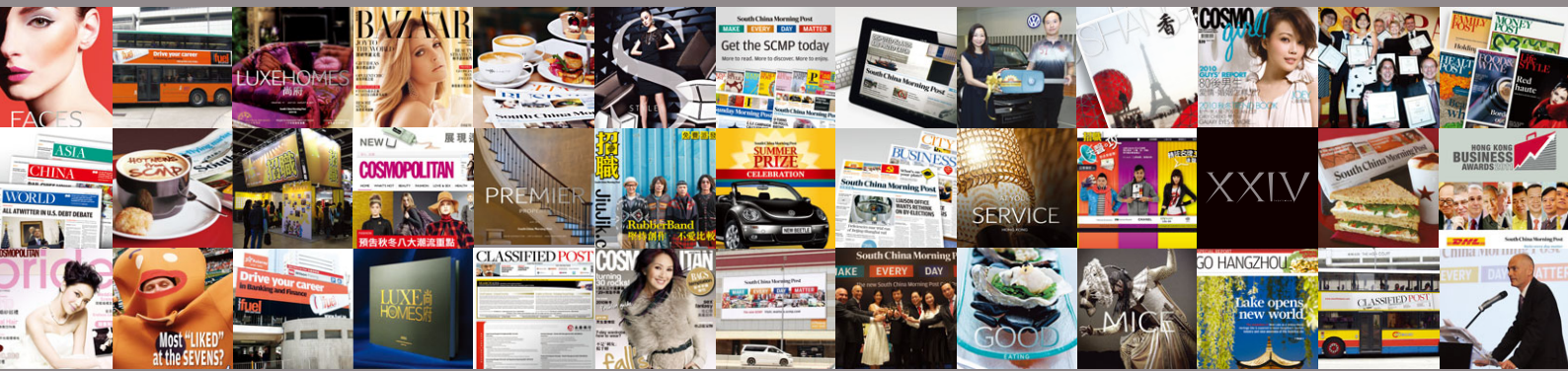


# 2011



## I N T E R I M R E P O R T

SCMP Group Limited

STOCK CODE: 583

# 2011 INTERIM REPORT

## Interim Results

The Directors of SCMP Group Limited (the "Company") are pleased to announce the unaudited interim results of the Company and its group of companies (the "Group") for the six months ended 30 June 2011. These results have been reviewed by the Company's auditor, PricewaterhouseCoopers, in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" and by the Audit Committee of the Company. The review report of the auditors is set out on page 12.

### Condensed Consolidated Balance Sheet

	Notes	(Unaudited) 30 June 2011 HK\$'000	(Audited) 31 December 2010 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3	554,039	566,324
Investment properties	4	1,378,350	1,224,900
Intangible assets		15,184	15,690
Interests in associates		51,191	54,368
Available-for-sale financial assets		260,421	267,965
Defined benefit plan's assets		59,381	56,400
		<b>2,318,566</b>	2,185,647
<b>Current assets</b>			
Inventories		24,756	20,813
Accounts receivable	5	179,130	195,618
Prepayments, deposits and other receivables		11,227	11,226
Cash and cash equivalents		444,748	432,663
		<b>659,861</b>	660,320
<b>Total assets</b>		<b>2,978,427</b>	2,845,967
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Share capital	6	156,095	156,095
Reserves		2,354,497	2,218,491
Proposed dividend		62,438	62,438
		<b>2,416,935</b>	2,280,929
Shareholders' funds		<b>2,573,030</b>	2,437,024
Non-controlling interests		27,218	21,855
<b>Total equity</b>		<b>2,600,248</b>	2,458,879
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred income tax liabilities		200,084	176,128
		<b>200,084</b>	176,128
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	7	119,266	163,102
Subscriptions in advance		15,578	23,041
Current income tax liabilities		43,251	24,817
		<b>178,095</b>	210,960
<b>Total liabilities</b>		<b>378,179</b>	387,088
<b>Total equity and liabilities</b>		<b>2,978,427</b>	2,845,967
<b>Net current assets</b>		<b>481,766</b>	449,360
<b>Total assets less current liabilities</b>		<b>2,800,332</b>	2,635,007

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

# 2011 INTERIM REPORT

## Condensed Consolidated Statement of Comprehensive Income

	Notes	(Unaudited)	
		For the six months ended 30 June	
		2011 HK\$'000	2010 HK\$'000
<b>Revenue</b>	2	<b>443,494</b>	411,698
Other income		<b>4,714</b>	3,089
Staff costs		<b>(159,277)</b>	(182,109)
Cost of production materials		<b>(58,898)</b>	(54,483)
Rental and utilities		<b>(9,165)</b>	(9,671)
Depreciation and amortisation		<b>(26,181)</b>	(28,865)
Advertising and promotion		<b>(13,197)</b>	(12,319)
Other operating expenses		<b>(63,961)</b>	(57,747)
Fair value gain on investment properties		<b>153,450</b>	–
<b>Operating profit</b>		<b>270,979</b>	69,593
Share of profits of associates		<b>516</b>	705
Finance income	9	<b>2,004</b>	909
<b>Profit before income tax</b>		<b>273,499</b>	71,207
Income tax expense	10	<b>(44,419)</b>	(13,431)
<b>Profit for the period</b>		<b>229,080</b>	57,776
<b>Other comprehensive (loss)/income</b>			
Fair value gain arising from reclassification of leasehold properties to investment properties		–	13,178
Fair value loss on available-for-sale financial assets		<b>(23,575)</b>	(3,784)
Currency translation difference		<b>(1,698)</b>	1,934
Income tax relating to components of other comprehensive income		–	(2,174)
<b>Other comprehensive (loss)/income for the period, net of tax</b>		<b>(25,273)</b>	9,154
<b>Total comprehensive income for the period</b>		<b>203,807</b>	66,930
<b>Profit attributable to:</b>			
Shareholders of the Company		<b>223,717</b>	52,319
Non-controlling interests		<b>5,363</b>	5,457
		<b>229,080</b>	57,776
<b>Total comprehensive income attributable to:</b>			
Shareholders of the Company		<b>198,444</b>	61,473
Non-controlling interests		<b>5,363</b>	5,457
		<b>203,807</b>	66,930
<b>Earnings per share</b>			
Basic and diluted	11	<b>14.33 cents</b>	3.35 cents

