2013 INTERIM REPORT | GROWING OPPORTUNITIES

SCMP

SCMP Group Limited

Stock Code : 583

2013

INTERIM REPORT

Despite a challenging economy, market uncertainty and a softer growth outlook, we see opportunities for business growth and have focused on our core strengths and competencies to enhance our position.

We are confident that we have made the right decisions supported by sound execution to ensure future prosperity and growth.

Dr. David J. Pang
Chairman
SCMP Group

OUTLOOK

Hong Kong has been experiencing a challenging first half, while the economy remains short on momentum. The impact of China's slowing economic growth and the Hong Kong Government's measures to cool the property market were felt. The number of IPOs declined further and drops in consumer retail and luxury property spending are continuing to affect our traditionally strong advertising categories. Market uncertainty has also taken its toll on the recruitment sector, which has softened.

However, the Group continues to strengthen our product portfolio and brands as we develop new revenue streams.

During the first half, we put the wheels in motion for a July acquisition of Asia City Media's Hong Kong business. This deal brings into our Group a number of well-established and profitable local lifestyle titles, including *HK Magazine, The List, Where Hong Kong, The Where Guestbook, Where Chinese 玩,* and the *Happy Hour Finder* app. These plus additional titles incubated internally, including *ELLE Men*, will continue to broaden our magazine audience reach and advertising appeal.

We continue to enhance our existing digital offerings with new products, such as *SCMP News Pulse*, our new phone app designed to highlight the most shared and popular news stories. Mobile is the single fastest growing source of digital traffic and our efforts to develop mobile apps for all our products, including our recruitment sites, is vital to sustaining a share of the digital economy.

We also launched *SCMPChinese.com*, our first Chinese site targeting well-educated mainland Chinese readers. The site focuses on providing quality news and reporting on Hong Kong and China, and useful information about living and investing in Hong Kong. It is steadily gaining traction and we hope to capture a share of the affluent Chinese market as the site reaches critical mass.

Other digital enhancements include improvements to our *Education Post* website, which have also boosted growth in pageviews and unique visitors. *Education Post* will also be launching a mobile app in the second half.

The *South China Morning Post*'s print offering has also been enhanced with the introduction of a new weekend guide, *48 Hours*, which has been successful with advertisers and has opened up a new, younger readership demographic for us. Our newly relaunched *STYLE* magazine has also been very well received by advertisers and the marketing community and won Marketing Magazine's "Best Magazine Relaunch" award. *Post Magazine* won their "Best Inserted Magazine" award. In 2013, we celebrate the 40th anniversary of *Classified Post* and have implemented a significant overhaul of the content and layout, which has also received a very positive response.

This year also marks the commissioning of three new Manroland print presses, installed to support the contract printing business with our partners *am730*. This is a noteworthy move in a market where large scale investment in new and added printing capacity is rare, and serves to ensure we benefit from the strong local freesheet market, which has grown to a 36.3% share of all newspapers in Hong Kong, with minimal investment risk and good revenue returns.

As we look forward to the second half of the year, we see both business opportunities and positive publicity stemming from our company-wide "Celebrating Hong Kong" initiative, which is supported by multiple pillars of activity. The initiative, which was developed to support our 110th anniversary celebration, features a combination of brand-enhancing, revenue generating and community engagement events, including the Redefining Hong Kong Debate Series, the Student of the Year Awards, the Spirit of Hong Kong Awards and more.


South China Morning Post

EXCLUSIVE

U.S. SPY NET TARGETS HK

☐ One of the most seismic editorial events in recent years for the *SCMP* was the exclusive interview Lana Lam secured with US whistleblower Edward Snowden.

☐ We picked up a total of 11 awards, including four top prizes, in the Society of Publishers in Asia Editorial Awards 2013.

☐ Our launch party for Celebrating Hong Kong included luminaries such as Chief Executive Leung Chun-ying and former Chief Secretary and former Acting Governor Sir David Akers-Jones.

☐ Our print capacity has increased with three brand new presses installed.

Our editorial department continues to restructure its operations to create maximum efficiency and branch out deeper into the digital space with cross platform and round-the-clock publishing over print, web, mobile, and the soon-to-be-launched tablet. The first half saw us winning, once again, a large number of awards, evidence that we have continued to strengthen on our quality. Given our editorial mission has been to focus on strong original content, the first half of the year was marked by a dramatic boost to our editorial brand recognition globally when we secured an exclusive with US whistleblower Edward Snowden, resulting in record setting traffic numbers to our website *scmp.com*.

We continue to grow our business organically, leveraging on our core competencies and skills. As we enter the second half of the year, we have many new projects to see to fruition. One is the introduction of a new *South China Morning Post* Tablet Edition to replace our existing free iPad™ app. The introduction of an e-paper edition of the print product acknowledging the bridge between print and digital is in the pipeline. Our overview of the second half remains cautious. While we see some fashion brand advertisers investing into new store openings, retail business remains lethargic. There are some signs of activity in the banking and finance sectors, and the overseas property sector remains strong; however, the outlook for IPOs remains soft for the coming six months.

We will continue to look for ways to manage costs; however, as we prepare the business for change and expansion into new revenue sources, we will see inevitable increases in our single biggest expense: staffing costs. Expanding the business through acquisitions and new business areas has helped us weather a difficult few years, and we are poised today to continue on our trajectory of building future growth.

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 2013. These results have been reviewed by the Company's auditor, PricewaterhouseCoopers, in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" and by the Audit Committee of the Company. The review report of the auditor is set out on page 21.

