SCMP Group Limited

南華早報集團有限公司 *

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

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

FINAL RESULTS

The Directors of SCMP Group Limited (the "Company") are pleased to announce the consolidated final results of the Company and its group of companies (the "Group") for the year ended 31 December 2013 as follows:

CONSOLIDATED BALANCE SHEET

	Notes	**31 December 2013** *HK$'000*	31 December 2012 *HK$'000* *(Restated)*	1 January 2012 *HK$'000* *(Restated)*
ASSETS				
Non-current assets				
Property, plant and equipment	*3*	**565,527**	521,674	544,064
Investment properties	*4*	**1,720,600**	1,633,200	1,462,550
Intangible assets		**160,449**	122,825	19,589
Deposits paid for property, plant and equipment		**140**	38,676	-
Investment in associates		**56,384**	57,746	53,870
Available-for-sale financial assets		**214,877**	225,241	190,252
Defined benefit plan's assets		**64,530**	3,030	30,054
Deferred income tax assets		**668**	272	429
		2,783,175	2,602,664	2,300,808
Current assets				
Inventories		**24,148**	23,138	26,408
Accounts receivable	*5*	**307,747**	275,162	244,224
Prepayments, deposits and other receivables		**22,501**	17,375	11,746
Amount due from an associate		**55**	-	39
Short-term bank deposits		**-**	25,917	76,117
Cash and bank balances		**395,511**	344,115	324,818
		749,962	685,707	683,352
Total assets		**3,533,137**	3,288,371	2,984,160

CONSOLIDATED BALANCE SHEET (continued)

	Notes	**31 December 2013** *HK$'000*	31 December 2012 *HK$'000* *(Restated)*	1 January 2012 *HK$'000* *(Restated)*
EQUITY				
Capital and reserves				
Share capital	*6*	**156,106**	156,095	156,095
Reserves		**2,882,606**	2,696,051	2,467,736
Proposed dividend		**65,564**	70,248	62,438
		2,948,170	2,766,299	2,530,174
Shareholders' funds		**3,104,276**	2,922,394	2,686,269
Non-controlling interests		**50,474**	42,129	22,785
Total equity		**3,154,750**	2,964,523	2,709,054
LIABILITIES				
Non-current liabilities				
Deferred income tax liabilities		**91,327**	92,977	83,001
		91,327	92,977	83,001
Current liabilities				
Accounts payable and accrued liabilities	*7*	**237,890**	183,659	158,737
Amounts due to associates		**2,782**	2,615	2,864
Subscriptions in advance		**28,208**	26,689	24,870
Current income tax liabilities		**18,180**	8,908	5,634
Loan from a non-controlling shareholder		**-**	9,000	-
		287,060	230,871	192,105
Total liabilities		**378,387**	323,848	275,106
Total equity and liabilities		**3,533,137**	3,288,371	2,984,160
Net current assets		**462,902**	454,836	491,247
Total assets less current liabilities		**3,246,077**	3,057,500	2,792,055

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
		2013	2012
	Notes	***HK$'000***	*HK$'000*
			(Restated)
Revenue	*2*	**1,146,621**	1,019,610
Other income		**11,240**	8,390
Staff costs		**(504,940)**	(395,363)
Cost of production materials		**(182,645)**	(170,587)
Rental and utilities		**(31,315)**	(25,588)
Depreciation and amortisation		**(60,794)**	(55,027)
Advertising and promotion		**(42,779)**	(38,736)
Other operating expenses		**(162,732)**	(157,797)
Fair value gain on investment properties		**87,168**	170,650
Operating profit		**259,824**	355,552
Net finance income		**4,221**	4,818
Share of profits of associates		**7,519**	6,773
Profit before income tax		**271,564**	367,143
Income tax expense	*8*	**(27,490)**	(33,991)
Profit for the year		**244,074**	333,152
Other comprehensive income			
Item that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit plan obligation		**76,150**	(14,948)
Items that may be reclassified subsequently to profit or loss:			
Fair value (loss)/gain on available-for-sale financial assets		**(14,601)**	34,981
Currency translation difference		**(2,753)**	6,732
		(17,354)	41,713
Other comprehensive income for the year, net of tax		**58,796**	26,765
Total comprehensive income for the year		**302,870**	359,917