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

		HK\$'000	HK\$'000
Dividends	12	<b>62,438</b>	31,219

# 2011 INTERIM REPORT

## Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2011

	(Unaudited)								
	Attributable to shareholders								
	Share capital and share premium HK\$'000	Contributed surplus HK\$'000	Investment revaluation reserve HK\$'000	Asset revaluation reserve HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	Total shareholders' funds HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
<b>Balance at 1 January 2011</b>	197,066	865,672	176,299	21,713	(22,812)	1,199,086	2,437,024	21,855	2,458,879
<b>Total comprehensive (loss)/ income for the period</b>	–	–	(23,575)	–	(1,698)	223,717	198,444	5,363	203,807
<b>Transaction with shareholders: Dividends (Note 12)</b>	–	(62,438)	–	–	–	–	(62,438)	–	(62,438)
<b>Balance at 30 June 2011</b>	197,066	803,234	152,724	21,713	(24,510)	1,422,803	2,573,030	27,218	2,600,248
Balance at 1 January 2010	197,066	865,672	109,332	10,709	(27,336)	935,929	2,091,372	21,037	2,112,409
Total comprehensive (loss)/income for the period	–	–	(3,784)	11,004	1,934	52,319	61,473	5,457	66,930
Balance at 30 June 2010	197,066	865,672	105,548	21,713	(25,402)	988,248	2,152,845	26,494	2,179,339

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

## Condensed Consolidated Statement of Cash Flows

	(Unaudited)	
	For the six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
Cash flows from operating activities		
Cash generated from operations	<b>100,093</b>	102,182
Hong Kong profits tax paid	<b>(1,784)</b>	(1,182)
Overseas tax paid	<b>(245)</b>	–
Net cash generated from operating activities	<b>98,064</b>	101,000
Net cash used in investing activities	<b>(23,541)</b>	(4,562)
Cash flows from financing activities		
Dividend paid	<b>(62,438)</b>	–
Net cash used in financing activities	<b>(62,438)</b>	–
Net increase in cash and cash equivalents	<b>12,085</b>	96,438
Cash and cash equivalents at 1 January	<b>432,663</b>	254,112
Cash and cash equivalents at 30 June	<b>444,748</b>	350,550
Analysis of cash and cash equivalents:		
Cash and bank balances	<b>444,748</b>	350,550

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

## Notes to the condensed consolidated interim financial information

### 1. Basis of preparation and accounting policies

The unaudited condensed consolidated interim financial information (“interim financial information”) for the six months ended 30 June 2011 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2010, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

Except as described below, the accounting policies and methods of computation used in the preparation of this interim financial information are consistent with those used in the annual financial statements for the year ended 31 December 2010.

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

The investment properties were valued by an independent professional valuer to determine their fair value as at 30 June 2011. The Group has adopted such valuation and recognised a fair value gain of HK\$153,450,000 accordingly.

The following amendment to standard is relevant to the Group and mandatory for the first time for the financial year beginning 1 January 2011:

Amendment to HKAS 34 “Interim Financial Reporting”

Amendment to HKAS 34 “Interim Financial Reporting” is effective for annual periods beginning on or after 1 January 2011. It emphasises the existing disclosure principles in HKAS34 and adds further guidance to illustrate how to apply these principles. Greater emphasis has been placed on the disclosure principles for significant events and transactions. Additional requirements cover disclosure of changes to fair value measurement (if significant), and the need to update relevant information from the most recent annual report. The amendment does not result in additional disclosures in the Group’s interim financial information.

### 2. Revenue and segment information

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

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

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

## 2. Revenue and segment information (continued)

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies in the annual financial statements for the year ended 31 December 2010, except that interest in the profit or loss of an associate is accounted for on the basis of dividend received or receivable in segment profit or loss while such interest is accounted for under the equity method in the Group's consolidated financial statements.

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

Turnover consists of revenue from all of the Group's reportable segments, which comprise newspaper, magazine, property, as well as other segments whose contributions to the Group's revenue and profit or loss are below the quantitative threshold for separate disclosures. The turnover for the six months ended 30 June 2011 and 2010 were HK\$443,494,000 and HK\$411,698,000 respectively.

The segment information for the six months ended 30 June 2011 and 2010 is as follows:

### (a) Reportable segment profit or loss

	Newspaper HK\$'000	Magazine HK\$'000	(Unaudited) Property HK\$'000	All other HK\$'000	Total HK\$'000
<b>For the six months ended 30 June 2011</b>					
<b>Total segment revenue</b>	<b>369,614</b>	<b>61,498</b>	<b>15,652</b>	–	<b>446,764</b>
<b>Inter-segment revenue</b>	<b>(15)</b>	<b>(2,484)</b>	<b>(771)</b>	–	<b>(3,270)</b>
<b>Revenue from external customers</b>	<b>369,599</b>	<b>59,014</b>	<b>14,881</b>	–	<b>443,494</b>
<b>Reportable segment profit</b>	<b>73,747</b>	<b>18,321</b>	<b>136,571</b>	<b>2,380</b>	<b>231,019</b>
<b>For the six months ended 30 June 2010</b>					
Total segment revenue	340,038	62,281	13,949	–	416,268
Inter-segment revenue	(220)	(3,579)	(771)	–	(4,570)
Revenue from external customers	339,818	58,702	13,178	–	411,698
Reportable segment profit	41,007	7,148	7,171	1,745	57,071

**2. Revenue and segment information (continued)**

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

	(Unaudited)	
	For the six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
Profit for reportable segments	228,639	55,326
Profit for all other segments	2,380	1,745
	<b>231,019</b>	57,071
Reconciling items:		
Share of profits of associates under equity method of accounting	516	705
Dividend received from associates	(2,455)	–
	<b>(1,939)</b>	705
Profit for the period	<b>229,080</b>	57,776

**3. Property, plant and equipment**

	Group (Unaudited)			
	Leasehold properties HK\$'000	Other fixed assets HK\$'000	Assets in progress HK\$'000	Total HK\$'000
At 1 January 2011	317,679	246,259	2,386	566,324
Additions	–	4,621	6,281	10,902
Depreciation	(4,876)	(18,321)	–	(23,197)
Translation differences	–	11	–	11
Disposals	–	(1)	–	(1)
Reclassification	–	3,106	(3,106)	–
<b>Net book value at 30 June 2011</b>	<b>312,803</b>	<b>235,675</b>	<b>5,561</b>	<b>554,039</b>
At 30 June 2011				
Cost	420,375	892,680	5,561	1,318,616
Accumulated depreciation	(107,572)	(657,005)	–	(764,577)
<b>Net book value at 30 June 2011</b>	<b>312,803</b>	<b>235,675</b>	<b>5,561</b>	<b>554,039</b>



#### 4. Investment properties

	<b>(Unaudited)</b> <b>30 June 2011</b> <b>HK\$'000</b>	<b>Group</b> (Audited) 31 December 2010 HK\$'000
Opening balance	<b>1,224,900</b>	1,008,100
Reclassification from leasehold properties	—	18,000
Fair value gain	<b>153,450</b>	198,800
Ending balance	<b>1,378,350</b>	1,224,900

