTANTIAL INTERESTS IN SHARE CAPITAL

As at 30 June 2010, the following persons (other than the Directors of the Company) had interests or short positions in the shares and underlying shares of the Company representing 5% or more of the voting power at any general meeting of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Name	Capacity/Nature of interests	Number of ordinary shares held	Long position/Short position	Approximate % of issued share capital <sup>10</sup>
Kerry Group Limited	Interest of controlled corporations	1,155,061,308 <sup>1</sup>	Long position	74.00%
Kerry Holdings Limited	Interest of controlled corporations	1,155,061,308 <sup>2</sup>	Long position	74.00%
Kerry 1989 (C.I.) Limited	Interest of controlled corporations	1,078,717,308 <sup>3</sup>	Long position	69.11%
Kerry Media Limited	Beneficial owner	1,078,717,308 <sup>4</sup>	Long position	69.11%
Silchester International Investors Limited <sup>5</sup>	Investment manager	219,485,000 <sup>6</sup>	Long position	14.06%
Silchester International Investors International Value Equity Trust	Beneficial owner	109,447,634 <sup>7,8</sup>	Long position	7.01%
The Bank of East Asia, Limited	Beneficial owner	77,194,595 <sup>9</sup>	Long position	4.95%
	Investment manager	1,341,710	Long position	0.09%
	Beneficial owner	75,000,000	Short position	4.80%
JPMorgan Chase & Co.	Beneficial owner	75,000,000	Long position	4.80%
	Investment manager	3,048,000	Long position	0.20%
	Beneficial owner	75,000,000	Short position	4.80%

### Notes:

- The interests in the 1,155,061,308 shares held by Kerry Group Limited comprise both the interests in 930,061,308 shares and the interests in 225,000,000 shares from equity derivatives.
- The interests in the 1,155,061,308 shares held by Kerry Holdings Limited are duplicated in the interests reported above for Kerry Group Limited.
- The interests in the 1,078,717,308 shares held by Kerry 1989 (C.I.) Limited are duplicated in the respective interests reported above for Kerry Group Limited and Kerry Holdings Limited.
- The interests in the 1,078,717,308 shares held by Kerry Media Limited are duplicated in the respective interests reported above for Kerry Group Limited, Kerry Holdings Limited and Kerry 1989 (C.I.) Limited.
- Investment manager acting on behalf of clients and not connected with the Company.
- The Company has been notified informally that as at 30 June 2010, Silchester International Investors Limited was interested in 221,365,000 shares (representing approximately 14.18% of the Company's issued share capital) and this increase in shareholding was not required to be disclosed under Part XV of the SFO.
- The Company has been notified informally that as at 30 June 2010, Silchester International Investors International Value Equity Trust was interested in 109,307,634 shares (representing approximately 7.00% of the Company's issued share capital) and this decrease in shareholding was not required to be disclosed under Part XV of the SFO.
- The interests held by Silchester International Investors International Value Equity Trust are duplicated in the interests reported above for Silchester International Investors Limited.
- The Company has been notified informally that as at 30 June 2010, 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 2010.

Save as stated above, as at 30 June 2010, 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

On 24 May 2010, the shareholders of the Company approved the termination (to the effect that no further options shall be offered) of the existing share option scheme adopted by the Company on 25 May 2006 (the “Terminated Share Option Scheme”) and the adoption of a new share option scheme (the “2010 Share Option Scheme”). The 2010 Share Option 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 optimize 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.

During the six months ended 30 June 2010, no share option was granted, exercised, cancelled or lapsed under the Terminated Share Option Scheme. No share options were outstanding under the Terminated Share Option Scheme as at 30 June 2010.

No share options have been granted, exercised, cancelled or lapsed under the 2010 Share Option Scheme since its adoption on 24 May 2010. No share options were outstanding under the 2010 Share Option Scheme as at 30 June 2010.

## 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 2010.

## 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 2010 are in line with the corporate governance statement as set out in the Company’s 2009 Annual Report. During the period, the Group’s corporate governance practices have complied with all the code provisions of the Code on Corporate Governance Practices (“Stock Exchange Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”). The Group also adheres to the recommended best practices of the Stock Exchange Code insofar as they are relevant and practicable.

## CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Board of Directors of the Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules as the code for securities transactions by Directors of the Company. All Directors of the Company have confirmed their compliance with the required standard set out in the Model Code during the period from 1 January 2010 to 30 June 2010.

## 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, The Hon. Ronald J. Arculli and Mr. Wong Kai Man. The Audit Committee met once in the first six months of 2010. The Audit Committee has reviewed the Group’s unaudited interim results for the six months ended 30 June 2010.

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

## NOMINATION COMMITTEE

The Company established a Nomination Committee in 2005 with written terms of reference. The Nomination Committee currently comprises two Independent Non-executive Directors, namely The Hon. 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 the Managing Director and Chief Executive Officer, Ms. Kuok Hui Kwong, the Non-executive Chairman, Dr. David J. Pang and an Independent Non-executive Director, Dr. Fred Hu Zu Liu.

On Behalf of the Board

**David J. PANG**

*Chairman*

Hong Kong, 26 August 2010