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 2014

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 2014 as follows:

CONSOLIDATED BALANCE SHEET

	Notes	**31 December 2014** ***HK$'000***	31 December 2013 *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment	*3*	**530,526**	565,527
Investment properties	*4*	**1,732,000**	1,720,600
Intangible assets		**160,162**	160,449
Deposits paid for property, plant and equipment		**-**	140
Investment in associates		**43,203**	56,384
Available-for-sale financial assets		**184,687**	214,877
Defined benefit plan's assets		**73,964**	64,530
Deferred income tax assets		**6,875**	668
		2,731,417	2,783,175
Current assets			
Inventories		**19,823**	24,148
Accounts receivable	*5*	**290,906**	307,747
Prepayments, deposits and other receivables		**26,873**	22,501
Amount due from an associate		**124**	55
Cash and bank balances		**464,137**	395,511
		801,863	749,962
Total assets		**3,533,280**	3,533,137

CONSOLIDATED BALANCE SHEET (continued)

	Notes	**31 December 2014** **HK$'000**	31 December 2013 *HK$'000*
EQUITY			
Capital and reserves			
Share capital	*6*	**156,106**	156,106
Reserves		**2,901,057**	2,882,606
Proposed dividend		**59,320**	65,564
		2,960,377	2,948,170
Shareholders' funds		**3,116,483**	3,104,276
Non-controlling interests		**53,396**	50,474
Total equity		**3,169,879**	3,154,750
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**85,566**	91,327
		85,566	91,327
Current liabilities			
Accounts payable and accrued liabilities	*7*	**232,363**	237,890
Amounts due to associates		**2,672**	2,782
Subscriptions in advance		**26,432**	28,208
Current income tax liabilities		**9,328**	18,180
Loans from a non-controlling shareholder		**7,040**	-
		277,835	287,060
Total liabilities		**363,401**	378,387
Total equity and liabilities		**3,533,280**	3,533,137
Net current assets		**524,028**	462,902
Total assets less current liabilities		**3,255,445**	3,246,077

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Year ended 31 December **2014** *HK$'000*	 2013 *HK$'000*
Revenue	*2*	**1,241,203**	1,146,621
Other income		**4,568**	11,240
Staff costs		**(528,588)**	(504,940)
Cost of production materials		**(216,036)**	(182,645)
Rental and utilities		**(30,842)**	(31,315)
Depreciation and amortisation		**(67,644)**	(60,794)
Advertising and promotion		**(45,573)**	(42,779)
Other operating expenses		**(184,845)**	(162,732)
Fair value gain on investment properties		**11,400**	87,168
Operating profit		**183,643**	259,824
Net finance income		**4,785**	4,221
Share of (losses)/profits of associates		**(9,368)**	7,519
Profit before income tax		**179,060**	271,564
Income tax expense	*8*	**(19,423)**	(27,490)
Profit for the year		**159,637**	244,074
Other comprehensive income			
Item that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit plan obligation		**20,782**	76,150
Share of remeasurement of defined benefit plan obligation of an associate		**(371)**	-
		20,411	76,150
Items that may be reclassified subsequently to profit or loss:			
Fair value loss on available-for-sale financial assets		**(47,146)**	(14,601)
Currency translation difference		**145**	(2,753)
		(47,001)	(17,354)
Other comprehensive income for the year, net of tax		**(26,590)**	58,796
Total comprehensive income for the year		**133,047**	302,870

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

		Year ended 31 December	
		2014	2013
	Notes	***HK$'000***	*HK$'000*
Profit attributable to:			
Shareholders of the Company		**136,768**	223,733
Non-controlling interests		**22,869**	20,341
		159,637	244,074
Total comprehensive income attributable to:			
Shareholders of the Company		**110,178**	282,529
Non-controlling interests		**22,869**	20,341
		133,047	302,870
Earnings per share	*10*		
Basic		**8.76 cents**	14.33 cents
Diluted		**8.75 cents**	14.32 cents
		HK$'000	*HK$'000*
Dividends	*9*	**93,663**	96,785