#### 5. Accounts receivable

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

	<b>(Unaudited)</b> <b>30 June 2011</b>		<b>Group</b> (Audited) 31 December 2010	
	<b>Balance</b> <b>HK\$'000</b>	<b>Percentage</b> <b>%</b>	Balance HK\$'000	Percentage %
Current	<b>116,984</b>	<b>63.4</b>	125,289	62.5
Less than 30 days past due	<b>47,547</b>	<b>25.8</b>	15,039	7.5
31 to 60 days past due	<b>3,241</b>	<b>1.8</b>	38,272	19.1
61 to 90 days past due	<b>9,576</b>	<b>5.2</b>	14,850	7.4
Over 90 days past due	<b>7,053</b>	<b>3.8</b>	6,925	3.5
Total	<b>184,401</b>	<b>100.0</b>	200,375	100.0
Less: Allowance for impairment	<b>(5,271)</b>		(4,757)	
	<b>179,130</b>		195,618	

### 6. Share capital

	<b>Company and Group</b>	
	<b>(Unaudited)</b> <b>30 June 2011</b> <b>HK\$'000</b>	(Audited) 31 December 2010 HK\$'000
Authorised: 5,000,000,000 shares of HK\$0.10 each	<b>500,000</b>	500,000
Issued and fully paid: 1,560,945,596 (2010: 1,560,945,596) shares of HK\$0.10 each	<b>156,095</b>	156,095

### 7. Accounts payable and accrued liabilities

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

	<b>Group</b>			
	<b>(Unaudited)</b> <b>30 June 2011</b>		(Audited) 31 December 2010	
	<b>Balance</b> <b>HK\$'000</b>	<b>Percentage</b> <b>%</b>	Balance HK\$'000	Percentage %
0 to 30 days	<b>19,201</b>	<b>84.6</b>	22,981	85.4
31 to 60 days	<b>1,787</b>	<b>7.9</b>	2,494	9.3
61 to 90 days	<b>766</b>	<b>3.4</b>	811	3.0
Over 90 days	<b>932</b>	<b>4.1</b>	622	2.3
Total accounts payable	<b>22,686</b>	<b>100.0</b>	26,908	100.0
Accrued liabilities	<b>96,580</b>		136,194	
Total accounts payable and accrued liabilities	<b>119,266</b>		163,102	

### 8. Capital commitments

	<b>Group</b>	
	<b>(Unaudited)</b> <b>30 June 2011</b> <b>HK\$'000</b>	(Audited) 31 December 2010 HK\$'000
Capital commitments for property, plant and equipment		
Contracted, but not provided for	<b>14,154</b>	5,116
Authorised, but not contracted for	<b>29,085</b>	45,370
	<b>43,239</b>	50,486

## 9. Finance income

	<b>Group (Unaudited)</b>	
	<b>For the six months ended 30 June</b>	
	<b>2011</b>	2010
	<b>HK\$'000</b>	HK\$'000
Interest income on bank deposits	<b>1,263</b>	168
Interest income on available-for-sales financial assets	<b>741</b>	741
	<b>2,004</b>	909

## 10. Income tax expense

Hong Kong profits tax has been provided for at a rate of 16.5% (2010: 16.5%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

Income tax expense is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the period is 16.2% (2010: 18.9%). This decrease is mainly due to the closure of loss-making businesses in prior year.

	<b>Group (Unaudited)</b>	
	<b>For the six months ended 30 June</b>	
	<b>2011</b>	2010
	<b>HK\$'000</b>	HK\$'000
Current income tax		
Hong Kong profits tax	<b>20,218</b>	15,549
Overseas taxation	<b>245</b>	–
Deferred income tax		
Deferred tax with respect to fair value gain on investment properties	<b>25,319</b>	–
Other deferred tax credits	<b>(1,363)</b>	(2,118)
	<b>44,419</b>	13,431

## 11. Earnings per share

The calculation of basic and diluted earnings per share is based on the profit for the period attributable to shareholders of HK\$223,717,000 (2010: HK\$52,319,000) and 1,560,945,596 (2010: 1,560,945,596) shares in issue during the period.

As at 30 June 2011 and 2010, there were no share options outstanding that enable holders to subscribe for shares in the Company.

## 12. Dividend

A 2010 final dividend of HK4 cents per share, totaling HK\$62,438,000 was paid out of the Company's contributed surplus in May 2011. No final dividend was declared in respect of financial year 2009.

The Directors have declared an interim dividend of HK4 cents per share for the period, totaling HK\$62,438,000 (2010: HK2 cents per share, totaling HK\$31,219,000).

### 13. Related party transactions

Kerry Media Limited, a company incorporated in the British Virgin Islands, is the immediate holding company of the Company. Kerry Group Limited, a company incorporated in the Cook Islands, is the ultimate holding company of Kerry Media Limited. The directors regard Kerry Group Limited as the ultimate holding company of the Company as of the balance sheet date.

#### (a) Transactions with Kerry Group

Significant transactions with Kerry Group Limited and its group of subsidiaries ("Kerry Group"), which were carried out in the normal course of the Group's business at terms determined and agreed by both parties, are as follows:

	<b>Group (Unaudited)</b>	
	<b>For the six months ended 30 June</b>	
	<b>2011</b>	2010
	<b>HK\$'000</b>	HK\$'000
Rendering of services		
– Advertising revenue	<b>753</b>	2,439
– Magazine production service fee	<b>3,987</b>	640
	<b>4,740</b>	3,079

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

	<b>Group (Unaudited)</b>	(Audited)
	<b>30 June 2011</b>	31 December 2010
	<b>HK\$'000</b>	HK\$'000
Receivables arising from advertising services	<b>132</b>	317
Receivables arising from magazine production services	<b>3,987</b>	24
	<b>4,119</b>	341

#### (c) Key management personnel compensation

	<b>Group (Unaudited)</b>	
	<b>For the six months ended 30 June</b>	
	<b>2011</b>	2010
	<b>HK\$'000</b>	HK\$'000
Salaries and other short-term employee benefits	<b>12,656</b>	11,066
Post-employment benefits	<b>225</b>	164
Termination benefits	<b>910</b>	–
	<b>13,791</b>	11,230

### 14. Approval of the interim financial information

This interim financial information was approved by the Board of Directors on 25 August 2011.