Condensed Consolidated Balance Sheet

	Notes	**(Unaudited) 30 June 2013 HK$'000**	(Restated) 31 December 2012 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	3	**558,443**	521,674
Investment properties	4	**1,693,000**	1,633,200
Intangible assets	5	**121,131**	122,825
Deposits paid for property, plant and equipment		**808**	38,676
Investment in associates		**56,408**	57,746
Available-for-sale financial assets		**194,834**	225,241
Defined benefit plan's assets		**48,409**	3,030
Deferred income tax assets		**181**	272
		2,673,214	2,602,664
Current assets			
Inventories		**21,141**	23,138
Accounts receivable	6	**232,679**	275,162
Prepayments, deposits and other receivables		**25,591**	17,375
Amount due from an associate		**11**	-
Short-term bank deposits		**43,065**	25,917
Cash and bank balances		**359,199**	344,115
		681,686	685,707
Total assets		**3,354,900**	3,288,371
EQUITY			
Capital and reserves			
Share capital	7	**156,106**	156,095
Reserves		**2,792,893**	2,696,051
Proposed dividend		**31,221**	70,248
		2,824,114	2,766,299
Shareholders' funds		**2,980,220**	2,922,394
Non-controlling interests		**52,405**	42,129
Total equity		**3,032,625**	2,964,523
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**91,286**	92,977
		91,286	92,977
Current liabilities			
Accounts payable and accrued liabilities	9	**184,016**	183,659
Amounts due to associates		**2,819**	2,615
Subscriptions in advance		**17,781**	26,689
Current income tax liabilities		**17,373**	8,908
Loan from a non-controlling shareholder		**9,000**	9,000
		230,989	230,871
Total liabilities		**322,275**	323,848
Total equity and liabilities		**3,354,900**	3,288,371
Net current assets		**450,697**	454,836
Total assets less current liabilities		**3,123,911**	3,057,500

The notes on pages 9 to 20 form an integral part of these condensed consolidated interim financial information.

Condensed Consolidated Statement of Comprehensive Income

	Notes	(Unaudited) For the six months ended 30 June 2013 HK$'000	2012 HK$'000 (Restated)
Revenue	2	**509,096**	458,122
Other income		**4,082**	5,400
Staff costs		**(236,888)**	(188,450)
Cost of production materials		**(77,628)**	(73,823)
Rental and utilities		**(14,278)**	(10,486)
Depreciation and amortisation		**(28,961)**	(26,522)
Advertising and promotion		**(17,146)**	(12,852)
Other operating expenses		**(76,669)**	(77,177)
Fair value gain on investment properties		**59,568**	122,100
Operating profit		**121,176**	196,312
Finance income	11	**2,235**	2,601
Share of profits/(losses) of associates		**2,236**	(178)
Profit before income tax		**125,647**	198,735
Income tax expense	12	**(10,188)**	(14,543)
Profit for the period		**115,459**	184,192
Other comprehensive income			
Item that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit plan obligation		**52,718**	(12,218)
Items that may be reclassified subsequently to profit or loss:			
Fair value (loss)/gain on available-for-sale financial assets		**(30,404)**	21,243
Currency translation difference		**(180)**	5,087
		(30,584)	26,330
Other comprehensive income for the period, net of tax		**22,134**	14,112
Total comprehensive income for the period		**137,593**	198,304
Profit attributable to:			
Shareholders of the Company		**105,183**	177,656
Non-controlling interests		**10,276**	6,536
		115,459	184,192
Total comprehensive income attributable to:			
Shareholders of the Company		**127,317**	191,768
Non-controlling interests		**10,276**	6,536
		137,593	198,304
Earnings per share	13		
Basic		**6.74 cents**	11.38 cents
Diluted		**6.73 cents**	11.38 cents

The notes on pages 9 to 20 form an integral part of these condensed consolidated interim financial information.

		HK$'000	HK$'000
Dividends	14	**31,221**	46,828

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2013

	(Unaudited)							
	Attributable to shareholders							
	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Other reserves (Note 8) HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2013, as previously reported	**156,095**	**40,971**	**803,234**	**127,985**	**1,854,210**	**2,982,495**	**42,129**	**3,024,624**
Adjustment for change in accounting policy (Note 1)	**-**	**-**	**-**	**-**	**(60,101)**	**(60,101)**	**-**	**(60,101)**
Balance at 1 January 2013, as restated	**156,095**	**40,971**	**803,234**	**127,985**	**1,794,109**	**2,922,394**	**42,129**	**2,964,523**
Profit for the period	**-**	**-**	**-**	**-**	**105,183**	**105,183**	**10,276**	**115,459**
Other comprehensive income	**-**	**-**	**-**	**(30,584)**	**52,718**	**22,134**	**-**	**22,134**
Total comprehensive income	**-**	**-**	**-**	**(30,584)**	**157,901**	**127,317**	**10,276**	**137,593**
Transaction with shareholders:								
Dividends (Note 14)	**-**	**-**	**-**	**-**	**(70,248)**	**(70,248)**	**-**	**(70,248)**
Employee share-based compensation benefits	**-**	**-**	**-**	**591**	**-**	**591**	**-**	**591**
Shares issued upon exercise of share options	**11**	**155**	**-**	**-**	**-**	**166**	**-**	**166**
Total transactions with shareholders	**11**	**155**	**-**	**591**	**(70,248)**	**(69,491)**	**-**	**(69,491)**
Balance at 30 June 2013	**156,106**	**41,126**	**803,234**	**97,992**	**1,881,762**	**2,980,220**	**52,405**	**3,032,625**
Balance at 1 January 2012, as previously reported	156,095	40,971	803,234	83,927	1,634,417	2,718,644	22,785	2,741,429
Adjustment for change in accounting policy (Note 1)	-	-	-	-	(32,375)	(32,375)	-	(32,375)
Balance at 1 January 2012, as restated	156,095	40,971	803,234	83,927	1,602,042	2,686,269	22,785	2,709,054
Profit for the period, as restated	-	-	-	-	177,656	177,656	6,536	184,192
Other comprehensive income, as restated	-	-	-	26,330	(12,218)	14,112	-	14,112
Total comprehensive income	-	-	-	26,330	165,438	191,768	6,536	198,304
Transaction with shareholders:								
Dividends (Note 14)	-	-	-	-	(62,438)	(62,438)	-	(62,438)
Employee share-based compensation benefits	-	-	-	1,383	-	1,383	-	1,383
Total transactions with shareholders	-	-	-	1,383	(62,438)	(61,055)	-	(61,055)
Balance at 30 June 2012, as restated	156,095	40,971	803,234	111,640	1,705,042	2,816,982	29,321	2,846,303

The notes on pages 9 to 20 form an integral part of these condensed consolidated interim financial information.