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2014

	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 2013	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
Balance at 1 January 2014	**156,106**	**41,126**	**803,234**	**111,287**	**1,992,523**	**3,104,276**	**50,474**	**3,154,750**
Comprehensive income								
Profit for the year	**-**	**-**	**-**	**-**	**136,768**	**136,768**	**22,869**	**159,637**
Other comprehensive income	**-**	**-**	**-**	**(47,001)**	**20,411**	**(26,590)**	**-**	**(26,590)**
Total comprehensive income	**-**	**-**	**-**	**(47,001)**	**157,179**	**110,178**	**22,869**	**133,047**
Transactions with shareholders								
Employee share-based compensation benefits	**-**	**-**	**-**	**389**	**-**	**389**	**-**	**389**
Dividends declared and paid	**-**	**-**	**-**	**-**	**(99,907)**	**(99,907)**	**(19,200)**	**(119,107)**
Changes in ownership interests in a subsidiary without change of control	**-**	**-**	**-**	**1,547**	**-**	**1,547**	**(747)**	**800**
Total transactions with shareholders	**-**	**-**	**-**	**1,936**	**(99,907)**	**(97,971)**	**(19,947)**	**(117,918)**
Balance at 31 December 2014	**156,106**	**41,126**	**803,234**	**66,222**	**2,049,795**	**3,116,483**	**53,396**	**3,169,879**

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

(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.

The consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

(b) Changes in accounting policy and disclosures

(i) The following amendment to existing standards that is relevant to the Group are mandatory for the first time for the financial year beginning 1 January 2014.

HKAS 32 (amendment) 'Financial instruments: Presentation on asset and liability offsetting'

HKAS 32 (amendment) clarifies some of the requirements for offsetting financial assets and financial liabilities. The adoption of HKAS 32 (amendment) has no impact on the presentation of the Group's assets and liabilities.

(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 2014 and have not been early adopted.

	Applicable for accounting periods beginning on/after
HKFRS 15, 'Revenue from Contracts with Customers'	1 January 2017
HKFRS 9 (2014), 'Financial Instruments'	1 January 2018

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.

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company's first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

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 and English languages 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 derives revenue through leasing out its properties.

During the year ended 31 December 2014, the Group has established a new outdoor media business. The operating results from advertising billboards, originally included in the Property segment, has been transferred to the new business. The segment information for the year ended 31 December 2013 has been restated accordingly. The assets and operating results of the outdoor media business have not exceeded the quantitative thresholds for a reportable segment. Hence, its results have been grouped under "Others" in the segment information that follows.

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 2014 and 2013 were HK$1,241,203,000 and HK$1,146,621,000 respectively.

Revenue from newspapers, magazines and other publications included revenue of HK$5,504,000 (2013: HK$5,501,000) arising from exchanges of goods or services with third parties.

2. REVENUE AND SEGMENT INFORMATION (continued)

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 2014	**Newspaper** *HK$'000*	**Magazine** *HK$'000*	**Property** *HK$'000*	**Others** *HK$'000*	**Total** *HK$'000*
Total segment revenue	**841,538**	**325,822**	**31,392**	**52,576**	**1,251,328**
Inter-segment revenue	**(1,467)**	**(5,980)**	**(2,667)**	**(11)**	**(10,125)**
Revenue from external customers	**840,071**	**319,842**	**28,725**	**52,565**	**1,241,203**
Finance income	**3,382**	**-**	**-**	**1,403**	**4,785**
Depreciation and amortisation	**(52,012)**	**(8,894)**	**(5,189)**	**(1,549)**	**(67,644)**
Income tax	**(830)**	**(14,418)**	**(3,927)**	**(1,531)**	**(20,706)**
Reportable segment profit	**59,725**	**72,959**	**28,408**	**10,178**	**171,270**