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

	Notes	Year ended 31 December 2013 HK$'000	2012 HK$'000 (Restated)
Profit attributable to:			
Shareholders of the Company		**223,733**	316,281
Non-controlling interests		**20,341**	16,871
		244,074	333,152
Total comprehensive income attributable to:			
Shareholders of the Company		**282,529**	343,046
Non-controlling interests		**20,341**	16,871
		302,870	359,917
Earnings per share	*10*		
Basic		**14.33 cents**	20.26 cents
Diluted		**14.32 cents**	20.26 cents
		HK$'000	*HK$'000*
Dividends	*9*	**96,785**	117,076

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2013

	Attributable to owners of the Company							
	Share capital *HK$'000*	Share premium *HK$'000*	Contributed surplus *HK$'000*	Other reserves *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
Balance at 1 January 2012, as previously reported	156,095	40,971	803,234	83,927	1,634,417	2,718,644	22,785	2,741,429
Adjustment for change in accounting policy *(note 1)*	-	-	-	-	(32,375)	(32,375)	-	(32,375)
Balance at 1 January 2012, as restated	156,095	40,971	803,234	83,927	1,602,042	2,686,269	22,785	2,709,054
Comprehensive income								
Profit for the year, as restated	-	-	-	-	316,281	316,281	16,871	333,152
Other comprehensive income, as restated	-	-	-	41,713	(14,948)	26,765	-	26,765
Total comprehensive income	-	-	-	41,713	301,333	343,046	16,871	359,917
Transactions with shareholders								
Employee share-based compensation benefits	-	-	-	2,345	-	2,345	-	2,345
Dividends declared and paid	-	-	-	-	(109,266)	(109,266)	(13,500)	(122,766)
Non-controlling interest arising on business combination	-	-	-	-	-	-	15,973	15,973
Total transactions with shareholders	-	-	-	2,345	(109,266)	(106,921)	2,473	(104,448)
Balance at 31 December 2012, as restated	156,095	40,971	803,234	127,985	1,794,109	2,922,394	42,129	2,964,523
Balance at 1 January 2013, as previously reported	**156,095**	**40,971**	**803,234**	**127,985**	**1,854,210**	**2,982,495**	**42,129**	**3,024,624**
Adjustment for change in accounting policy *(note 1)*	**-**	**-**	**-**	**-**	**(60,101)**	**(60,101)**	**-**	**(60,101)**
Balance at 1 January 2013, as restated	**156,095**	**40,971**	**803,234**	**127,985**	**1,794,109**	**2,922,394**	**42,129**	**2,964,523**
Comprehensive income								
Profit for the year	**-**	**-**	**-**	**-**	**223,733**	**223,733**	**20,341**	**244,074**
Other comprehensive income	**-**	**-**	**-**	**(17,354)**	**76,150**	**58,796**	**-**	**58,796**
Total comprehensive income	**-**	**-**	**-**	**(17,354)**	**299,883**	**282,529**	**20,341**	**302,870**
Transactions with shareholders								
Employee share-based compensation benefits	**-**	**-**	**-**	**656**	**-**	**656**	**-**	**656**
Dividends declared and paid	**-**	**-**	**-**	**-**	**(101,469)**	**(101,469)**	**(12,000)**	**(113,469)**
Shares issued upon exercise of share options	**11**	**155**	**-**	**-**	**-**	**166**	**-**	**166**
Non-controlling interest arising on business combination	**-**	**-**	**-**	**-**	**-**	**-**	**4**	**4**
Total transactions with shareholders	**11**	**155**	**-**	**656**	**(101,469)**	**(100,647)**	**(11,996)**	**(112,643)**
Balance at 31 December 2013	**156,106**	**41,126**	**803,234**	**111,287**	**1,992,523**	**3,104,276**	**50,474**	**3,154,750**

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND ADOPTION OF NEW/REVISED HKFRS

(a) Basis of preparation

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). They have been prepared under the historical cost convention, as modified by the revaluation of investment properties and available-for-sale financial assets.

(b) Changes in accounting policy and disclosures

(i) The following new/revised standards and amendment to existing standards that are relevant to the Group are mandatory for the first time for the financial year beginning 1 January 2013.