Condensed Consolidated Statement of Cash Flows

	Note	(Unaudited) For the six months ended 30 June 2013 HK$'000	2012 HK$'000
Cash flows from operating activities			
Cash generated from operations		**136,759**	193,662
Hong Kong profits tax paid		**(3,063)**	(6,036)
Overseas tax paid		**(276)**	(263)
Net cash generated from operating activities		**133,420**	187,363
Net cash used in investing activities		**(38,555)**	(26,792)
Cash flows from financing activities			
Dividend paid to the Company's shareholders		**(70,248)**	(62,438)
Proceeds from shares issued		**166**	-
Net cash used in financing activities		**(70,082)**	(62,438)
Net increase in cash and cash equivalents		**24,783**	98,133
Cash and cash equivalents at 1 January		**318,857**	324,818
Cash and cash equivalents at 30 June		**343,640**	422,951
Analysis of cash and cash equivalents:			
Cash and bank balances		**359,199**	422,951
Less: Restricted bank deposit	15	**(15,559)**	-
		343,640	422,951

The notes on pages 9 to 20 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 2013 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 2012, 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 2012.

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 2013. The Group has adopted such valuation and recognised a fair value gain of HK$59,568,000 accordingly. The principal assumptions underlying management's estimation of fair values of the investment properties and the basis of valuation are consistent with those applied in the annual financial statements for the year ended 31 December 2012.

The following new/revised standards and amendment to existing standard are relevant to the Group and mandatory for the first time for the financial year beginning 1 January 2013:

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

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

HKFRS 13 'Fair value measurement'

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. Some of the disclosures are specifically required for financial instruments in the interim financial reports. The Group has provided those disclosures in note 16. The adoption of HKFRS 13 has no impact on the fair value measurements of the Group's assets and liabilities.

HKAS 19 (revised) 'Employee benefits'

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

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

1. Basis of preparation and accounting policies (continued)

The Group has adopted this amendment retrospectively for the financial period ended 30 June 2013, with the accumulated effects of the change in accounting policy recognised in retained profits. The effects of adoption are disclosed as follows:

	As previously reported HK$'000	Effect of adopting HKAS 19 (revised) HK$'000	As restated HK$'000
Condensed consolidated balance sheet as at 1 January 2012			
Defined benefit plan's assets	62,429	(32,375)	30,054
Retained profits	1,634,417	(32,375)	1,602,042
Condensed consolidated balance sheet as at 31 December 2012			
Defined benefit plan's assets	63,131	(60,101)	3,030
Retained profits	1,854,210	(60,101)	1,794,109
Condensed consolidated statement of comprehensive income for the six months ended 30 June 2012			
Staff costs	182,061	6,389	188,450
Total comprehensive income attributable to shareholders of the Company	210,375	(18,607)	191,768
Basic earnings per share	11.79 cents	(0.41 cents)	11.38 cents

2. Revenue and segment information

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

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

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

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies in the annual financial statements for the year ended 31 December 2012 and note 1 above, except that interest in the profit or loss of an associate is accounted for on the basis of dividend received or receivable in segment profit or loss while such interest is accounted for under the equity method in the Group's consolidated financial statements.

2. Revenue and segment information (continued)

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 2013 and 2012 were HK$509,096,000 and HK$458,122,000 respectively.

The segment information for the six months ended 30 June 2013 and 2012 is as follows:

(a) Reportable segment profit or loss

			(Unaudited)		
	Newspaper HK$'000	**Magazine HK$'000**	**Property HK$'000**	**Other HK$'000**	**Total HK$'000**
For the six months ended 30 June 2013					
Total segment revenue	**365,489**	**124,696**	**23,170**	**–**	**513,355**
Inter-segment revenue	**(1,413)**	**(1,731)**	**(1,115)**	**–**	**(4,259)**
Revenue from external customers	**364,076**	**122,965**	**22,055**	**–**	**509,096**
Reportable segment profit	**5,572**	**34,564**	**73,594**	**2,240**	**115,970**
	Newspaper HK$'000 (Restated)	Magazine HK$'000	Property HK$'000	Other HK$'000	Total HK$'000 (Restated)
For the six months ended 30 June 2012					
Total segment revenue	370,444	74,263	17,572	–	462,279
Inter-segment revenue	(376)	(2,776)	(1,005)	–	(4,157)
Revenue from external customers	370,068	71,487	16,567	–	458,122
Reportable segment profit	31,952	21,517	131,344	2,190	187,003

2. Revenue and segment information (continued)

(b) Reconciliation of reportable segment profit or loss

	(Unaudited) For the six months ended 30 June 2013 HK$'000	2012 HK$'000 (Restated)
Profit for reportable segments	**113,730**	184,813
Profit for other segments	**2,240**	2,190
	115,970	187,003
Reconciling items:		
Share of profits/(losses) of associates under equity method of accounting	**2,236**	(178)
Dividend received from an associate	**(2,762)**	(2,633)
Deferred tax on undistributed profit of an associate	**15**	-
	(511)	(2,811)
Profit for the period	**115,459**	184,192

3. Property, plant and equipment

	(Unaudited) Leasehold land and buildings HK$'000	Plant & machinery HK$'000	Other fixed assets HK$'000	Assets in progress HK$'000	Total HK$'000
At 1 January 2013	298,174	158,117	64,863	520	521,674
Additions	-	235	3,514	56,506	60,255
Depreciation	(4,876)	(11,149)	(7,457)	-	(23,482)
Disposals	-	-	(4)	-	(4)
Reclassification	-	-	847	(847)	-
Net book value at 30 June 2013	**293,298**	**147,203**	**61,763**	**56,179**	**558,443**
At 30 June 2013					
Cost	420,375	776,277	152,025	56,179	1,404,856
Accumulated depreciation	(127,077)	(629,074)	(90,262)	-	(846,413)
Net book value at 30 June 2013	**293,298**	**147,203**	**61,763**	**56,179**	**558,443**

4. Investment properties

	(Unaudited) 30 June 2013 HK$'000	(Audited) 31 December 2012 HK$'000
Opening balance	**1,633,200**	1,462,550
Fair value gain	**59,568**	170,650
Additions	**232**	-
Ending balance	**1,693,000**	1,633,200

