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SCMP Group Limited

南華早報集團有限公司 *

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

CONTINUING CONNECTED TRANSACTION

SCMPP, a wholly-owned subsidiary of the Company, entered into the Magazine Publication Agreement with SLIHML on 21 March 2013, whereby SCMPP was engaged to publish four issues of magazine for SLIHML.

SLIHML is a wholly-owned subsidiary of SA and SA is an associate (as defined in the Listing Rules) of Kerry Group Limited. As Kerry Group Limited is a connected person (as defined in the Listing Rules) of the Company, the transaction under the Magazine Publication Agreement constitutes a continuing connected transaction for the Company and is subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules, but does not require the approval of the Company's independent shareholders.

MAGAZINE PUBLICATION AGREEMENT

SCMPP, a wholly-owned subsidiary of the Company, entered into the Magazine Publication Agreement with SLIHML on 21 March 2013, whereby SCMPP was engaged to publish four issues of magazine for SLIHML (the "Magazine"). The Magazine Publication Agreement shall commence on 21 March 2013 and expire upon completion of publication of the four issues of the Magazine. Pursuant to the Magazine Publication Agreement, SCMPP shall be entitled to a publication service fee. In addition, the net advertising revenue (after deducting all related expenses) from selling the advertisement space in the four issues of the Magazine will be shared equally between SCMPP and SLIHML.

The publication service fee payable pursuant to the Magazine Publication Agreement is payable by SLIHML to SCMPP in cash or by cheque within 30 days upon completion of printing. Advertising service fee accrued from the four issues of the Magazine will be payable to SCMPP by third party advertising customers in cash or by cheque by the end of the month following the month in which SCMPP issued invoices.

The Company estimates that the maximum amount receivable by SCMPP under the Magazine Publication Agreement shall be HK\$14,200,000 (the “Maximum Amount”) of which HK\$10,650,000 is estimated to be receivable for the financial year ending 31 December 2013 and HK\$3,550,000 is estimated to be receivable for the financial year ending 31 December 2014.

The Maximum Amount comprises of the publication service fee for the four issues of the Magazine and the net advertising revenue accrued from the four issues of the Magazine. The publication service fee was determined based on the editorial and production cost, distribution cost and printing cost involved in providing the publication services under the Magazine Publication Agreement. The net advertising revenue is estimated based on the prevailing commercial rates charged by SCMPP and the market’s view over the performance in economic activity and consumer confidence.

AGGREGATION WITH 2011 AND 2012 AGREEMENTS

The Company announced on 21 June 2011 that SCMPP entered into the 2011 Agreement with SLIHML on 21 June 2011, whereby SCMPP was engaged to publish four issues of magazine for SLIHML. Under the 2011 Agreement, three issues of the magazine were published in 2011 and one issue was published in 2012. The total amount received under the 2011 Agreement for the financial years ended 31 December 2011 and 2012 amounted to HK\$10,818,335 and HK\$3,441,795, respectively.

The Company announced on 8 August 2012 that SCMPP entered into the 2012 Agreement with SLIHML on 8 August 2012, whereby SCMPP was engaged to publish four issues of magazine for SLIHML. Under the 2012 Agreement, three issues of magazine were published in 2012. The total amount received or receivable under the 2012 Agreement for the financial year ended 31 December 2012 amounted to HK\$8,336,238. One issue will be published in 2013 and HK\$3,350,000 is estimated to be receivable for the financial year ending 31 December 2013 under the 2012 Agreement.

Aggregate Consideration

The estimated aggregate consideration under the Magazine Publication Agreement, the 2012 Agreement and for the magazine published in 2012 under the 2011 Agreement is HK\$29,328,033 (the “Aggregate Consideration”) with breakdown details as follows:

	HK\$
Amount received under the 2011 Agreement in 2012	3,441,795
Estimated amount to be received or receivable under the 2012 Agreement	11,686,238
Maximum Amount under the Magazine Publication Agreement	<u>14,200,000</u>
Total	<u><u>29,328,033</u></u>

Annual Caps

The estimated aggregate annual amount receivable under the Magazine Publication Agreement and the 2012 Agreement for the relevant financial years of the Company will not exceed the following amounts:

Financial year ending	Annual Cap
31 December 2013	HK\$14,000,000
31 December 2014	HK\$3,550,000

COMPLIANCE WITH LISTING RULES

Kerry Group Limited is the ultimate holding company of the Company. As at the date of this announcement, Kerry Group Limited (through its subsidiaries and controlled corporations) was interested in 1,155,061,308 Shares, representing approximately 74% of the Company's issued share capital. SLIHML is a wholly-owned subsidiary of SA and SA is an associate (as defined in the Listing Rules) of Kerry Group Limited. Accordingly, Kerry Group Limited, SA and SLIHML are connected persons (as defined in the Listing Rules) of the Company.