羅兵咸永道

**REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION  
TO THE BOARD OF DIRECTORS OF SCMP GROUP LIMITED**  
(incorporated in Bermuda with limited liability)

**Introduction**

We have reviewed the interim financial information set out on pages 1 to 11, which comprises the condensed consolidated balance sheet of SCMP Group Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2011 and the related condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and other explanatory notes. The Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

**Scope of Review**

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

**PricewaterhouseCoopers**  
Certified Public Accountants

Hong Kong, 25 August 2011

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## Management Discussion and Analysis

### Operating Results of the Group

The Group's consolidated operating results for the six months ended 30 June 2011 and 2010 were as follows:

<i>(HK\$ millions, except per share amounts)</i>	<b>For the six months ended 30 June</b>		% Change
	<b>2011</b>	2010	
<b>Revenue</b>	<b>443.5</b>	411.7	8
Staff costs	<b>(159.3)</b>	(182.1)	(13)
Production costs	<b>(58.9)</b>	(54.5)	8
Rental and utilities	<b>(9.2)</b>	(9.7)	(5)
Advertising and promotions	<b>(13.2)</b>	(12.3)	7
Other operating expenses	<b>(63.9)</b>	(57.7)	11
Operating costs before depreciation and amortisation	<b>(304.5)</b>	(316.3)	(4)
Depreciation and amortisation	<b>(26.2)</b>	(28.9)	(9)
<b>Operating profit from principal activities</b>	<b>112.8</b>	66.5	70
Other income	<b>4.7</b>	3.1	52
Fair value gain on investment properties	<b>153.5</b>	–	*
<b>Operating profit</b>	<b>271.0</b>	69.6	*
Net interest income	<b>2.0</b>	0.9	*
Share of profits of associates	<b>0.5</b>	0.7	(29)
Deferred tax on fair value changes of investment properties	<b>(25.3)</b>	–	*
Taxation	<b>(19.1)</b>	(13.4)	43
<b>Profit for the period</b>	<b>229.1</b>	57.8	*
Non-controlling interests	<b>(5.4)</b>	(5.5)	(2)
<b>Profit attributable to shareholders</b>	<b>223.7</b>	52.3	*
<b>Earnings per share (HK cents)</b>	<b>14.3</b>	3.4	*

\* Represents an increase in excess of 100%

The Group recorded a net profit of \$223.7 million for the first half of 2011, increased fourfold as compared with the same period last year. This year's results included a fair value gain on investment properties net of deferred tax of \$128.2 million due to the hectic rise in property price in the first six months of the year.

Revenue was \$443.5 million, up 8% mainly driven by higher revenues across all divisions partly offset by the absence of revenue contribution from PRC magazine after the cessation of *Instyle* operation last year. Staff costs for the first half of 2011 were lower due to a provision of staff bonus made in June 2010 but no bonus provision was made in the same period this year. Excluding the PRC magazines losses and bonus provision from last year's results, operating profit from principal activities for the first half of 2011 increased 9% to \$112.8 million in line with the revenue growth.

# 2011 INTERIM REPORT

## Revenue

The consolidated revenue for the six months ended 30 June 2011 and 2010 by business segment and for the Group were as follows:

<i>(HK\$ millions)</i>	<b>2011</b>	2010	% Change
Newspaper publishing	<b>369.6</b>	340.0	9
Magazine publishing	<b>61.5</b>	62.3	(1)
Property	<b>15.7</b>	14.0	12
Inter-segment eliminations	<b>(3.3)</b>	(4.6)	(28)
<b>Total revenue</b>	<b>443.5</b>	411.7	8

## Operating Costs and Expenses

Operating costs and expenses for the six months ended 30 June 2011 and 2010 were as follows:

<i>(HK\$ millions)</i>	<b>2011</b>	2010	% Change
Staff costs	<b>159.3</b>	182.1	(13)
Production costs	<b>58.9</b>	54.5	8
Rental and utilities	<b>9.2</b>	9.7	(5)
Advertising and promotions	<b>13.2</b>	12.3	7
Other operating expenses	<b>63.9</b>	57.7	11
Depreciation and amortisation	<b>26.2</b>	28.9	(9)
<b>Total operating costs and expenses</b>	<b>330.7</b>	345.2	(4)

Staff costs decreased 13% or \$22.8 million mainly due to the provision for staff bonus made in the first half of 2010. Excluding the impact of staff bonus, staff costs has experienced a moderate increase resulting from the increase in headcount and salary increment granted to selected employees in January this year.

Production cost increased 8% or \$4.4 million, as increase in newsprint and other production costs outweighed the cost savings from the termination of PRC magazine operations. The average cost of 45gsm newsprint rose 25% in the first half from a year ago.

Advertising and promotion expenses increased 7%, mainly for the series of brand campaigns to re-launch our newly designed paper in May. Other operating expenses increased 11% or \$6.2 million mainly because of higher contributor fees, news services expense and volume discount to support revenue growth.

## EBITDA and Operating Profit

Earnings before interest, tax, depreciation and amortisation (EBITDA) and operating profit from principal activities for the six months ended 30 June 2011 and 2010 by business segment and for the Group were as follows:

<i>(HK\$ millions)</i>	<b>EBITDA</b>			<b>Operating profit from principal activities</b>		
	<b>2011</b>	2010	%	<b>2011</b>	2010	%
			Change			Change
Newspaper publishing	<b>104.0</b>	72.6	43	<b>81.0</b>	46.9	73
Magazine publishing	<b>22.3</b>	11.2	99	<b>21.8</b>	10.7	*
Property	<b>13.0</b>	11.6	12	<b>10.3</b>	8.9	16
Book publishing and others	<b>(0.3)</b>	–	*	<b>(0.3)</b>	–	*
<b>Total</b>	<b>139.0</b>	95.4	46	<b>112.8</b>	66.5	70