5. Intangible assets

	(Unaudited)						
	Publishing titles HK$'000	Software costs HK$'000	Goodwill HK$'000	Customer relationships HK$'000	Other intangible assets HK$'000	Assets in progress HK$'000	Total HK$'000
At 1 January 2013	-	20,675	38,105	59,205	675	4,165	122,825
Additions	-	470	-	-	-	4,593	5,063
Disposals	-	-	-	-	-	(1,278)	(1,278)
Reclassification	-	2,129	-	-	-	(2,129)	-
Amortisation	-	(3,424)	-	(2,042)	(13)	-	(5,479)
Net book value at 30 June 2013	**-**	**19,850**	**38,105**	**57,163**	**662**	**5,351**	**121,131**
At 30 June 2013							
Cost	1,820,000	84,913	38,105	61,247	1,172	5,351	2,010,788
Accumulated amortisation	(1,820,000)	(65,063)	-	(4,084)	(510)	-	(1,889,657)
Net book value at 30 June 2013	**-**	**19,850**	**38,105**	**57,163**	**662**	**5,351**	**121,131**

6. 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:

	(Unaudited) 30 June 2013		(Audited) 31 December 2012	
	Balance HK$'000	**Percentage %**	Balance HK$'000	Percentage %
Current	**133,070**	**56.3**	153,240	55.0
Less than 30 days past due	**57,498**	**24.4**	21,144	7.5
31 to 60 days past due	**8,553**	**3.6**	55,135	19.8
61 to 90 days past due	**26,006**	**11.0**	33,940	12.2
Over 90 days past due	**11,151**	**4.7**	15,278	5.5
Total	**236,278**	**100.0**	278,737	100.0
Less: Allowance for impairment	**(3,599)**		(3,575)	
	232,679		275,162	

7. Share capital

	(Unaudited) 30 June 2013		(Audited) 31 December 2012	
	Number of shares	**Amount HK$'000**	Number of shares	Amount HK$'000
Authorised:				
Ordinary shares of HK$0.10 each	**5,000,000,000**	**500,000**	5,000,000,000	500,000
Issued and fully paid:				
Opening balance	**1,560,945,596**	**156,095**	1,560,945,596	156,095
Shares issued under share option scheme	**112,000**	**11**	-	-
Ending balance	**1,561,057,596**	**156,106**	1,560,945,596	156,095

Pursuant to the employee share option scheme of the Group, 112,000 options were exercised during the period ended 30 June 2013 which resulted in the equal number of shares being issued (30 June 2012: Nil), with cash proceeds of HK$166,000 (30 June 2012: Nil).

8. Other reserves

	(Unaudited)				
	Investment revaluation reserve HK$'000	**Asset revaluation reserve HK$'000**	**Translation reserve HK$'000**	**Employee share-based compensation reserve HK$'000**	**Total HK$'000**
At 1 January 2013	**117,530**	**26,117**	**(18,409)**	**2,747**	**127,985**
Other comprehensive income					
Available-for-sale financial assets					
– Fair value loss charged to equity	**(30,404)**	**–**	**–**	**–**	**(30,404)**
Exchange difference on consolidation	**–**	**–**	**(180)**	**–**	**(180)**
Total other comprehensive income	**(30,404)**	**–**	**(180)**	**–**	**(30,584)**
Employee share-based compensation benefits	**–**	**–**	**–**	**591**	**591**
At 30 June 2013	**87,126**	**26,117**	**(18,589)**	**3,338**	**97,992**

	Investment revaluation reserve HK$'000	Asset revaluation reserve HK$'000	Translation reserve HK$'000	Employee share-based compensation reserve HK$'000	Total HK$'000
At 1 January 2012	82,549	26,117	(25,141)	402	83,927
Other comprehensive income					
Available-for-sale financial assets					
- Fair value gain taken to equity	21,243	-	-	-	21,243
Exchange difference on consolidation					
- Translation for the period	-	-	(655)	-	(655)
- Transferred to profit or loss on termination of a foreign operation	-	-	5,742	-	5,742
Total other comprehensive income	21,243	-	5,087	-	26,330
Employee share-based compensation benefits	-	-	-	1,383	1,383
At 30 June 2012	103,792	26,117	(20,054)	1,785	111,640

9. Accounts payable and accrued liabilities

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

	(Unaudited) 30 June 2013		(Audited) 31 December 2012	
	Balance HK$'000	**Percentage %**	Balance HK$'000	Percentage %
0 to 30 days	**25,147**	**76.0**	22,375	61.7
31 to 60 days	**6,350**	**19.2**	9,487	26.2
61 to 90 days	**622**	**1.9**	3,541	9.8
Over 90 days	**966**	**2.9**	829	2.3
Total accounts payable	**33,085**	**100.0**	36,232	100.0
Accrued liabilities	**150,931**		147,427	
Total accounts payable and accrued liabilities	**184,016**		183,659	

10. Capital commitments

	(Unaudited) 30 June 2013 HK$'000	(Audited) 31 December 2012 HK$'000
Capital commitments for property, plant and equipment		
Contracted, but not provided for	**31,154**	49,015
Authorised, but not contracted for	**56,403**	63,621
	87,557	112,636

11. Finance income

	(Unaudited) For the six months ended 30 June	
	2013 HK$'000	2012 HK$'000
Interest income on bank deposits	**1,493**	1,856
Interest income on available-for-sales financial assets	**742**	745
	2,235	2,601

12. Income tax expense

Hong Kong profits tax has been provided for at a rate of 16.5% (2012: 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 8.1% (2012: 7.3%).

	(Unaudited) For the six months ended 30 June	
	2013	2012
	HK$'000	HK$'000
Current income tax		
Hong Kong profits tax	**11,512**	15,171
Overseas taxation	**276**	263
Deferred income tax		
Other deferred tax credits	**(1,600)**	(891)
	10,188	14,543

13. Earnings per share

The calculation of basic earnings per share is based on the profit for the period attributable to shareholders of HK$105,183,000 (2012: HK$177,656,000) and 1,561,010,568 weighted average shares in issue (2012: 1,560,945,596 shares in issue) during the period.

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 as the average market share price of the Company's shares for the period) 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 1,561,010,568 (2012: 1,560,945,596 shares in issue) which is the weighted average number of shares in issue during the period plus the weighted average of 1,183,901 shares (2012: Nil) deemed to be issued if all outstanding share options granted under the Company's share option scheme has been exercised.