HKAS 1 (amendment) 'Presentation of financial statements – Presentation of items of other comprehensive income'

HKAS 1 (amendment) require entities to present the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met separately from those that would never be reclassified to profit or loss. The Group's presentation of other comprehensive income in these financial statements has been modified accordingly.

HKAS 19 (revised) 'Employee benefits'

HKAS 19 (revised) introduces a number of amendments to the accounting for defined benefit plans. Among them, HKAS 19 (revised) eliminates the "corridor method" under which the recognition of actuarial gains and losses relating to defined benefit schemes could be deferred and recognised in profit or loss over the expected average remaining service lives of employees. Under the revised standard, all actuarial gains and losses are required to be recognised immediately in other comprehensive income. HKAS 19 (revised) also changed the basis for determining income from plan assets from expected return to interest income calculated at the liability discount rate, and requires immediate recognition of past service cost, whether vested or not.

There is a new term "remeasurements". This is made up of actuarial gains and losses, the difference between actual investment returns and the return implied by the net interest cost.

The Group has adopted this amendment retrospectively for the financial year ended 31 December 2013, with the accumulated effects of the change in accounting policy recognised in retained profits. The effects of adoption are disclosed as follows.

	As previously reported *HK$'000*	Effect of adopting HKAS 19 (revised) *HK$'000*	As restated *HK$'000*
Consolidated balance sheet as at 1 January 2012			
Defined benefit plan's assets	62,429	(32,375)	30,054
Retained profits	1,634,417	(32,375)	1,602,042
Consolidated balance sheet as at 31 December 2012			
Defined benefit plan's assets	63,131	(60,101)	3,030
Retained profits	1,854,210	(60,101)	1,794,109
Consolidated statement of comprehensive income for the year ended 31 December 2012			
Staff costs	382,585	12,778	395,363
Total comprehensive income attributable to shareholders of the Company	370,772	(27,726)	343,046
Basic earnings per share	21.08 cents	(0.82 cents)	20.26 cents

1. BASIS OF PREPARATION AND ADOPTION OF NEW/REVISED HKFRS (continued)

(b) Changes in accounting policy and disclosures (continued)

HKFRS 10 'Consolidated financial statements'

HKFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The adoption of this standard does not have any impact on these consolidated financial statements.

HKFRS 12 'Disclosure of interests in other entities'

HKFRS 12 includes the disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. Further details of the Group's investments in subsidiaries and associates are set out in the annual report.

HKFRS 13 'Fair value measurement'

HKFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements, which are largely aligned between HKFRSs and US GAAP, do not extend the use of fair value accounting but providing guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs.

(ii) New standards, amendments and interpretations, that are relevant to the Group, have been issued but are not effective for the financial year beginning 1 January 2013 and have not been early adopted.

	Applicable for accounting periods beginning on / after
HKFRS 7 and HKFRS 9 (amendments), 'Mandatory effective date and transition disclosures'	1 January 2015
HKFRS 9, 'Financial Instruments'	1 January 2015
HKAS 32 (amendment), 'Financial instruments: Presentation' on asset and liability offsetting	1 January 2014

The Group will adopt the above new or revised standards, amendments and interpretations to existing standards as and when they become effective. The Group has already commenced the assessment of the impact to the Group and is not yet in a position to state whether these would have a significant impact on its results of operations and financial position.

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. 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.

2. REVENUE AND SEGMENT INFORMATION (continued)

The chief operating decision-maker assesses the performance of the operating segments based on a number of measures, including adjusted EBITDA (defined as earnings before interest, tax, depreciation and amortisation, other income and fair value gain on investment properties) 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 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 and 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 year ended 31 December 2013 and 2012 were HK$1,146,621,000 and HK$1,019,610,000 respectively.

Revenue from newspapers, magazines and other publications included revenue of HK$5,501,000 (2012: HK$4,989,000) arising from exchanges of goods or services with third parties.