\* Represents a change in excess of 100%

## Financial Review by Business

### Newspaper Publishing

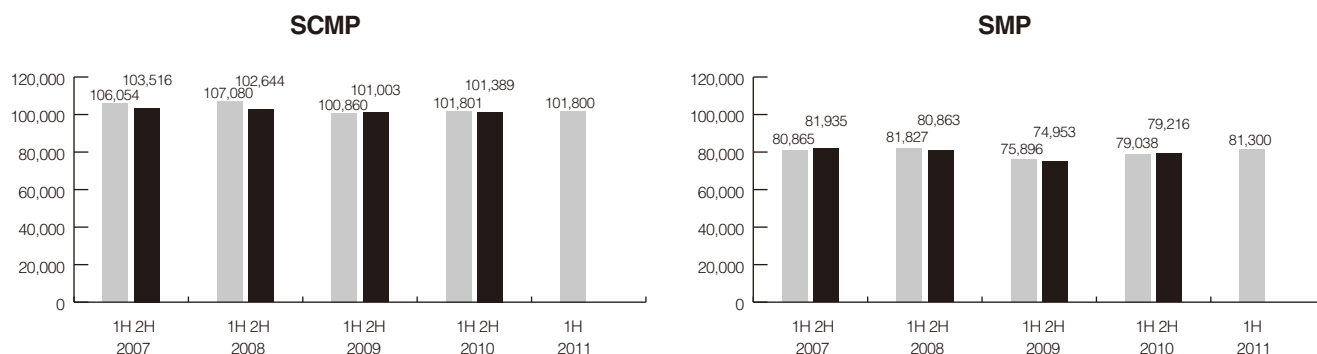
<i>(HK\$ millions)</i>	<b>For the six months ended 30 June</b>		
	<b>2011</b>	2010	% Change
Revenue	<b>369.6</b>	340.0	9
EBITDA	<b>104.0</b>	72.6	43
Operating profit from principal activities	<b>81.0</b>	46.9	73
Net profit attributable to shareholders	<b>73.7</b>	41.0	80
EBITDA margin	<b>28%</b>	21%	
Operating margin	<b>22%</b>	14%	

Improvement in newspaper revenue and operating profit was mainly attributable to the growth in sales from both display and recruitment advertisements.

Revenue from advertising and marketing services increased 11%. The increase was mainly from higher volume of display advertising in the newspaper, glossy magazines and *Post Magazine*. IPO related revenue increased 13% due to the increase in number of IPOs captured in the first half year. 43 IPOs were captured by SCMP out of the total of 45 in the market, as compared to 37 IPOs captured out of a total of 38 during the same period last year.

Recruitment revenue increased 8%, mainly driven by strong growth in online recruitment advertisements.

The unaudited circulation of *South China Morning Post* in the first half of 2011 was estimated at 101,800 copies, same level as last year, and that of *Sunday Morning Post* was 81,300, increased by 3% as compared with the first half of 2010.



*Audited except 1H 2011*

### Magazine Publishing

<i>(HK\$ millions)</i>	<b>For the six months ended 30 June</b>		
	<b>2011</b>	2010	% Change
Revenue	<b>61.5</b>	62.3	(1)
EBITDA	<b>22.3</b>	11.2	99
Operating profit from principal activities	<b>21.8</b>	10.7	*
Net profit attributable to shareholders	<b>13.0</b>	1.7	*

\* Represents an increase in excess of 100%



# 2011 INTERIM REPORT

Magazines division recorded an operating profit from principal activities of \$21.8 million in the first half of 2011, more than doubled that of last year. The significant improvement in the operating result was mainly contributed by the cessation of loss-making PRC titles. The three women's titles in Hong Kong continued to perform well with revenues improved by 5% compared with same period last year.

## Property

<i>(HK\$ millions)</i>	<b>For the six months ended 30 June</b>		% Change
	<b>2011</b>	2010	
Revenue	<b>15.7</b>	14.0	12
EBITDA	<b>13.0</b>	11.6	12
Operating profit from principal activities	<b>10.3</b>	8.9	16
Net profit attributable to shareholders	<b>136.6</b>	7.2	*

\* Represents an increase in excess of 100%

On the back of a strong property sentiment in Hong Kong in the first half of 2011, we recognised a gain of \$128.2 million (net of deferred tax) from our investment properties revaluation. Rental income increased by 12% in the first half of 2011 mainly driven by the higher rental from the advertising boards and 1/F of Ko Fai Industrial Building which has been let out since June 2010.

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

## Liquidity and Capital Resources

The Group's main source of liquidity is recurring cash flows from the publishing business. The Group's financial position as at 30 June 2011 and 31 December 2010 were as follows:

<i>(HK\$ millions)</i>	<b>30 June 2011</b>	31 December 2010	% Change
Cash and cash equivalents	<b>444.7</b>	432.7	3
Shareholders' funds	<b>2,573.0</b>	2,437.0	6
Ratios:			
Gearing	—	—	
Current ratio	<b>3.7</b>	3.1	

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

The Group had no gearing as at 30 June 2011. The ratio of current assets to current liabilities was 3.7 times.

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

## Operating Activities

The newspaper publishing business continued to be the major source of the Group's cash flow from operating activities. Net cash generated from operating activities for the six months ended 30 June 2011 remained stable at \$98.1 million, compared with \$101.0 million for the same period last year.

## Investment Activities

Net cash outflow from investing activities for the period was \$23.5 million, consisting of a \$16.0 million investment on listed shares, \$13.4 million in capital expenditure offset by dividends and interest income of \$5.9 million. The capital expenditure was mainly spent on information technology and production equipment. Net cash outflow from investment activities for the same period in 2010 was \$4.6 million mainly for information technology related capital expenditure.

## Financing Activities

Net cash used in financing activities was \$62.4 million, solely represents the final dividend in respect of 2010 paid to shareholders in May 2011. No dividend was paid during the same period last year.

## Outlook

The Group has been aggressively developing new consumer products with revenue driving potential. Efficiency programs remain in place to ensure that the Group is focused on to drive our operational requirements without expending resources unnecessarily. These efforts have paid off and together with a robust economy and increasing advertising spends, have resulted in a strong first half of 2011. Looking into the second half of this year, the Group will continue to strengthen its print and digital products and deliver stronger sales opportunities and more exciting marketing avenues for its advertising clients. On the cost side, the Group will continue to drive efficiency programs to contain the impact of cost-push inflation in an increasingly inflationary environment. Provided that the economy remains stable in the months ahead, the Group is confident that the business momentum will be maintained in the second half of 2011.

## Staff

The Company's remuneration policy is established to attract, motivate and retain high performing individuals. A comprehensive review of the fringe benefits including medical, dental and annual leave entitlement has been concluded. Salaries of employees are maintained at competitive levels. As at 30 June 2011, the Group had 831 employees compared with 784 as at 31 December 2010.

## Interim Dividend

The Directors have declared an interim dividend of HK4 cents (2010: HK2 cents) per share, amounting to HK\$62,438,000, payable to shareholders whose names appear on the Register of Members of the Company on Friday, 23 September 2011 and payable on Tuesday, 27 September 2011.

## Book Closure

The Register of Members of the Company will be closed from Tuesday, 20 September 2011 to Friday, 23 September 2011, 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, 19 September 2011 so as to qualify for the interim dividend.