14. Dividend

A 2012 final dividend of HK4.5 cents per share, totaling HK$70,248,000 was paid out of the Company's retained profits in June 2013. A 2011 final dividend of HK4 cents per share, totaling HK$62,438,000 was paid out of the Company's retained profits in June 2012.

The Directors have declared an interim dividend of HK2 cents per share for the period, totaling HK$31,221,000 (2012: HK3 cents per share, totaling HK$46,828,000).

15. Restricted bank deposit

The Group has an undrawn banking facility which was secured by cash deposit of EUR924,150 (HK$15,559,000) as at 30 June 2013.

16. Fair value measurement of financial instruments

(a) Financial assets measured at fair value

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the Group's financial assets that are measured at fair value at 30 June 2013 and 31 December 2012.

	Level 1 30 June 2013 HK$'000	Level 1 31 December 2012 HK$'000
Recurring fair value measurement		
Financial assets:		
Available-for-sale financial assets		
– Equity securities	**168,504**	198,491
– Debt investments	**26,330**	26,750
	194,834	225,241

(b) Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial assets and liabilities carried at amortised cost, including accounts and other receivables, amounts due from/to associates, cash and bank balances, accounts payable and loan from a non-controlling shareholder, are not materially different from their fair values as at 30 June 2013 and 31 December 2012.

17. 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 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:

	(Unaudited)	
	For the six months ended 30 June	
	2013	2012
	HK$'000	HK$'000
Rendering of services		
– Advertising revenue	**783**	608
– Magazine production service fee	**3,221**	4,125
	4,004	4,733

(b) Balances arising from transactions with Kerry Group

	(Unaudited)	(Audited)
	30 June 2013	31 December 2012
	HK$'000	HK$'000
Receivables arising from advertising services	**120**	193
Receivables arising from magazine production services	**1,819**	3,383
	1,939	3,576

(c) Transactions with HCI group

Hearst Communications Inc. ("HCI"), a company formed under the laws of the State of Delaware in the United States of America, through its subsidiaries, exercises significant influence over SCMP Hearst Publications Limited and SCMP Hearst Hong Kong Limited, both of which are indirect subsidiaries of the Company. During the period, the Group has the following significant transactions with HCI and its subsidiaries:

	(Unaudited)	
	For the six months ended 30 June	
	2013	2012
	HK$'000	HK$'000
Rendering of services		
– Royalty expenses	**5,410**	3,332
– Payment in respect of advertising sales/agency agreement	**3,714**	-
	9,124	3,332

17. Related party transactions (continued)

(d) Balances arising from transactions with HCI group

	(Unaudited) 30 June 2013 HK$'000	(Audited) 31 December 2012 HK$'000
Royalty expenses payable	**3,582**	2,706
Amount payable in respect of advertising sales/agency agreements	**260**	686
	3,842	3,392

(e) Key management personnel compensation

	(Unaudited) For the six months ended 30 June 2013 HK$'000	 2012 HK$'000
Salaries and other short-term employee benefits	**15,649**	13,690
Post-employment benefits	**254**	285
Termination benefits	**–**	260
Employee share-based compensation benefits	**336**	582
	16,239	14,817

18. Event occurring after the balance sheet date

On 3 May 2013, South China Morning Post Publishers Limited, a wholly-owned subsidiary of the Company, entered into a binding agreement with Asia City Media Group Limited, an independent third party, for the acquisition of a group of media companies in Hong Kong. The companies being acquired are involved in the publication of magazine titles and their associated guides, operation of associated websites, mobile and tablet applications, and organization of events in Hong Kong, namely *HK Magazine*, *Where HK*, *The List*, *Where CN*, *HK Online*, *Happy Hour Finder* iPhone app and *HK Magazine* iPad app. Total consideration for the acquisition was HK$28,490,000, which was funded by the Group's internal resources. The acquisition was completed on 18 July 2013. As of the date of this report, the purchase price allocation process is ongoing and has yet to be finalised. The financial impact of the acquisition will be reflected in the consolidated financial statements of the Group for the year ending 31 December 2013 upon the finalisation of the purchase price allocation.

19. Approval of the interim financial information

This interim financial information was approved by the Board of Directors on 20 August 2013.

pwc

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 5 to 20, which comprises the condensed consolidated balance sheet of SCMP Group Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2013 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, 20 August 2013

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

MANAGEMENT DISCUSSION AND ANALYSIS

Operating Results of the Group

The Group's consolidated operating results for the six months ended 30 June 2013 and 2012 were as follows:

(HK$ millions, except per share amounts)	**For the six months ended 30 June** **2013**	 2012 (Restated)	% Change
Revenue	**509.1**	458.1	11
Staff costs	**(236.9)**	(188.5)	26
Production costs	**(77.6)**	(73.8)	5
Rental and utilities	**(14.3)**	(10.5)	36
Advertising and promotions	**(17.1)**	(12.9)	33
Other operating expenses	**(76.7)**	(77.1)	(1)
Operating costs before depreciation and amortisation	**(422.6)**	(362.8)	16
Depreciation and amortisation	**(29.0)**	(26.5)	9
Adjusted operating profit^	**57.5**	68.8	(16)
Other income	**4.1**	5.4	(24)
Fair value gain on investment properties	**59.6**	122.1	(51)
Operating profit	**121.2**	196.3	(38)
Net interest income	**2.3**	2.6	(12)
Share of profits/(losses) of associates	**2.2**	(0.2)	*
Taxation	**(10.2)**	(14.5)	(30)
Profit for the period	**115.5**	184.2	(37)
Non-controlling interests	**(10.3)**	(6.5)	58
Profit attributable to shareholders	**105.2**	177.7	(41)
Earnings per share (HK cents)	**6.7**	11.4	(41)

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

Net profit for the first half of 2013 was $105.2 million, compared with $177.7 million in the first half of 2012. The results include fair value gains on investment properties of $59.6 million and $122.1 million for 2013 and 2012 respectively. Carving out these gains, net profit fell 18% from $55.6 million in 2012 to $45.6 million in 2013 mainly due to higher staff costs. Revenue for the first half year was $509.1 million, 11% higher than last year. The increase was mainly driven by higher advertising sales from Magazine publishing business and higher rental income from our investment properties. However, revenue from Newspaper publishing business remained static as a result of the slowdown in local economy and the inactive recruitment market.