For the year ended 31 December 2013	Newspaper *HK$'000*	Magazine *HK$'000*	Property *HK$'000* (restated)	Others *HK$'000* (restated)	Total *HK$'000*
Total segment revenue	814,141	278,660	30,641	31,294	1,154,736
Inter-segment revenue	(2,124)	(3,748)	(2,229)	(14)	(8,115)
Revenue from external customers	812,017	274,912	28,412	31,280	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)	(3,927)	(929)	(27,458)
Reportable segment profit	48,415	69,244	105,209	19,038	241,906

(b) Reportable segment information

For the year ended 31 December 2014	**Newspaper** *HK$'000*	**Magazine** *HK$'000*	**Property** *HK$'000*	**Others** *HK$'000*	**Total** *HK$'000*
Capital expenditure	**17,201**	**3,756**	**438**	**3,107**	**24,502**
For the year ended 31 December 2013					
Capital expenditure	52,256	6,637	1,356	-	60,249

2. REVENUE AND SEGMENT INFORMATION (continued)

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

	For the year ended 31 December	
	2014	2013
	HK$'000	*HK$'000*
		(Restated)
Profit for reportable segments	**161,092**	222,868
Profit for other segments	**10,178**	19,038
	171,270	241,906
Reconciling items :		
Share of (losses)/profits of associates under equity method of accounting	**(9,368)**	7,519
Dividend received from an associate	**(3,548)**	(5,319)
Deferred tax on undistributed profit of an associate	**1,283**	(32)
	(11,633)	2,168
Profit for the year	**159,637**	244,074

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 2014	**288,421**	**204,387**	**71,066**	**1,653**	**565,527**
Additions	**-**	**4,206**	**10,255**	**4,425**	**18,886**
Disposals	**-**	**(15)**	**(14)**	**-**	**(29)**
Transfer	**-**	**929**	**3,837**	**(4,766)**	**-**
Depreciation	**(9,752)**	**(26,097)**	**(18,050)**	**-**	**(53,899)**
Translation differences	**-**	**-**	**(2)**	**-**	**(2)**
Acquisition of a subsidiary	**-**	**-**	**43**	**-**	**43**
Net book value at 31 December 2014	**278,669**	**183,410**	**67,135**	**1,312**	**530,526**
At 31 December 2014					
Cost	**420,375**	**846,037**	**185,437**	**1,312**	**1,453,161**
Accumulated depreciation and impairment losses	**(141,706)**	**(662,627)**	**(118,302)**	**-**	**(922,635)**
Net book value at 31 December 2014	**278,669**	**183,410**	**67,135**	**1,312**	**530,526**

4. INVESTMENT PROPERTIES

	2014	2013
	HK$'000	*HK$'000*
At 1 January	**1,720,600**	1,633,200
Additions	**-**	232
Fair value gain	**11,400**	87,168
At 31 December	**1,732,000**	1,720,600

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:

	2014		2013	
	Balance	**Percentage**	Balance	Percentage
	HK$'000	***%***	*HK$'000*	*%*
Current	**161,638**	**55.0**	169,988	54.7
Less than 30 days past due	**27,212**	**9.3**	26,920	8.7
31 to 60 days past due	**51,841**	**17.7**	63,928	20.6
61 to 90 days past due	**32,747**	**11.1**	36,398	11.7
Over 90 days past due	**20,232**	**6.9**	13,276	4.3
Total	**293,670**	**100.0**	310,510	100.0
Less: Allowance for impairment	**(2,764)**		(2,763)	
	290,906		307,747	

6. SHARE CAPITAL

	2014		2013	
	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	**1,561,057,596**	**156,106**	1,560,945,596	156,095
Shares issued under share option scheme	**-**	**-**	112,000	11
Ending balance	**1,561,057,596**	**156,106**	1,561,057,596	156,106