Substantially all the activities of the Group are based in Hong Kong and below is segment information by reportable segments:

(a) Reportable segment profit or loss

For the year ended 31 December 2013

	Newspaper *HK$’000*	**Magazine** *HK$’000*	**Property** *HK$’000*	**Others** *HK$’000*	**Total** *HK$’000*
Total segment revenue	**814,141**	**278,660**	**47,626**	**14,309**	**1,154,736**
Inter-segment revenue	**(2,124)**	**(3,748)**	**(2,229)**	**(14)**	**(8,115)**
Revenue from external customers	**812,017**	**274,912**	**45,397**	**14,295**	**1,146,621**
Finance income/(costs)	**2,803**	**(20)**	**-**	**1,438**	**4,221**
Depreciation and amortisation	**(47,301)**	**(7,294)**	**(5,390)**	**(809)**	**(60,794)**
Income tax	**(8,256)**	**(14,346)**	**(5,983)**	**1,127**	**(27,458)**
Reportable segment profit	**48,415**	**69,244**	**115,616**	**8,631**	**241,906**

For the year ended 31 December 2012

	Newspaper *HK$’000* *(Restated)*	Magazine *HK$’000*	Property *HK$’000*	Others *HK$’000*	Total *HK$’000* *(Restated)*
Total segment revenue	773,640	218,846	35,885	-	1,028,371
Inter-segment revenue	(981)	(5,770)	(2,010)	-	(8,761)
Revenue from external customers	772,659	213,076	33,875	-	1,019,610
Finance income	3,306	13	-	1,499	4,818
Depreciation and amortisation	(45,149)	(4,350)	(5,528)	-	(55,027)
Income tax	(17,118)	(11,259)	(4,059)	-	(32,436)
Reportable segment profit	84,714	54,173	188,966	4,322	332,175

2. REVENUE AND SEGMENT INFORMATION (continued)

(b) Reportable segment information

For the year ended 31 December 2013

	Newspaper *HK$'000*	Magazine *HK$'000*	Property *HK$'000*	Others *HK$'000*	Total *HK$'000*
Capital expenditure	**52,256**	**6,637**	**1,356**	**-**	**60,249**

For the year ended 31 December 2012

Capital expenditure	70,938	2,280	363	-	73,581

(c) Reconciliation of reportable segment profit or loss to profit for the year

	For the year ended 31 December	
	2013	2012
	HK$'000	*HK$'000* *(Restated)*
Profit for reportable segments	**233,275**	327,853
Profit for other segments	**8,631**	4,322
	241,906	332,175
Reconciling items:		
Share of profits of associates under equity method of accounting	**7,519**	6,773
Dividend received from an associate	**(5,319)**	(4,241)
Deferred tax on undistributed profit of an associate	**(32)**	(1,555)
	2,168	977
Profit for the year	**244,074**	333,152

3. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings *HK$'000*	Plant & machinery *HK$'000*	Other fixed assets *HK$'000*	Assets in progress *HK$'000*	Total *HK$'000*
At 1 January 2013	**298,174**	**158,117**	**64,863**	**520**	**521,674**
Additions	**-**	**5,235**	**9,155**	**76,870**	**91,260**
Disposals	**-**	**(197)**	**(44)**	**-**	**(241)**
Transfer	**-**	**64,970**	**10,767**	**(75,737)**	**-**
Depreciation	**(9,753)**	**(23,738)**	**(15,599)**	**-**	**(49,090)**
Acquisition of subsidiaries	**-**	**-**	**1,924**	**-**	**1,924**
Net book value at 31 December 2013	**288,421**	**204,387**	**71,066**	**1,653**	**565,527**
At 31 December 2013					
Cost	**420,375**	**842,416**	**172,260**	**1,653**	**1,436,704**
Accumulated depreciation and impairment losses	**(131,954)**	**(638,029)**	**(101,194)**	**-**	**(871,177)**
Net book value at 31 December 2013	**288,421**	**204,387**	**71,066**	**1,653**	**565,527**

4. INVESTMENT PROPERTIES

	2013 ***HK$'000***	2012 *HK$'000*
At 1 January	**1,633,200**	1,462,550
Additions	**232**	**-**
Fair value gain	**87,168**	170,650
At 31 December	**1,720,600**	1,633,200