Revenue

The consolidated revenue for the six months ended 30 June 2013 and 2012 by business segment and for the Group were as follows:

	For the six months ended 30 June		
(HK$ millions)	**2013**	2012	% Change
Newspaper publishing	**365.5**	370.4	(1)
Magazine publishing	**124.7**	74.3	68
Property	**23.2**	17.6	32
Inter-segment eliminations	**(4.3)**	(4.2)	2
Total revenue	**509.1**	458.1	11

Operating Costs and Expenses

Operating costs and expenses for the six months ended 30 June 2013 and 2012 were as follows:

	For the six months ended 30 June		
(HK$ millions)	**2013**	2012 (Restated)	% Change
Staff costs	**236.9**	188.5	26
Production costs	**77.6**	73.8	5
Rental and utilities	**14.3**	10.5	36
Advertising and promotions	**17.1**	12.9	33
Other operating expenses	**76.7**	77.1	(1)
Depreciation and amortisation	**29.0**	26.5	9
Total operating costs and expenses	**451.6**	389.3	16

Staff costs rose 26% or $48.4 million due to increase in headcount, salary increment and provision for staff bonus. Production costs increased 5% or $3.8 million mainly due to inclusion of *ELLE*'s production cost of $12 million. This was offset by lower newsprint cost mainly due to lower consumption and decline in average unit cost. Other than inclusion of *ELLE*'s advertising and promotion and rental expenses in the current year, we also spent more on the promotions for celebrating SCMP 110th year anniversary and our newly launched digital products.

Adjusted EBITDA and Operating Profit

Adjusted EBITDA is defined as earnings before interest, tax, depreciation and amortisation, other income and fair value gain on investment properties. Adjusted EBITDA and adjusted operating profit for the six months ended 30 June 2013 and 2012 by business segment and for the Group were as follows:

	Adjusted EBITDA		%	Adjusted operating profit		%
(HK$ millions)	**2013**	2012 (Restated)	Change	**2013**	2012 (Restated)	Change
Newspaper publishing	**23.5**	54.6	(57)	**0.8**	31.7	(97)
Magazine publishing	**44.5**	26.7	67	**41.0**	25.8	59
Property	**18.5**	14.0	32	**15.7**	11.3	39
Total	**86.5**	95.3	(9)	**57.5**	68.8	(16)

Financial Review by Business

Newspaper Publishing

(HK$ millions)	For the six months ended 30 June **2013**	2012 (Restated)	% Change
Revenue	**365.5**	370.4	(1)
Adjusted EBITDA	**23.5**	54.6	(57)
Adjusted operating profit	**0.8**	31.7	(97)
Net profit attributable to shareholders	**5.6**	31.9	(82)
Adjusted EBITDA margin	**6%**	15%	
Adjusted operating profit margin	**0.2%**	9%	

Total newspaper revenue was $365.5 million, down 1% from the same period last year. The revenue drop was mainly due to the inactive recruitment market, reduced revenues from notices, special reports and customized publishing.

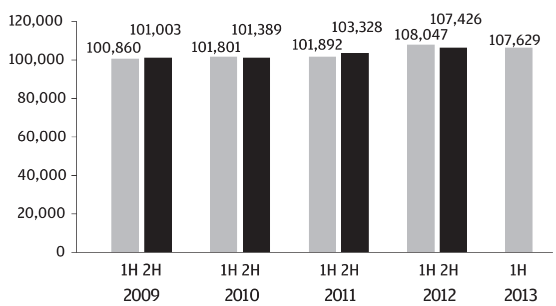
Revenue from Advertising & Marketing Services was $221.8 million, behind last year by $3.0 million or 1%. Due to the slowdown of the economy, revenue from tender and other notices related advertising and special reports dropped. However, the revenue loss was largely made up by contribution from special execution, large events and creative projects and the newly launched *48 Hours* magazines. Online advertising revenue has grown by $1.2 million, or 19%. *scmp.com* continued the upward trend. *Directory.com*, iPad and mobile apps revenue also had significant growth over last year.

Recruitment revenue dropped 6% compared with last year. The decline mainly came from *Classified Post*. Hiring activity was inactive across all sectors, with only Government section ads recorded a positive growth. During the period, mobile and tablets apps for both *Classified Post* and *SmartJob* were launched to enhance brand awareness and drive recruitment ad response. The number of downloads for these apps for the first half of the year has been very encouraging.

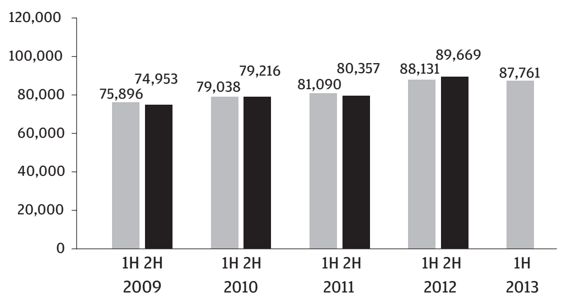
Circulation

Cover price for *South China Morning Post* increased by $1 to $9 since January this year. The online subscription fee for *scmp.com* has also increased in late June 2013. Despite the increase in price, the circulation figures remained stable. The unaudited first half 2013 circulation figures (including online subscriptions) of *South China Morning Post* and *Sunday Morning Post* were 107,629 and 87,761 respectively.

SCMP



SMP



Audited except 1H2013

Magazine Publishing

(HK$ millions)	For the six months ended 30 June **2013**	2012	% Change
Revenue	**124.7**	74.3	68
Adjusted EBITDA	**44.5**	26.7	67
Adjusted operating profit	**41.0**	25.8	59
Net profit attributable to shareholders	**24.3**	15.0	62

For the six months ended 30 June 2013, the Magazines division generated revenue of $124.7 million and net profit attributable to shareholders of $24.3 million, both significantly higher than last year. The growth in revenue and profit was mainly due to inclusion of *ELLE's* results which was acquired in July 2012. Other women's titles remain strong. *Harper's Bazaar*, in particular, reported a 9% growth in revenue and 8% growth in EBITDA.