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, with cash proceeds of HK$166,000. There were no shares issued under share option scheme during the year ended 31 December 2014.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	2014		2013	
	Balance	**Percentage**	Balance	Percentage
	HK$'000	***%***	*HK$'000*	*%*
0 to 30 days	**33,900**	**67.4**	32,281	67.4
31 to 60 days	**11,918**	**23.7**	11,765	24.6
61 to 90 days	**2,290**	**4.6**	1,962	4.1
Over 90 days	**2,172**	**4.3**	1,878	3.9
Total accounts payable	**50,280**	**100.0**	47,886	100.0
Accrued liabilities	**182,083**		190,004	
Total accounts payable and accrued liabilities	**232,363**		237,890	

8. INCOME TAX EXPENSE

Hong Kong profits tax has been provided for at the rate of 16.5% (2013: 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.

	2014	2013
	HK$'000	*HK$'000*
Current income tax		
- Hong Kong profits tax	**32,971**	32,957
- Over provision in prior year	**(1,247)**	(1,773)
- Overseas taxation	**125**	531
Deferred income tax		
- Other deferred tax credits	**(13,618)**	(5,404)
- Under provision in prior year	**1,192**	1,179
	19,423	27,490

9. DIVIDENDS

(a) Dividends attributable to the year:

	2014	2013
	HK$'000	*HK$'000*
Interim dividend paid, HK2.2 cents per share (2013: HK2 cents)	**34,343**	31,221
Final dividend proposed but not yet recognised, HK3.8 cents per share (2013: HK4.2 cents)	**59,320**	65,564
	93,663	96,785

Note: The proposed final dividend distribution of HK$59,320,000 for the year ended 31 December 2014 is to be paid out of the Company's retained profits.

9. DIVIDENDS (continued)

(b) Dividends paid during the year:

	2014	2013
	HK$'000	*HK$'000*
Interim dividend in respect of 2014, HK2.2 cents per share	**34,343**	**-**
Final dividend in respect of 2013, HK4.2 cents per share	**65,564**	**-**
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
	99,907	101,469

10. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the year attributable to shareholders of HK$136,768,000 (2013: HK$223,733,000) and the weighted average of 1,561,057,596 shares in issue (2013: 1,561,034,275 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 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 1,561,057,596 (2013: 1,561,034,275 shares in issue) which is the weighted average number of shares in issue during the year plus the weighted average of 1,338,047 shares (2013: 1,236,184 shares) deemed to be issued if all outstanding share options granted under the Company's share option scheme has been exercised.

MANAGEMENT DISCUSSION AND ANALYSIS

Operating Results of the Group

The Group's consolidated operating results for the years ended 31 December 2014 and 2013 were as follows:

(HK$ millions, except per share amounts)	For the year ended 31 December **2014**	2013	% Change
Revenue	**1,241.2**	1,146.6	8
Staff costs	(528.6)	(504.9)	5
Production costs	(216.0)	(182.6)	18
Rental and utilities	(30.8)	(31.3)	(2)
Advertising and promotions	(45.6)	(42.8)	7
Other operating expenses	(184.9)	(162.8)	14
Operating costs before depreciation and amortisation	(1,005.9)	(924.4)	9
Depreciation and amortisation	(67.6)	(60.8)	11
Adjusted operating profit^	**167.7**	161.4	4
Other income	4.6	11.2	(59)
Fair value gain on investment properties	11.4	87.2	(87)
Operating profit	**183.7**	259.8	(29)
Net interest income	4.8	4.2	14
Share of (losses)/profits of associates	(9.4)	7.5	*
Taxation	(19.4)	(27.5)	(29)
Profit for the year	**159.7**	244.0	(35)
Non-controlling interests	(22.9)	(20.3)	13
Profit attributable to shareholders	**136.8**	223.7	(39)
Earnings per share (HK cents)	**8.8**	14.3	(39)

^ *Adjusted operating profit is defined as operating profit before other income and fair value gain on investment properties*
**Represents a change in excess of 100%*

Revenue for 2014 was $1,241.2 million, $94.6 million or 8% higher than the previous year. Half of this growth was contributed by our magazine business, due to the introduction of *Esquire* and *the Peak* into our portfolio of magazine titles, and the significant growth in online advertising. Our newspaper business and outdoor media business also reported revenue growth for the year.