As one or more of the relevant percentage ratios as defined under Rule 14.07 of the Listing Rules (other than the profits ratio) in respect of the Aggregate Consideration and/or the Annual Cap(s) are more than 0.1% but less than 5%, the entering into of the Magazine Publication Agreement will constitute a continuing connected transaction for the Company under Rule 14A.34(1) of the Listing Rules and therefore is subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules.

In accordance with Rule 14A.36 of the Listing Rules, the Company will re-comply with Rules 14A.35(3) and (4) of the Listing Rules if the Annual Cap(s) is/are exceeded or when the Magazine Publication Agreement is renewed or there is a material change to the terms of the Magazine Publication Agreement. Details of the Magazine Publication Agreement will be disclosed in the Company's annual reports and accounts for the relevant financial years in accordance with Rule 14A.46 of the Listing Rules.

OPINION OF THE DIRECTORS

The terms of the Magazine Publication Agreement were arrived at after arm's length negotiations between the parties. The Directors, including independent non-executive Directors of the Company, are of the view that the transaction under the Magazine Publication Agreement is and will be conducted on normal commercial terms that are no less favourable to the Group than terms available to or from independent third party customers, is fair and reasonable so far as the Company and the shareholders of the Company are concerned and is in the interests of the Company and the shareholders of the Company as a whole. The Directors, including independent non-executive Directors of the Company, are of the view that the Company's said estimation of the Annual Caps are fair and reasonable.

INFORMATION ABOUT THE GROUP AND SA

The Company is an investment holding company. The principal activities of the Group consist of the publishing, printing and distribution of the *South China Morning Post*, *Sunday Morning Post*, various magazines and other related print and digital publications. The Group is also involved in property investment through its subsidiaries.

SCMPP, a wholly-owned subsidiary of the Company, is in the newspaper and magazine publishing business. Publications include the *South China Morning Post*, *Sunday Morning Post* and other print and digital publications in Hong Kong.

SA and its subsidiaries are principally engaged in the ownership and operation of hotels and associated properties and the provision of hotel management and related services. SLIHML, a wholly-owned subsidiary of SA, is principally engaged in hotel management, marketing, consultancy and reservation services.

REASONS FOR ENTERING INTO THE TRANSACTION

The provision of publication services and advertising services are in the ordinary and usual course of business of the Group. The terms of the Magazine Publication Agreement were arrived at after arm's length negotiations between the parties. The Directors, including the independent non-executive Directors, consider that the above transaction is and will be conducted on normal commercial terms and is beneficial to the business of the Company and the interests of the shareholders of the Company as a whole.

OTHER INFORMATION

The Board has taken note that Ms. Kuok Hui Kwong, an Executive Director of the Company, had abstained from voting on the resolutions of the Board approving the transaction under the Magazine Publication Agreement with reference to the relevant requirements under the Bye-Laws of the Company and the Listing Rules.

DEFINITIONS

“2011 Agreement”	Publication service agreement dated 21 June 2011 between SCMPP and SLIHML
“2012 Agreement”	Publication service agreement dated 8 August 2012 between SCMPP and SLIHML
“Annual Cap(s)”	the expected maximum amounts receivable by SCMPP under the Magazine Publication Agreement and the 2012 Agreement for the relevant financial years of the Company as set out in the paragraph headed “Annual Caps”
“Board”	the board of directors of the Company including independent non-executive Directors

“Bye-Laws”	the bye-laws of the Company as amended, supplemented or modified from time to time
“Company”	SCMP Group Limited, a company incorporated in Bermuda with limited liability, whose shares are listed on the Main Board of the Hong Kong Stock Exchange
“Directors”	Directors of the Company including independent non-executive Directors
“Group”	Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Magazine Publication Agreement”	Publication service agreement dated 21 March 2013 between SCMPP and SLIHML
“SA”	Shangri-La Asia Limited, an associate of Kerry Group Limited and whose shares are listed on the Main Board of the Hong Kong Stock Exchange with secondary listing on the Singapore Exchange Securities Trading Limited
“SCMPP”	South China Morning Post Publishers Limited, a wholly-owned subsidiary of the Company
“Share(s)”	the ordinary share(s) of HK\$0.10 each in the share capital of the Company
“SLIHML”	Shangri-La International Hotel Management Limited, a wholly-owned subsidiary of SA

By Order of the Board
Vera Leung
Company Secretary

Hong Kong, 21 March 2013

As at the date hereof, the Board comprises:

Non-executive Directors

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

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*