5. ACCOUNTS RECEIVABLE

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

	2013		2012	
	Balance *HK$'000*	**Percentage** *%*	Balance *HK$'000*	Percentage *%*
Current	**169,988**	**54.7**	153,240	55.0
Less than 30 days past due	**26,920**	**8.7**	21,144	7.5
31 to 60 days past due	**63,928**	**20.6**	55,135	19.8
61 to 90 days past due	**36,398**	**11.7**	33,940	12.2
Over 90 days past due	**13,276**	**4.3**	15,278	5.5
Total	**310,510**	**100.0**	278,737	100.0
Less: Allowance for impairment	**(2,763)**		(3,575)	
	307,747		275,162	

6. SHARE CAPITAL

	2013		2012	
	Number of shares	**Amount** *HK$'000*	Number of shares	Amount *HK$'000*
Authorised:				
Ordinary shares of HK$0.10 each	**5,000,000,000**	**500,000**	5,000,000,000	500,000
Issued and fully paid:				
Opening balance	**1,560,945,596**	**156,095**	1,560,945,596	156,095
Shares issued under share option scheme	**112,000**	**11**	-	-
Ending balance	**1,561,057,596**	**156,106**	1,560,945,596	156,095

Pursuant to the employee share option scheme of the Group, 112,000 options were exercised during the year ended 31 December 2013 which resulted in the equal number of shares being issued (2012: Nil), with cash proceeds of HK$166,000 (2012: Nil).

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in accounts payable and accrued liabilities are the following accounts payable by invoice date:

	2013		2012	
	Balance	**Percentage**	Balance	Percentage
	HK$'000	***%***	*HK$'000*	*%*
0 to 30 days	**32,281**	**67.4**	22,375	61.7
31 to 60 days	**11,765**	**24.6**	9,487	26.2
61 to 90 days	**1,962**	**4.1**	3,541	9.8
Over 90 days	**1,878**	**3.9**	829	2.3
Total accounts payable	**47,886**	**100.0**	36,232	100.0
Accrued liabilities	**190,004**		147,427	
Total accounts payable and accrued liabilities	**237,890**		183,659	

8. INCOME TAX EXPENSE

Hong Kong profits tax has been provided for at the rate of 16.5% (2012: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which Group operates.

	2013	2012
	HK$'000	*HK$'000*
Current income tax		
- Hong Kong profits tax	**32,957**	37,005
- Over provision in prior year	**(1,773)**	(3,454)
- Overseas taxation	**531**	424
Deferred income tax		
- Other deferred tax credits	**(5,404)**	(3,368)
- Under provision in prior year	**1,179**	3,384
	27,490	33,991

9. DIVIDENDS

(a) Dividends attributable to the year:

	2013	2012
	HK$'000	*HK$'000*
Interim dividend paid, HK2 cents (2012: HK3 cents) per share	**31,221**	46,828
Final dividend proposed but not yet recognised, HK4.2 cents (2012: HK4.5 cents) per share	**65,564**	70,248
	96,785	117,076

Note: The proposed final dividend distribution of HK$65,564,000 for the year ended 31 December 2013 is to be paid out of the Company's retained profits.

9. DIVIDENDS (continued)

(b) Dividends paid during the year:

	2013	2012
	HK$'000	*HK$'000*
Interim dividend in respect of 2013, HK2 cents per share	**31,221**	-
Final dividend in respect of 2012, HK4.5 cents per share	**70,248**	-
Interim dividend in respect of 2012, HK3 cents per share	**-**	46,828
Final dividend in respect of 2011, HK4 cents per share	-	62,438
	101,469	109,266

10. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the year attributable to shareholders of HK$223,733,000 (2012: HK$316,281,000) and 1,561,034,275 weighted average shares in issue (2012: 1,560,945,596 shares in issue) during the year.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares arising from exercise of all outstanding share options granted under the Company's share option scheme. A calculation is done to determine the number of shares that could have been acquired at fair value (determined with reference to the latest market share price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

The calculation of diluted earnings per share is based on 1,561,034,275 (2012: 1,560,945,596 shares in issue) which is the weighted average number of shares in issue during the year plus the weighted average of 1,236,184 shares (2012: Nil) deemed to be issued if all outstanding share options granted under the Company's share option scheme has been exercised.