## Directors

The Directors of the Company during the six months ended 30 June 2011 and up to the date of this report were:

### *Non-executive Directors*

Dr. David J. Pang (*Chairman*)

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

Tan Sri Dr. Khoo Kay Peng

Mr. Kuok Khoon Ean

### *Independent Non-executive Directors*

The Hon. Ronald J. Arculli

Dr. Fred Hu Zu Liu

Dr. The Hon. Sir David Li Kwok Po

Mr. Wong Kai Man

### *Executive Director*

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

## Board of Directors

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

#### *Chairman*

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

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

#### *Deputy Chairman*

Mr. Ongpin was appointed as the Deputy Chairman of the Company in October 1993. He is a Non-executive Director of Shangri-La Asia Limited, listed on The Stock Exchange of Hong Kong Limited and a director of Makati Shangri-la Hotel & Resort, Inc. He is also the Chairman of Philippine Bank of Communications, PhilWeb Corporation, ISM Communications Corporation, Alphaland Corporation and Atok-Big Wedge Co., Inc. and Director of San Miguel Corporation, Ginebra San Miguel, Inc. and Petron Corporation, all of which are listed on the Philippine Stock Exchange, Inc. ("PSE"). He is also a Non-executive Director of Forum Energy PLC, a listed company on the London Stock Exchange. In addition, he is Chairman of Acentic GmbH and Developing Countries Investment Corp. He served as Director of Araneta Properties, Inc. until December 2010 and Philex Mining Corporation until December 2009, which are both listed on the PSE. He also served as Chairman of Eastern Telecommunications Philippines, Inc. until 8 February 2011. He was a director of E2-Capital (Holdings) Limited (presently known as CIAM Group Limited), listed on The Stock Exchange of Hong Kong Limited, until June 2008. Prior to 1979, Mr. Ongpin was the Chairman and Managing Partner of the SGV Group, the largest accounting and consulting firm in Asia. He was the Minister of Trade and Industry of the Republic of the Philippines from 1979 to 1986. He has an MBA from Harvard University and is a Certified Public Accountant (Philippines).

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

*GBM, CVO, GBS, OBE, JP*

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

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

Dr. Hu is Chairman and founder of Primavera Capital Group, a China-based global investment firm. He was formerly a partner, managing director and Chairman of Greater China at Goldman Sachs and was instrumental in building the firm's franchise in the region. He also served as an economist at the I.M.F. in Washington D.C., where he was engaged in macroeconomic research, policy consultations and technical assistance for member country governments including China. He has been Co-director at the National Center for Economic Research and professor at Tsinghua University since 1996 and is a member of the editorial board for several academic journals and a columnist for China's leading business magazines. Dr. Hu has advised the Chinese government on financial and pension reform, SOE restructuring and macroeconomic policies. He currently sits on Hong Kong Government's Strategic Development Committee and the Advisory Committee for the Hong Kong Securities and Futures Commission. He is a member of the advisory committees of Harvard China Fund, Stanford Center for International Development and the Chazen Institute of Columbia Business School. He is also a trustee of China Medical Board and the Co-Chair of the Nature Conservatory's China Board. Dr. Hu is an independent non-executive director of Hang Seng Bank Limited (listed in Hong Kong) and an external supervisor of Shanghai Pudong Development Bank Co., Ltd. (listed in Shanghai). He was an independent director of Shanghai Pudong Development Bank Co., Ltd. from 2002 to 2008. Dr. Hu holds a Master in Engineering Science from Tsinghua University, and a Master and PhD in Economics from Harvard University.

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

Tan Sri Dr. Khoo is the Chairman and Chief Executive of The MUI Group, which is a business corporation with diversified operations in the Asia Pacific, the United States of America ("USA") and the United Kingdom ("UK"). He is the Chairman and Chief Executive of Malayan United Industries Berhad and MUI Properties Berhad (both listed in Kuala Lumpur). Dr. Khoo is also the Chairman of Laura Ashley Holdings plc (listed in London), Corus Hotels Limited, UK and Pan Malaysian Industries Berhad (listed in Kuala Lumpur). He is also a director of The Bank of East Asia, Limited (listed in Hong Kong). He was the Chairman of Morning Star Resources Limited (listed in Hong Kong) until October 2010. Dr. Khoo is a trustee of Regent University, Virginia, USA and a board member of Northwest University, Seattle, USA. He also serves as a Council Member of the Malaysian-British Business Council, the Malaysia-China Business Council and the Asia Business Council.

## **Ms. Kuok Hui Kwong**

*Managing Director and Chief Executive Officer*

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

## **Mr. Kuok Khoon Ean**

Mr. Kuok was appointed Chairman of the Company in January 1998 and became an Executive Director in January 2000 and assumed the role of Executive Chairman in August 2000 until his re-designation as Non-executive Director in January 2009. He is a director of Kerry Group Limited, the ultimate holding company of the Company, and Kerry Holdings Limited, a substantial shareholder of the Company. Mr. Kuok is Chairman and Chief Executive Officer of Shangri-La Asia Limited (listed in Hong Kong and Singapore). He is also a director of Shangri-La Hotel Public Company Limited and The Post Publishing Public Company Limited (both listed in Thailand), and Wilmar International Limited (listed in Singapore). Mr. Kuok is also an independent non-executive director of The Bank of East Asia, Limited (listed in Hong Kong). He is a graduate in Economics from Nottingham University, UK. Mr. Kuok is the brother of Ms. Kuok Hui Kwong, the Managing Director and Chief Executive Officer of the Company.

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

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

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

## **Mr. Wong Kai Man**

*BBS, JP*

Mr. Wong is an accountant with 32 years of audit, initial public offer and computer audit experience. He was a member of the Growth Enterprise Market Listing Committee of The Stock Exchange of Hong Kong Limited from 1999 to 2003. He retired as an audit partner from PricewaterhouseCoopers, Hong Kong on 30 June 2005 and is currently the director of two charity foundations: Victor and William Fung Foundation Ltd. and Li & Fung (1906) Foundation Limited, and an Honorary Associate Professor of the School of Business of the University of Hong Kong. He is currently an independent non-executive director of China Construction Bank Corporation (listed in Hong Kong and Shanghai), Shangri-La Asia Limited (listed in Hong Kong and Singapore) and SUNeVision Holdings Ltd. (listed in Hong Kong). He is a non-executive director of the Securities and Futures Commission. In addition, he serves in a number of government committees and the board of certain non-governmental organisations. Mr. Wong obtained his Bachelor of Science in Physics from the University of Hong Kong and Master of Business Administration from the Chinese University of Hong Kong, and is a fellow of the Association of Chartered Certified Accountants, United Kingdom and a fellow of the Hong Kong Institute of Certified Public Accountants.

