SCMP Group Limited

南華早報集團有限公司 *

(Incorporated in Bermuda with limited liability) (Stock Code: 583)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2012

INTERIM RESULTS

The Directors of SCMP Group Limited (the "Company") are pleased to announce the unaudited interim results of the Company and its group of companies (the "Group") for the six months ended 30 June 2012. These results have been reviewed by the Company's auditor, PricewaterhouseCoopers, in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" and by the Audit Committee of the Company. The review report of the auditor will be included in the interim report sent to the shareholders of the Company.

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	**(Unaudited) 30 June 2012 *HK$'000***	(Restated) 31 December 2011 *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment	*3*	**524,813**	544,064
Investment properties	*4*	**1,584,650**	1,462,550
Intangible assets		**22,487**	19,589
Deposits paid for property, plant and equipment		**23,626**	-
Interests in associates		**50,694**	53,870
Available-for-sale financial assets		**211,496**	190,252
Defined benefit plan's assets		**62,768**	62,429
Deferred income tax assets		**364**	429
		2,480,898	2,333,183
Current assets			
Inventories		**19,175**	26,408
Accounts receivable	*5*	**184,551**	244,224
Prepayments, deposits and other receivables		**10,529**	11,746
Amount due from an associate		**63**	39
Short-term bank deposits		**75,774**	76,117
Cash and cash equivalents		**422,951**	324,818
		713,043	683,352
Total assets		**3,193,941**	3,016,535

CONDENSED CONSOLIDATED BALANCE SHEET (continued)

	Notes	(Unaudited) 30 June 2012 HK$'000	(Restated) 31 December 2011 HK$'000
EQUITY			
Capital and reserves			
Share capital	6	**156,095**	156,095
Reserves		**2,665,041**	2,500,111
Proposed dividend		**46,828**	62,438
		2,711,869	2,562,549
Shareholders' funds		**2,867,964**	2,718,644
Non-controlling interests		**29,321**	22,785
Total equity		**2,897,285**	2,741,429
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**82,043**	83,001
		82,043	83,001
Current liabilities			
Accounts payable and accrued liabilities	7	**179,441**	158,737
Amounts due to associates		**3,038**	2,864
Subscriptions in advance		**17,386**	24,870
Current income tax liabilities		**14,748**	5,634
		214,613	192,105
Total liabilities		**296,656**	275,106
Total equity and liabilities		**3,193,941**	3,016,535
Net current assets		**498,430**	491,247
Total assets less current liabilities		**2,979,328**	2,824,430

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	(Unaudited) For the six months ended 30 June 2012 HK$'000	2011 HK$'000 (Restated)
Revenue	2	**458,122**	443,494
Other income		**5,400**	4,714
Staff costs		**(182,061)**	(159,277)
Cost of production materials		**(73,823)**	(58,898)
Rental and utilities		**(10,486)**	(9,165)
Depreciation and amortisation		**(26,522)**	(26,181)
Advertising and promotion		**(12,852)**	(13,197)
Other operating expenses		**(77,177)**	(63,961)
Fair value gain on investment properties		**122,100**	153,450
Operating profit		**202,701**	270,979
Share of (losses)/profits of associates		**(178)**	516
Finance income		**2,601**	2,004
Profit before income tax		**205,124**	273,499
Income tax expense	8	**(14,543)**	(19,100)
Profit for the period		**190,581**	254,399
Other comprehensive income/(loss)			
Fair value gain/(loss) on available-for-sale financial assets		**21,243**	(23,575)
Currency translation difference		**5,087**	(1,698)
Other comprehensive income/(loss) for the period, net of tax		**26,330**	(25,273)
Total comprehensive income for the period		**216,911**	229,126

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

		(Unaudited) For the six months ended 30 June	
		2012	2011
	Notes	***HK$'000***	*HK$'000* (Restated)
Profit attributable to:			
Shareholders of the Company		**184,045**	249,036
Non-controlling interests		**6,536**	5,363
		190,581	254,399
Total comprehensive income attributable to:			
Shareholders of the Company		**210,375**	223,763
Non-controlling interests		**6,536**	5,363
		216,911	229,126
Earnings per share			
Basic and diluted	*9*	**11.79 cents**	15.95 cents
Dividends	*10*	**46,828**	62,438

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial information ("interim financial information") for the six months ended 30 June 2012 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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

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

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

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

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

Amendment to HKAS 12 "Income Taxes"

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

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

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

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

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

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

2. REVENUE AND SEGMENT INFORMATION

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

The Group has three reportable segments: newspaper, magazine and property. Newspaper segment is engaged in the publication of *South China Morning Post*, *Sunday Morning Post* and other related print and digital publications. It derives its revenue mainly from advertising and sales of newspapers and contract printing. Magazine segment is engaged in the publication of various magazines in Chinese language and related print and digital publications. Its revenue is derived from advertising and sales of magazines. Property segment holds various commercial and industrial properties in Hong Kong. It also owns advertising billboards for outdoor advertising. It derives revenue through leasing out its properties and billboards.

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

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies in the annual financial statements for the year ended 31 December 2011 and note 1 above, except that interest in the profit or loss of an associate is accounted for on the basis of dividend received or receivable in segment profit or loss while such interest is accounted for under the equity method in the Group's consolidated financial statements.

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

Turnover consists of revenue from all of the Group's reportable segments, which comprise newspaper, magazine, property, as well as other segments whose contributions to the Group's revenue and profit or loss are below the quantitative threshold for separate disclosures. The turnover for the six months ended 30 June 2012 and 2011 were HK$458,122,000 and HK$443,494,000 respectively.