11. EVENT AFTER THE BALANCE SHEET DATE

On 18 March 2014, South China Morning Post Publishers Limited and SCMP Nominees Limited, wholly-owned subsidiaries of the Company, entered into a sale and purchase agreement with a third party to acquire 100% of the issued share capital of a media company in Macau. The company being acquired is principally engaged in the publication of lifestyle magazines in Macau.

MANAGEMENT DISCUSSION AND ANALYSIS

Operating Results of the Group

The Group's consolidated operating results for the years ended 31 December 2013 and 2012 were as follows:

(HK$ millions, except per share amounts)	**For the year ended 31 December** **2013**	2012 *(Restated)*	% Change
Revenue	**1,146.6**	1,019.6	12
Staff costs	**(504.9)**	(395.4)	28
Production costs	**(182.6)**	(170.6)	7
Rental and utilities	**(31.3)**	(25.6)	22
Advertising and promotions	**(42.8)**	(38.7)	11
Other operating expenses	**(162.8)**	(157.8)	3
Operating costs before depreciation and amortisation	**(924.4)**	(788.1)	17
Depreciation and amortisation	**(60.8)**	(55.0)	11
Adjusted operating profit^	**161.4**	176.5	(9)
Other income	**11.2**	8.3	35
Fair value gain on investment properties	**87.2**	170.7	(49)
Operating profit	**259.8**	355.5	(27)
Net interest income	**4.2**	4.8	(13)
Share of profits of associates	**7.5**	6.8	10
Taxation	**(27.5)**	(34.0)	(19)
Profit for the year	**244.0**	333.1	(27)
Non-controlling interests	**(20.3)**	(16.8)	21
Profit attributable to shareholders	**223.7**	316.3	(29)
Earnings per share (HK cents)	**14.3**	20.3	(29)

^ *Adjusted operating profit is defined as operating profit before other income and fair value gain on investment properties*

Revenue for 2013 was $1,146.6 million, $127.0 million or 12% higher than the previous year. The growth was due to full year contribution from *ELLE*, as well as higher revenue from advertising and marketing solutions, contract printing business, investment properties and the newly acquired HK Magazine business.

Despite the growth in revenue, net profit for the year from normal operations (excluding fair value gain on investment properties) dropped 6% from $145.6 million to $136.5 million. It was mainly due to increase in staff expenses and direct production costs to support the revenue growth and new revenue projects.

Total operating costs and expenses increased 17% or $142.1 million.

Staff costs rose 28% or $109.5 million due to increase in headcount, retirement benefits and staff bonus expense. Average headcount increased 12% from 889 to 1,000, mainly due to inclusion of new headcounts from HK Magazine, as well as new hires for our newspaper and magazine businesses. There was no bonus provision in 2012 when bonus was paid out from the provision brought forward from prior year.

Production costs increased 7% or $12.0 million, mainly due to higher cost from *ELLE*, HK Magazine, and higher ink and direct consumable cost for the contract printing business. The increase in production cost was partly offset by lower newsprint cost for our traditional print business, due to lower newsprint consumption and decrease in average cost per ton.

Rental and utilities increased $5.7 million, mainly due to inclusion of *ELLE* and HK Magazine rental expenses, higher electricity charge for the contract printing business and higher license fee for the advertising boards. Advertising and promotion expenses increased $4.1 million, mainly incurred for *ELLE*, *EducationPost.com* and the events celebrating the 110th anniversary of *South China Morning Post* and 25th anniversary of *Harper's Bazaar*.

FINANCIAL REVIEW BY BUSINESS

Newspaper Publishing

Revenue from the newspaper division increased 5% or $40.5 million to $814.1 million. It was contributed by advertising and marketing solutions, circulation and contract printing, partly offset by a drop in recruitment advertising. Net profit dropped 43% to $48.4 million mainly due to higher staff costs for revenue growth and content enrichment.

Revenue from advertising and marketing solutions increased 4% from last year. Significant growth in special execution revenue was seen, mainly contributed by panorama advertisements. Notices revenue also increased, thanks to a sharp increase in IPO advertisements from 32 in 2012 to 66 in 2013.

Recruitment services revenue was 3% below last year. It is mainly due to decrease in recruitment print business as hiring remains inactive across all sectors. Fierce competition among job boards also affected our recruitment online revenue. Education, part of the recruitment services team, performed well with revenue exceeded 2012 by 16% due to strong demand from postgraduate sectors to place ads on *SCMP* print, online and SCMP Chinese platforms to reach quality and premium target.