## Corporate Executives

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

*Managing Director and Chief Executive Officer*

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

### **Ms. Elsie Cheung Hoi Sze**

*Chief Operating Officer*

Ms. Cheung was promoted to Chief Operating Officer of the SCMP Group in January 2011, in charge of all commercial operations of the newspaper group. Having started her career with the SCMP, Ms. Cheung's media industry experience also saw her working for TVB, Hong Kong Telecom and SUNeVision, before returning to the SCMP Group.

### **Mr. Alex Kam Kwong Fai**

*Chief Financial Officer*

Mr. Kam joined the SCMP Group on 10 March 2011. With a career spanning Hong Kong, England and Sydney, Mr. Kam is a qualified Chartered Accountant with 30 years' experience that covers corporate finance, treasury, financial control and strategic planning. He was most recently in a General Management position at the Airport Authority Hong Kong, where he has held multiple senior management positions over a period of 11 years. Prior to this he held senior positions at HSBC Markets, Chase Manhattan Asia Ltd, Credit Suisse First Boston HK and Citicorp International Ltd.

### **Mr. Cliff Buddle**

*Acting Editor-In-Chief*

Mr. Buddle took up the role of Acting Editor-In-Chief in March 2011, responsible for the editorial direction and newsroom operations. Mr. Buddle started as a District Court Reporter for the *SCMP* in 1994 and progressed steadily to his current role. Mr. Buddle launched his journalism career as a reporter at the Central Criminal Court in the UK where he spent 12 years. He has a Masters in Human Rights Law from the University of Hong Kong.

## Directors' Interests in Shares, Underlying Shares and Debentures

As at 30 June 2011, the Directors of the Company had the following interests or short positions in shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"):

### (i) Company

Name of Director	Capacity/ Nature of interests	Number of ordinary shares held	Approximate % of issued share capital
Mr. Kuok Khoon Ean	Corporate	340,000 <sup>1</sup>	0.02% <sup>8</sup>
Dr. The Hon. Sir David Li Kwok Po	Personal	4,778,000	0.31% <sup>8</sup>

## (ii) Associated Corporations

Name of Associated Corporation	Name of Director	Number of ordinary shares held			Number of underlying ordinary shares held under equity derivatives	Total	Approximate % of issued share capital
		Personal interests	Corporate interests	Family/Other interests			
Kerry Group Limited	Dr. David J. Pang	200,000	–	–	800,000 <sup>2</sup>	1,000,000	0.07% <sup>9</sup>
	Ms. Kuok Hui Kwong	–	–	45,899,988 <sup>3</sup>	2,000,000 <sup>4</sup>	47,899,988	3.12% <sup>9</sup>
	Mr. Kuok Khoon Ean	–	51,973,807 <sup>1</sup>	–	3,000,000 <sup>5</sup>	54,973,807	3.58% <sup>9</sup>
Kerry Properties Limited	Ms. Kuok Hui Kwong	25,000	–	1,252,048 <sup>6</sup>	400,000 <sup>7</sup>	1,677,048	0.12% <sup>10</sup>
	Mr. Kuok Khoon Ean	–	1,283,082 <sup>1</sup>	–	–	1,283,082	0.09% <sup>10</sup>

*Notes:*

1. This represents deemed corporate interests held by Mr. Kuok Khoon Ean through Allerlon Limited, which is wholly owned by Mr. Kuok and his spouse.
2. This represents interests in share options held by Dr. David J. Pang to subscribe for the relevant underlying ordinary shares of Kerry Group Limited, details of which are set out in the section headed “Directors’ Rights to Acquire Shares or Debentures” below.
3. This includes 1,000,000 shares held by the spouse of Ms. Kuok Hui Kwong and 44,899,988 shares held by Ms. Kuok through a discretionary trust of which she is a contingent beneficiary.
4. This represents interests in share options held by Ms. Kuok Hui Kwong and her spouse to subscribe for the relevant underlying ordinary shares of Kerry Group Limited, details of which are set out in the section headed “Directors’ Rights to Acquire Shares or Debentures” below.
5. This represents interests in share options held by Mr. Kuok Khoon Ean to subscribe for the relevant underlying ordinary shares of Kerry Group Limited, details of which are set out in the section headed “Directors’ Rights to Acquire Shares or Debentures” below.
6. This represents interests held by Ms. Kuok Hui Kwong through a discretionary trust of which she is a contingent beneficiary.
7. This represents interests in share options held by the spouse of Ms. Kuok Hui Kwong to subscribe for the relevant underlying ordinary shares of Kerry Properties Limited, details of which are set out in the section headed “Directors’ Rights to Acquire Shares or Debentures” below.
8. Approximate percentage calculated based on the 1,560,945,596 ordinary shares of the Company in issue as at 30 June 2011.
9. Approximate percentage calculated based on the 1,534,784,913 ordinary shares of Kerry Group Limited in issue as at 30 June 2011.
10. Approximate percentage calculated based on the 1,438,278,488 ordinary shares of Kerry Properties Limited in issue as at 30 June 2011.

All the interests stated above represent long positions in the shares of the Company or its associated corporations.

Apart from the aforesaid, as at 30 June 2011, none of the Directors of the Company had any interest or short position in any shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## Directors' Rights to Acquire Shares or Debentures

### (i) Company

None of the Directors (including their spouses and children under 18 years of age) had been granted by the Company or had exercised any rights to subscribe for shares or debentures of the Company during the six months ended 30 June 2011.

### (ii) Associated Corporations

#### (a) Kerry Group Limited

Dr. David J. Pang, Ms. Kuok Hui Kwong and her spouse and Mr. Kuok Khoon Ean have interests in the share options ("KGL Options") to subscribe for shares in Kerry Group Limited, an associated corporation of the Company (within the meaning of the SFO), during the six months ended 30 June 2011. Details are set out as follows:

Name of Director	Date of grant	Number of KGL Options held as at 01/01/2011	Number of KGL Options granted during the period	Number of KGL Options exercised during the period	Number of KGL Options held as at 30/06/2011	Exercise price/share HK\$	Exercise period
Dr. David J. Pang	19/07/2010	900,000	–	(100,000)	800,000	10.00	19/07/2010 – 15/07/2017
Ms. Kuok Hui Kwong	19/07/2010 <sup>1</sup>	1,000,000	–	–	1,000,000	10.00	19/07/2010 – 15/07/2017
	26/07/2010	1,000,000	–	–	1,000,000	10.00	26/07/2010 – 15/07/2017
Mr. Kuok Khoon Ean	03/08/2010	3,000,000	–	–	3,000,000	10.00	03/08/2010 – 15/07/2017

*Note:*

- The KGL Options were granted to the spouse of Ms. Kuok Hui Kwong.