Property

(HK$ millions)	For the six months ended 30 June **2013**	2012	% Change
Revenue	**23.2**	17.6	32
Adjusted EBITDA	**18.5**	14.0	32
Adjusted operating profit	**15.7**	11.3	39
Net profit attributable to shareholders#	**73.6**	131.3	(44)

included revaluation gain for HK$59.6m (2012: HK$122.1m)

Rental income increased by 32% to $23.2 million in first half of 2013 mainly due to the higher rental from advertising boards and lease renewal at a higher rent for our properties in the Bank of America Tower.

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 2013 and 31 December 2012 were as follows:

(HK$ millions)	**30 June 2013**	31 December 2012 (Restated)	% Change
Short-term bank deposits with original maturity of more than three months	**43.1**	25.9	66
Cash and bank balances	**359.2**	344.1	4
Shareholders' funds	**2,980.2**	2,922.4	2
Current ratio	**3.0**	3.0	

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

As at 30 June 2013, the Group had total borrowing of $9.0 million, which was an unsecured short-term loan from a non-controlling shareholder. The loan is repayable within one year. Other than this, the Group had no gearing (after deducting cash and cash equivalents) as at 30 June 2013. The ratio of current assets to current liabilities was 3.0 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 decreased from $187.4 million in 2012 to $133.4 million in 2013, mainly because of normal working capital movement and lower operating profits.

Investment Activities

Net cash outflow from investing activities for the period was $38.6 million. Capital expenditure for the period amounted to $27.7 million, including payments made for the purchase of new printing presses. The Group also made a deposit of $10 million for the acquisition of a group of media companies, which was completed after the end of the reporting period.

Financing Activities

Net cash used in financing activities was $70.1 million. This amount mainly represents final dividend for 2012 paid to shareholders.

Outlook

Hong Kong has been experiencing a challenging first half, while the economy remains short on momentum. The impact of China's slowing economic growth and the Hong Kong Government measures to cool the property market were felt. The number of IPOs declined further and drops in consumer retail and luxury property spending are continuing to affect our traditionally strong advertising categories. Market uncertainty has also taken its toll on the recruitment sector, which has softened.

However, the group continues to strengthen our product portfolio and brands as we develop new revenue streams.

During the first half, we put the wheels in motion for a July acquisition of Asia City Media's Hong Kong business. This deal brings into our group a number of well established and profitable local lifestyle titles, including *HK Magazine*, *The List*, *Where Hong Kong*, *Where Guestbook*, *Where 玩儿*, and the *Happy Hour Finder* app. These plus additional titles incubated internally, including *ELLE Men*, will continue to broaden our magazine audience reach and advertising appeal.

We continue to enhance our existing digital offerings with new products, such as *SCMP News Pulse*, our new phone app designed to highlight the most shared and popular news stories. Mobile is the single fastest growing source of digital traffic and our efforts to develop mobile apps for all our products including our recruitment sites, is vital to sustaining a share of the digital economy.

We also launched *SCMPChinese.com*, our first Chinese site targeting well-educated mainland Chinese readers. The site focuses on providing quality news and reporting on Hong Kong and China, and useful information about living and investing in Hong Kong. It is steadily gaining traction and we hope to capture a share of the affluent Chinese market as the site reaches critical mass.

Other digital enhancements include improvements to our *Education Post* website, which have also boosted growth in pageviews and unique visitors. *Education Post* will also be launching a mobile app in the second half.

South China Morning Post's print offering has also been enhanced with the introduction of a new weekend guide, *48 Hours*, which has been successful with advertisers and has opened up a new, younger readership demographic for us. Our newly relaunched *Style* magazine has also been very well received by advertisers and the marketing community and won Marketing Magazine's "Best Magazine Relaunch" award. *Post Magazine* won their "Best Inserted Magazine" award. In 2013 we celebrate the 40th Anniversary of *Classified Post*, and have implemented a significant overhaul of the content and layout, which has also received a very positive response.

This year also marks the commissioning of three new Manroland print presses, installed to support the contract printing business with our partners *am730*. This is a noteworthy move in a market where large scale investment in new and added printing capacity is rare, and serves to ensure we benefit from the strong local freesheet market, which has grown to a 36.3% share of all newspapers in Hong Kong, with minimal investment risk and good revenue returns.

As we look forward to the second half of the year, we see both business opportunities and positive publicity stemming from our company-wide initiative "Celebrating Hong Kong", which is supported by multiple pillars of activity. The initiative, which was developed to support our 110th Anniversary celebration, features a combination of brand-enhancing, revenue generating and community engagement events, including the Redefining Hong Kong Debate Series, the Student of the Year Awards, the Spirit of Hong Kong Awards and more.

Our editorial department continues to restructure its operations to create maximum efficiency and branch out deeper into the digital space with cross platform and round-the-clock publishing over print, web, mobile, and soon-to-launch tablet. The first half saw us winning, once again, a large number of awards, evidence that we have continued to strengthen on our quality. Given our editorial mission has been to focus on strong original content, the first half of the year was marked by a dramatic boost to our editorial brand recognition globally when we secured an exclusive with US whistleblower Edward Snowden, resulting in record setting traffic numbers to our website *scmp.com*.

We continue to grow our business organically, leveraging on our core competencies and skills. As we enter the second half of the year, we have many new projects to see to fruition. One is the introduction of a new *South China Morning Post* HTML5 tablet edition to replace our existing free iPad app. The introduction of an e-paper edition of the print product acknowledging the bridge between print and digital is in the pipeline. Our overview of the second half remains cautious. While we see some fashion brand advertisers investing into new store openings, retail business remains lethargic. There are some signs of activity in the banking and finance sectors, and the overseas property sector remains strong; however, the outlook for IPOs remains soft for the coming six months.

We will continue to look for ways to manage costs; however, as we prepare the business for change and expansion into new revenue sources, we will see inevitable increases in our single biggest expense: staffing costs. Expanding the business through acquisitions and new business areas has helped us weather a difficult few years, and we are poised today to continue on our trajectory of building future growth.

Staff

The Company's remuneration policy is established to attract, motivate and retain high performing individuals. Salaries of employees are maintained at competitive levels while discretionary bonuses are granted based on individual and business performance. Other employee benefits include provident fund, medical insurance and share option scheme. As at 30 June 2013, the Group had 966 employees compared with 939 as at 31 December 2012.