Cover price for *South China Morning Post* increased by $1 to $9 in January 2013. Subscription fee for *scmp.com* also increased in June. Overall circulation revenue increased 6%, mainly driven by higher online subscription.

Magazine Publishing

Our magazine publishing business underwent another year of great performances in 2013. Total revenue for the year increased 27% to $278.7 million, and a net profit attributable to shareholders grew 31% to $48.9 million. The improved revenue and profit were partly due to a full year contribution from *ELLE*, which was acquired in the middle of 2012 and growth in ad revenue from *Harper's Bazaar*, which celebrated its 25th anniversary in Hong Kong. We have also seen significant growth in our online revenue from *Cosmopolitan*'s website.

ELLE Men monthly magazine was published since September 2013 and *Esquire* magazine was first launched by the Group in January 2014. These are new revenue drivers of our magazine publishing business in the year ahead.

Property

Rental income increased by 33% to $47.6 million due to higher rental from advertising boards and lease renewal at a higher rent for our properties in the Bank of America Tower. The recurrent income from property investments is needed to finance the Company's growth plans and digital media initiatives which will take time to produce the expected returns.

The Group's investment property portfolio comprises of a vacant property in TV City, certain floors of the Bank of America Tower, Ko Fai Industrial Building and Seaview Estate. The original cost of the portfolio was $913 million and the carrying value as of 31 December 2013 was $1,720 million.

The Group's investment properties were revalued at 31 December 2013 by independent professionally qualified valuers, DTZ Debenham Tie Leung Limited, who hold a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use. The revaluation gains or losses are shown as "Fair value gain or loss on investment properties" in the income statement. Fair values of the office buildings and industrial properties are derived using the income capitalisation approach and fair value of the vacant property is derived using the residual method. There were no changes to the valuation techniques during the year.

TV City

SCMP acquired TV City in 1996 and continues to hold this piece of property for long-term investment. We have explored different options to enhance value of this property. As one of the options, the Company is looking into the feasibility of developing the property into a residential project. However, the development process is complex, in view of the size of the development and the adjacent parcel of different ownership, the Government authorities are processing our application alongside with the adjacent plot owners' application. As a result of change in environmental legislations, the Company is revising its Master Layout Plan which will be submitted to the Town Planning Board for approval. As of the date of this announcement, the Company has not been notified by the Government of the amount of land premium.

LIQUIDITY AND CAPITAL RESOURCES

Overview

The Group's cash and bank balances are held predominantly in Hong Kong dollars except that we have held $82.9 million of short-term bank deposits in Renminbi. Apart from the deposits in Renminbi, the Group has no significant exposure to foreign exchange fluctuations.

The Group had no gearing as at 31 December 2013. The ratio of current assets to current liabilities was 2.6 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

Net cash generated from operating activities for the year ended 31 December 2013 was $233.1 million, compared with $217.2 million for previous year due to stronger cash flows from the Group's business and lower tax payment.

Investment Activities

Net cash outflow from investing activities for the year was $34.2 million. During the year, the Group acquired the HK Magazine business and also invested in a new company that gives us the right to publish the *Esquire* magazine in Hong Kong starting from January 2014.

Financing Activities

Net cash used in financing activities was $122.3 million. During the year, $101.5 million dividend was paid to the shareholders of the Company and $12.0 million was paid to a non-controlling shareholder of a subsidiary. In addition, a loan of $9.0 million from a non-controlling shareholder was also fully repaid.

OUTLOOK

With 4% growth in the economy forecast for 2014 compared to 3% in 2013, we are poised for steady growth. We believe 2014 will be a year of more learning and consolidating the benefits of the major changes we have implemented in 2013, while further strengthening our product portfolio. We continue to capitalise on our strength in the sectors of English language news, quality lifestyle content and magazines, luxury market infotainment, bespoke events and providing quality media advertising space, and foresee a stronger presence in the China market as well as further enhancements on our outreach to a global digital market.