Adjusted operating profit for 2014 increased moderately by 4% to $167.7 million, as our revenue growth was partly offset by increasing costs to support our new businesses. Net profit attributable to shareholders (excluding the fair value gain on investment properties) was $125.4 million, $11.1 million or 8% lower than the previous year. The decline in net profit was mainly due to the share of losses of our associated companies (2014: $9.4 million loss versus 2013: $7.5 million gain).

Total operating costs and expenses increased 9% to $1,073.5 million.

Staff costs increased 5% or $23.7 million. It was due to higher headcount for new magazine titles. Average headcount for the year was 1,103, up from 1,000 in the previous year.

Production costs increased 18% or $33.4 million, mainly due to higher costs from new magazine titles and our new outdoor media business.

Rental and utilities was stable at $30.8 million. Advertising and promotion expenses went up 7% or $2.8 million, due to the inclusion of *Esquire* and *the Peak's* expenses, as well as the costs incurred for *Cosmopolitan's* 30th anniversary celebration events. Other operating expenses increased 14% or $22.1 million, mainly because of increase in sales commission in line with revenue growth, and higher maintenance costs on the printing presses.

FINANCIAL REVIEW BY BUSINESS

Newspaper Publishing

Revenue from the newspaper division rose 3% or $27.4 million to $841.5 million. The revenue growth was contributed by Advertising and Marketing Solutions ("AMS"), Circulation and Syndication Business ("CSB") and contract printing, partly offset by a decline in Recruitment and Education Business ("REB"). Despite the pressure of cost increase, we were able to maintain our operating margin leading to a 23% increase in net profit from $48.4 million to $59.7 million.

Revenue from AMS was 2% higher than the previous year. While print ad revenue decreased slightly, it was compensated by our strong growth in Marketing Solutions and digital sales. Both *SCMP.com* and its mobile and tablet editions saw significant growth during the year. We have acquired more than 100 new advertisers for our digital business in 2014.

REB revenue declined 2% from last year. *Classified Post* print revenue continued to be affected by keen competitions, inactive hiring of senior positions as well as the shift of recruitment ads to online platforms. However, our online recruitment sites, namely *ClassifiedPost.com* and *Jiujik.com*, continued to make progress, with the combined revenue of the two sites increased 15% over last year.

Revenue from CSB increased 5% in 2014. The increase in revenue was largely contributed by a strong growth in digital subscriptions. The number of new subscriptions to *SCMP.com* and the renewal rate of the monthly subscribers have both recorded strong growth in 2014.

Magazine Publishing

Magazine business recorded $325.8 million revenue in 2014. Despite a slow and shrinking magazine market, our titles enjoyed a good year of financial performance. With the introduction of *Esquire* and *the Peak* into our portfolio of magazine titles and display revenue for all existing brands continued to grow, revenue for the year rose $47.1 million or 17% year-on-year. Digital advertising revenue also leaped 41% year-on-year. Net profit attributable to shareholders increased 2% to $50.1 million.

Property

Rental income increased 3% to $31.4 million. The growth was due to rental reversion for the Bank of America property and Seaview Estate upon lease renewal.

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 2014 was $1,732 million.

Property (continued)

The Group's investment properties were revalued at 31 December 2014 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. In November 2014, we obtained conditional approval of our revised Master Layout Plan from the Town Planning Board of the Hong Kong SAR Government. As of the latest practicable date, we still have not been notified by the Hong Kong SAR Government of the amount of land premium payable.