#### (b) Kerry Properties Limited

The spouse of Ms. Kuok Hui Kwong has interests in the share options ("KPL Options") to subscribe for shares in Kerry Properties Limited, an associated corporation of the Company (within the meaning of the SFO), during the six months ended 30 June 2011. Details are set out as follows:

Date of grant	Number of KPL Options held as at 01/01/2011	Number of KPL Options granted during the period	Number of KPL Options exercised during the period	Number of KPL Options held as at 30/06/2011	Exercise price/share HK\$	Exercise period
02/04/2008	300,000	–	–	300,000	47.70	Tranche I (75,000) – 02/04/2009 – 01/04/2018 Tranche II (75,000) – 02/04/2010 – 01/04/2018 Tranche III (150,000) – 02/04/2011 – 01/04/2018
06/02/2009	100,000	–	–	100,000	17.58	Tranche I (50,000) – 06/02/2010 – 05/02/2019 Tranche II (50,000) – 06/02/2011 – 05/02/2019

Save as stated above, none of the Directors (including their spouses and children under 18 years of age) had been granted any rights to subscribe for shares or debentures of any of the associated corporations of the Company (within the meaning of the SFO) and had not exercised any such rights during the six months ended 30 June 2011.



## Substantial Interests in Share Capital

As at 30 June 2011, the following persons (other than the Directors of the Company) had interests or short positions in the shares and underlying shares of the Company representing 5% or more of the voting power at any general meeting of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Name	Capacity/ Nature of interests	Number of ordinary shares held	Long position/ Short position	Approximate % of issued share capital <sup>8</sup>
Kerry Group Limited	Interest of controlled corporations	1,155,061,308 <sup>1</sup>	Long position	74.00%
Kerry Holdings Limited	Interest of controlled corporations	1,155,061,308 <sup>2</sup>	Long position	74.00%
Kerry 1989 (C.I.) Limited	Interest of controlled corporations	1,078,717,308 <sup>3</sup>	Long position	69.11%
Kerry Media Limited	Beneficial owner	1,078,717,308 <sup>4</sup>	Long position	69.11%
Silchester International Investors LLP	Investment manager	221,365,000	Long position	14.18%
Silchester International Investors International Value Equity Trust	Beneficial owner	108,275,634 <sup>5,6</sup>	Long position	6.94%
JPMorgan Chase & Co.	Beneficial owner	75,000,000	Long position	4.80%
	Investment manager	26,012,000	Long position	1.67%
	Beneficial owner	75,000,000	Short position	4.80%
The Bank of East Asia, Limited	Beneficial owner	77,194,595 <sup>7</sup>	Long position	4.95%
	Investment manager	1,341,710	Long position	0.09%
	Beneficial owner	75,000,000	Short position	4.80%

*Notes:*

- The interests in the 1,155,061,308 shares held by Kerry Group Limited comprise both the interests in 930,061,308 shares and the interests in 225,000,000 shares from equity derivatives.
- The interests in the 1,155,061,308 shares held by Kerry Holdings Limited are duplicated in the interests reported above for Kerry Group Limited.
- The interests in the 1,078,717,308 shares held by Kerry 1989 (C.I.) Limited are duplicated in the respective interests reported above for Kerry Group Limited and Kerry Holdings Limited.
- The interests in the 1,078,717,308 shares held by Kerry Media Limited are duplicated in the respective interests reported above for Kerry Group Limited, Kerry Holdings Limited and Kerry 1989 (C.I.) Limited.
- The Company has been notified informally that as at 30 June 2011, Silchester International Investors International Value Equity Trust was interested in 107,643,634 shares (representing approximately 6.90% of the Company's issued share capital) and this decrease in shareholding was not required to be disclosed under Part XV of the SFO.
- The interests held by Silchester International Investors International Value Equity Trust are duplicated in the interests reported above for Silchester International Investors LLP.
- The Company has been notified informally that as at 30 June 2011, The Bank of East Asia, Limited was interested in 77,652,583 shares (representing approximately 4.97% of the Company's issued share capital) and this increase in shareholding was not required to be disclosed under Part XV of the SFO.
- Approximate percentage calculated based on the 1,560,945,596 ordinary shares of the Company in issue as at 30 June 2011.

Save as stated above, as at 30 June 2011, the Company had not been notified of any interests and short positions in the shares and underlying shares of the Company which had been recorded in the register required to be kept under Section 336 of the SFO.

## Share Option Scheme

The Company has a share option scheme (the “Scheme”) which was approved at the annual general meeting of the Company held on 24 May 2010. The Scheme is designed to motivate the eligible persons, whose contributions are or will be beneficial to the performance, growth and success of the Group, to optimize their future contributions to the Group and reward them for their past contributions and enable the Group to attract and retain individuals with experience and ability.

During the six months ended 30 June 2011, no share options were granted, exercised, cancelled or lapsed under the Scheme. No share options were outstanding under the Scheme as at 30 June 2011.

Subsequent to the review period, a total of 7,400,000 share options at exercise price of HK\$1.81 each were granted and accepted under the Scheme on 19 July 2011. These share options may be exercised from 19 July 2012 up to 18 July 2021. None of the grantees is a director, chief executive or substantial shareholder of the Company or an associate (as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”)) of any of them.

## Purchase, Sale or Redemption of the Company’s Shares

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s shares during the six months ended 30 June 2011.

## Corporate Governance

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

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

The corporate governance principles adopted by the Group during the six months ended 30 June 2011 are in line with the corporate governance statement as set out in the Company’s 2010 Annual Report. During the period, the Group’s corporate governance practices have complied with all the code provisions of the Code on Corporate Governance Practices (“Stock Exchange Code”) as set out in Appendix 14 of the Listing Rules. The Group also adheres to the recommended best practices of the Stock Exchange Code insofar as they are relevant and practicable.

## Code for Securities Transactions by Directors

The Board of Directors of the Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules as the code for securities transactions by Directors of the Company. All Directors of the Company have confirmed their compliance with the required standard set out in the Model Code during the period from 1 January 2011 to 30 June 2011.

## Audit Committee

The Company established an Audit Committee in 1998 with written terms of reference. The Audit Committee currently comprises three Independent Non-executive Directors, namely Dr. The Hon. Sir David Li Kwok Po, The Hon. Ronald J. Arculli and Mr. Wong Kai Man. The Audit Committee met once in the first six months of 2011. The Audit Committee has reviewed the Group’s unaudited interim results for the six months ended 30 June 2011.

## Remuneration Committee

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

## Nomination Committee

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

## Strategy Committee

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

On behalf of the Board  
**David J. Pang**  
*Chairman*

Hong Kong, 25 August 2011