2. REVENUE AND SEGMENT INFORMATION (continued)

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

(a) Reportable segment profit or loss

			(Unaudited)		
For the six months ended 30 June 2012	**Newspaper**	**Magazine**	**Property**	**All other**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Total segment revenue	**370,444**	**74,263**	**17,572**	**-**	**462,279**
Inter-segment revenue	**(376)**	**(2,776)**	**(1,005)**	**-**	**(4,157)**
Revenue from external customers	**370,068**	**71,487**	**16,567**	**-**	**458,122**
Reportable segment profit	**38,341**	**21,517**	**131,344**	**2,190**	**193,392**

For the six months ended 30 June 2011	Newspaper	Magazine	Property	All other	Total
	HK$'000	*HK$'000*	*HK$'000* (Restated)	*HK$'000*	*HK$'000* (Restated)
Total segment revenue	369,614	61,498	15,652	-	446,764
Inter-segment revenue	(15)	(2,484)	(771)	-	(3,270)
Revenue from external customers	369,599	59,014	14,881	-	443,494
Reportable segment profit	73,747	18,321	161,890	2,380	256,338

(b) Reconciliation of reportable segment profit or loss

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

3. PROPERTY, PLANT AND EQUIPMENT

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

4. INVESTMENT PROPERTIES

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

5. ACCOUNTS RECEIVABLE

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

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

6. SHARE CAPITAL

	(Unaudited) 30 June 2012 *HK$'000*	(Audited) 31 December 2011 *HK$'000*
Authorised:		
5,000,000,000 shares of HK$0.10 each	**500,000**	500,000
Issued and fully paid:		
1,560,945,596 (2011: 1,560,945,596) shares of HK$0.10 each	**156,095**	156,095

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

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

8. INCOME TAX EXPENSE

Hong Kong profits tax has been provided for at a rate of 16.5% (2011: 16.5%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

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

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

9. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the profit for the period attributable to shareholders of HK$184,045,000 (2011: HK$249,036,000) and 1,560,945,596 (2011: 1,560,945,596) shares in issue during the period.

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

10. DIVIDEND

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

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

11. EVENT OCCURING AFTER THE BALANCE SHEET DATE

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

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING RESULTS OF THE GROUP

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

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

* *Represents a change in excess of 100%*

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

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

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

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

FINANCIAL REVIEW BY BUSINESS

Newspaper Publishing

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

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

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

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

Magazine Publishing

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

Property

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

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

LIQUIDITY AND CAPITAL RESOURCES

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

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

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

Operating Activities

The newspaper publishing business continued to be the major source of the Group's cash flow from operating activities. Net cash generated from operating activities for the six months ended 30 June 2012 was $187.4 million, compared with $98.1 million for the same period last year. The increase was mainly because of lower staff bonus payment and better working capital management during the period.

Investment Activities

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

Financing Activities

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

OUTLOOK

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

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

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

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

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

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

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

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

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

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

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

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

STAFF

The Company's remuneration policy is established to attract, motivate and retain high performing individuals. Salaries of employees are maintained at competitive levels while discretionary bonuses are granted based on individual and business performance. Other employee benefits include provident fund, medical insurance and share option scheme. As at 30 June 2012, the Group had 863 employees compared with 838 as at 31 December 2011.

INTERIM DIVIDEND

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

BOOK CLOSURE

The Register of Members of the Company will be closed from Tuesday, 18 September 2012 to Friday, 21 September 2012, both days inclusive. All transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrars, Computershare Hong Kong Investor Services Limited of Room no. 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 17 September 2012 so as to qualify for the interim dividend.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the six months ended 30 June 2012.

CORPORATE GOVERNANCE

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

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

The corporate governance principles adopted by the Group during the six months ended 30 June 2012 are in line with the corporate governance statement as set out in the Company's 2011 Annual Report. During the period, the Group's corporate governance practices have complied with all the code provisions of the Corporate Governance Code ("Stock Exchange Code") as set out in Appendix 14 of the Listing Rules. The Group also adheres to the recommended best practices of the Stock Exchange Code insofar as they are relevant and practicable.

AUDIT COMMITTEE

The Company established an Audit Committee in 1998 with written terms of reference. The Audit Committee currently comprises three Independent Non-executive Directors, namely Dr. the Hon. Sir David Li Kwok Po, Mr. Ronald J. Arculli and Mr. Wong Kai Man. The Audit Committee met once in the first six months of 2012. The Audit Committee has reviewed the Group's unaudited interim results for the six months ended 30 June 2012.

REMUNERATION COMMITTEE

The Company established a Remuneration Committee in 2000 with written terms of reference. The Remuneration Committee currently comprises two Independent Non-executive Directors, namely Mr. Wong Kai Man and Mr. Ronald J. Arculli, and a Non-executive Director, Mr. Kuok Khoon Ean.

NOMINATION COMMITTEE

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

STRATEGY COMMITTEE

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

On behalf of the Board
David J. PANG
Chairman

Hong Kong, 22 August 2012

As at the date of this announcement, the Board comprises:

Non-executive Directors
Dr. David J. Pang (Chairman), Mr. Roberto V. Ongpin (Deputy Chairman), Tan Sri Dr. Khoo Kay Peng and Mr. Kuok Khoon Ean

Independent Non-executive Directors
Mr. Ronald J. Arculli, Dr. Fred Hu Zu Liu, Dr. the Hon. Sir David Li Kwok Po and Mr. Wong Kai Man

Executive Director
Ms. Kuok Hui Kwong

* *For identification purpose only*