LIQUIDITY AND CAPITAL RESOURCES

Overview

The Group's cash and bank balances are held predominantly in Hong Kong dollars except that we have held HK$87.6 million of short-term bank deposits in Renminbi. Apart from the deposits in Renminbi, the Group has no significant exposure to foreign exchange fluctuations.

As at 31 December 2014, the Group had total borrowing of $7.0 million, which was an unsecured short-term loan from a non-controlling shareholder. The loan is repayable within one year. The Group had no gearing (after deducting cash and cash equivalents). The ratio of current assets to current liabilities was 2.9 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

Net cash generated from operating activities for the year ended 31 December 2014 was $217.6 million, compared with $233.1 million for previous year due to increase in tax payment.

Investment Activities

Net cash outflow from investing activities for the year was $36.9 million. It includes capital expenditure of $24.5 million, investment in the shares of Shangri-La Asia Limited through a rights issue and acquisition of Destination Macau Limited. It was offset by dividend income and interest income.

Financing Activities

Net cash used in financing activities was $112.1 million. During the year, $99.9 million dividend was paid to the shareholders of the Company and $19.2 million was paid to a non-controlling shareholder of the Group's subsidiaries. However, the Group also received a shareholder loan of $7 million from a non-controlling shareholder to support the operation of a new subsidiary.

OUTLOOK

2014 saw the Group deliver the third consecutive billion-dollar revenue fiscal year, while successfully navigating through the complexities of a weakening market. This was largely due to prudent cost management programmes that mitigated both expected and uncertain risks, and fruit bearing strategic growth thrusts cultivated within different business divisions. Coupled with a futureproofing digitization strategy, we believe we have built the beginning of a healthy broad-based foundation capable of yielding multiple revenue streams into the future.

The macroeconomic environment remains a concern, with local political impasse casting a shadow on growth prospects, together with a slowing China market and uncertainly over American and European growth. Regardless, we believe with our robust suite of end-to-end digital and print products, a rich content production line, a learning workforce, and a healthy repository of cash reserves, the Group is in a healthy position to further grow its business beyond the shores of its home market of Hong Kong, and to build on the positive momentum sustained over the past few years by expanding our market share internationally. Integral to this approach will be building on the brand positioning of our flagship South China Morning Post as the independent insider on China.

Moreover, synergies between the commercial and editorial sides of the business have also been unleashed this year by creating an interlinked value chain of native advertising, specialist editorial coverage, branded and bespoke events, digital direct response advertising and customized display advertising. This combination of resources across multiple departments gives the Group a multitude of potential revenue streams unseen in the past. We endeavour to stay at the forefront of such invention with practical innovation and marketing effectiveness with our advertisers in mind. Progressing into 2015, we will capitalize on this momentum and continue to deliver shareholders' value.

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 2014, the Group had 1,094 employees compared with 1,070 as at 31 December 2013.

DIVIDEND

Directors recommend to pay a final dividend of HK3.8 cents (2013: HK4.2 cents) per share from the retained profits. This final dividend, together with the interim dividend of HK2.2 cents per share, will make a total dividend of HK6.0 cents per share for the year ended 31 December 2014. The proposed final dividend, if approved, will be paid on Friday, 19 June 2015 to shareholders whose names appear on the Register of Members of the Company on Thursday, 11 June 2015.

BOOK CLOSURE

For determining the eligibility to attend and vote at the annual general meeting of the Company ("AGM") to be held on Monday, 1 June 2015, the Register of Members of the Company will be closed from Thursday, 28 May 2015 to Monday, 1 June 2015, 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, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 27 May 2015 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, 9 June 2015 to Thursday, 11 June 2015, 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, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Monday, 8 June 2015 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 (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.

During the year, the Group's corporate governance practices have complied with all the code provisions of the Corporate Governance Code ("Corporate Governance Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Group also adheres to the recommended best practices of the Corporate Governance 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 Corporate Governance Code have been applied will be included in the Company's Annual Report 2014.