STAFF

The success of the Company hinges on the performance and commitment of our employees. As the Company continues to grow, the Company's compensation philosophy is designed to provide employees with the opportunity to excel and grow, while aligning with our business strategies and values. The Group's remuneration policy aims to recognize outstanding performance, retain and attract key talents and ensure alignment with the interests of our businesses, and thereby enhancing shareholder value. As at 31 December 2013, the Group had 1,070 employees compared with 939 as at 31 December 2012.

DIVIDEND

Directors recommend to pay a final dividend of HK4.2 cents (2012: HK4.5 cents) per share from the retained profits. This final dividend, together with the interim dividend of HK2 cents per share, will make a total dividend of HK6.2 cents per share for the year ended 31 December 2013. The proposed final dividend, if approved, will be paid on Wednesday, 18 June 2014 to shareholders whose names appear on the Register of Members of the Company on Wednesday, 11 June 2014.

BOOK CLOSURE

For determining the eligibility to attend and vote at the annual general meeting of the Company ("AGM") to be held on Tuesday, 3 June 2014, the Register of Members of the Company will be closed from Tuesday, 27 May 2014 to Friday, 30 May 2014, 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, 26 May 2014 so as to qualify for attending and voting at the AGM.

For determining the entitlement to the proposed final dividend, the Register of Members of the Company will also be closed from Tuesday, 10 June 2014 to Wednesday, 11 June 2014, 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, 9 June 2014 so as to qualify for the proposed final dividend, if approved at the AGM.

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 year.

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.

During the year, 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The Group also adheres to the recommended best practices of the Stock Exchange Code insofar as they are relevant and practicable.

A detailed Corporate Governance Report setting out the Group's framework of governance and explanations about how the provisions of the Stock Exchange Code have been applied will be included in the Company's Annual Report 2013.

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 Mr. Wong Kai Man as Committee Chairman, Mr. Ronald J. Arculli and Dr. the Hon. Sir David Li Kwok Po. Two meetings were held by the Audit Committee during the year. The Audit Committee has reviewed the Group's audited final results for the year ended 31 December 2013.

REMUNERATION COMMITTEE

The Company established a Remuneration Committee in 2000 with written terms of reference. The Remuneration Committee currently comprises three Independent Non-executive Directors, namely Dr. the Hon. Sir David Li Kwok Po as Committee Chairman, Mr. Ronald J. Arculli and Mr. Wong Kai Man, and an Executive Director, Ms. Kuok Hui Kwong. Two meetings were held by the Remuneration Committee during the year.

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 as Committee Chairman and Mr. Wong Kai Man, and the Non-executive Chairman, Dr. David J. Pang. One meeting was held by the Nomination Committee during the year.

STRATEGY COMMITTEE

The Company established a Strategy Committee in 2010 with written terms of reference. The Strategy Committee currently comprises an Executive Director, Ms. Kuok Hui Kwong as Committee Chairman, the Non-executive Chairman, Dr. David J. Pang and an Independent Non-executive Director, Dr. Fred Hu Zu Liu. Two meetings were held by the Strategy Committee during the year.

PUBLIC FLOAT

Trading in the shares of the Company had been suspended as from 26 February 2013 when the public float of the Company fell below 25%. The Stock Exchange of Hong Kong Limited indicated that the Company is required to suspend trading in the shares of the Company until the minimum public float is restored. Details of the public float status have been disclosed in the Company's announcements dated 17 January 2013, 7 February 2013, 25 February 2013, 6 March 2013, 10 May 2013, 17 June 2013, 12 July 2013, 13 August 2013, 17 September 2013, 25 October 2013, 29 November 2013 and 8 January 2014.

The Directors has endeavored to identify ways to restore the Company's public float. In addition to the four regular board meetings in 2013, the Board has also held six special board meetings on 15 February 2013, 6 March 2013, 8 May 2013, 1 November 2013, 20 January

2014 and 25 February 2014, respectively, to discuss and explore appropriate ways to resolve the public float issue.

The Board is mindful that any effective course of action to resolve the public float issue would be contingent upon the support of the shareholders, including the substantial shareholders. The Board has continued, and will continue, to take such action and step as may be appropriate in the circumstances with a view to be in the interests of the Company and its shareholders as a whole.

On behalf of the Board
David J. PANG
Chairman

Hong Kong, 20 March 2014

As at the date of this announcement, 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*