AUDIT COMMITTEE

The Company established an Audit Committee in 1998 with written terms of reference. The Audit Committee currently comprises two Independent Non-executive Directors, namely Mr. Wong Kai Man as Committee Chairman and Dr. the Hon. Sir David Li Kwok Po, and the Non-executive Chairman, Dr. David J. Pang. 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 2014.

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 Dr. the Hon. Sir David Li Kwok Po as Committee Chairman and Mr. Wong Kai Man, and an Executive Director, Ms. Kuok Hui Kwong. One meeting was 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 Dr. Fred Hu Zu Liu 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. Three 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.

The Company had endeavored to identify ways to restore public float, the Company has been unable to make further progress with the proposals previously considered by the Board (the "Previous Proposals") since it had not received support from its substantial shareholders of the Company essential for implementation of the Previous Proposals.

A special board meeting was held on 20 January 2014 to further discuss and explore appropriate methods to resolve the public float issue. Apart from the proposals to restore public float, the Board also considered and assessed other reasonable options (the "Latest Proposals"). One of the options was a delisting proposal with the exit cash offer to be made by the Company which may be made by share buy-backs by general offer (the "Buyback Proposal"). In light of the responses from the substantial shareholders of the Company to the Latest Proposals, the Buyback Proposal appears to be the only route (as amongst the Latest Proposals) that the Company may consider pursuing as it involves primarily a corporate action that could be initiated by the Company itself.

A further special board meeting was held on 25 February 2014 to consider and discuss the Buyback Proposal. The Board noted that although the Buyback Proposal could not restore the public float to 25%, it would at least offer an opportunity for the shareholders of the Company to exit from the Company and put an end to the current impasse. Hence, the Board considered it appropriate to take the Buyback Proposal as a potential viable route for resolving the public float issue. Any exit cash offer under the Buyback Proposal would be made by the Company at an appropriate price which properly reflects the value of the Company's business and assets.

Accordingly, the Company initiated discussions and consultation with the regulators to seek guidance and clearance on compliance aspects under the various regulatory regimes applicable to the Buyback Proposal and seek professional advice on the applicable regulatory regimes and the steps and procedures for potential implementation of the Buyback Proposal. The Company has appointed Platinum Securities Company Limited as financial adviser ("Financial Adviser") and DTZ Debenham Tie Leung Limited as property valuer to the Company to advise in relation to the Buyback Proposal.

An independent board committee comprising Dr. Fred Hu Zu Liu, Dr. the Hon. Sir David Li Kwok Po and Mr. Wong Kai Man has been formed ("Independent Board Committee"). The Company has also approved the appointment of Investec Capital Asia Limited as the independent financial adviser to advise the Independent Board Committee as well as the independent shareholders (as defined under the applicable rules and regulations) in relation to the Buyback Proposal.

The Company has been making substantial efforts since May 2014 to progress the Buyback Proposal by engaging with its substantial shareholders and seeking their support for the proposal. This included discussion of the price at which each of the substantial shareholders of the Company may be prepared to support the proposal, which was based upon a price range arrived at upon advice from the Financial Adviser, as to a fair valuation of the Company. Despite the Company's best efforts, the Company has not been able to reach agreement with its substantial shareholders on a price at which they would each be prepared to support the proposal. Accordingly, as disclosed in the Company's announcement dated 9 January 2015, the Board has resolved to terminate the Buyback Proposal and the Company will not proceed any further with the Buyback Proposal.

The Company continues to liaise with the relevant regulators to resolve the public float issue and to explore alternatives which might afford shareholders the opportunity to realize their investment in the Company. Further announcements will be made at the appropriate time to keep shareholders of the Company updated on the progress of the Company in this regard.

On behalf of the Board
David J. PANG
Chairman

Hong Kong, 19 March 2015

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
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*