Interim Dividend

The Directors have declared an interim dividend of HK2 cents per share (2012: HK3 cents per share), amounting to HK$31,221,000, payable to shareholders whose names appear on the Register of Members of the Company on Thursday, 19 September 2013 and payable on Tuesday, 24 September 2013.

Book Closure

The Register of Members of the Company will be closed from Monday, 16 September 2013 to Thursday, 19 September 2013, 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 Friday, 13 September 2013 so as to qualify for the interim dividend.

DIRECTORS

The Directors of the Company during the six months ended 30 June 2013 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 *(resigned with effect from 18 January 2013)*

Independent Non-executive Directors
Mr. 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

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 as Chief Executive Officer of Kerry Group Kuok Foundation Limited, a charitable organisation and 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 the Chairman of PhilWeb Corporation, ISM Communications Corporation, Alphaland Corporation and Atok-Big Wedge Co., Inc. and is Director of San Miguel Corporation, Petron Corporation and PAL Holdings Inc., all of which are listed on the Philippine Stock Exchange, Inc. ("PSE"). Mr. Ongpin is also a director of Philippine Airlines, Inc. He is a Non-executive Director of Forum Energy PLC, a listed company on the London Stock Exchange and is Chairman of Acentic GmbH (Germany). He served as Chairman of Developing Countries Investment Corp. (Bahamas) and Eastern Telecommunications Philippines, Inc. until 2011. Mr. Ongpin was Co-chairman of Philippine Bank of Communications until 2012, and was Director of Ginebra San Miguel, Inc. until May 2013, Araneta Properties, Inc. and Philex Mining Corporation until 2009, all of which are listed on the PSE. 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 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).

Mr. Ronald J. Arculli
GBM, CVO, GBS, OBE, JP
Mr. Arculli is a Senior Partner of King & Wood Mallesons, the Hong Kong office of one of the largest law firms in Mainland China and Australia. He chairs The Hong Kong Arts Festival Society Limited, the Honorary Advisory Committee of SVHK Foundation Limited (a charitable organisation promoting and nurturing social enterprises in Hong Kong) and the Common Purpose Charitable Foundation Limited (the Hong Kong branch of a not-for-profit international organisation for leadership development). He is a board member of the West Kowloon Cultural District Authority and chairs its Executive and Development Committees. He 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, Sino Hotels (Holdings) Limited, Sino Land Company Limited and Tsim Sha Tsui Properties Limited (all listed in Hong Kong). Mr. Arculli was the Independent Non-executive Chairman of Hong Kong Exchanges and Clearing Limited (listed in Hong Kong) from 2006 to April 2012 and remained an Independent Non-executive Director until April 2013. He was the Chairman of The Hong Kong Jockey Club from 2002 to August 2006. He had served on the Legislative Council and the Provisional Legislative Council since 1988, representing the Real Estate and Construction functional constituency from 1991 to end of June 2000. He was a member of the Executive Council of Hong Kong from November 2005 to end of June 2012 and the Honours Committee of the HKSAR Government from January 2010 to end of June 2012.

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 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 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
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 until she decided to step down in June 2012. She remains an Executive Director of the Company to work with the Board to focus on the overall growth strategy of the Company. Ms. Kuok is a director of Kerry Holdings Limited, a substantial shareholder of the Company. 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.

Dr. the Hon. Sir David Li Kwok Po
GBM, GBS, OBE, MA Cantab. (Economics & Law), Hon. LLD (Cantab), Hon. DSc. (Imperial), Hon. LLD (Warwick), Hon. DBA (Edinburgh Napier), Hon. D.Hum.Litt. (Trinity, USA), Hon. LLD (Hong Kong), Hon. DSocSc (Lingnan), Hon. D.Litt. (Macquarie), FCA, FCPA, FCPA (Aust.), FCIB, FHKIB, FBCS, CITP, FCIArb, 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, Commandeur dans l'Ordre National de la Légion d'Honneur
Sir David is Chairman and Chief Executive of The Bank of East Asia, Limited (listed in Hong Kong). He is the Chairman of The Chinese Banks' Association, Limited. He is also a member of the Council of the Treasury Markets Association. Sir David is an Independent Non-executive Director of 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 Non-independent Non-executive Director of AFFIN Holdings Berhad and a director of CaixaBank, S.A., listed in Malaysia and Spain, respectively. Sir David was an Independent Non-executive Director of China Overseas Land & Investment Limited and COSCO Pacific Limited (both listed in Hong Kong) and a member of the Legislative Council of Hong Kong from 1985 to 2012.

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 a director of two charity foundations: Victor and William Fung Foundation Limited and 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), SUNeVision Holdings Ltd. (listed in Hong Kong) and Vtech Holdings Limited (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

Mr. Robin Hu Yee Cheng
Chief Executive Officer
Mr. Hu joined the SCMP Group as Chief Executive Officer in June 2012. Before joining SCMP, he was Senior EVP with the Singapore Press Holdings overseeing its Chinese Newspaper Business and the group's Newspaper Services function. Prior to that, he held various senior management positions with Singtel's IT services arm NCS Ltd, the Singapore Economic Development Board based in Suzhou and Shanghai and later Asiacontent.com in Beijing where he was instrumental in launching and managing several portals for leading international media brands. Mr. Hu graduated from the University of Kent with a BSc in Mathematics and the University of Wales with an MSc in Computer Science.

Ms. Elsie Cheung Hoi Sze
Chief Operating Officer
Ms. Cheung was promoted to Chief Operating Officer of the SCMP Group in January 2011, and is in charge of all commercial operations within the newspaper group. Ms. Cheung began her career at the *South China Morning Post*, before building broad experience across other blue-chip media organisations including TVB, Hong Kong Telecom and SUNeVision. She returned to the SCMP Group in 2001 and continued growing her career, first within the Recruitment Services division, then as the Director of Advertising and Marketing Services, before being promoted to her current position.

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. Wang Xiang Wei
Editor-in-Chief
Mr. Wang took up the role of Editor-in-Chief in February 2012, responsible for the editorial direction and newsroom operations. He started his 20-year career at the *China Daily*, before moving to the UK, where he gained valuable experience at a number of news organisations, including the BBC Chinese Service. In 1993, he moved to Hong Kong and worked at the *Eastern Express* before joining the *South China Morning Post* in 1996 as our China Business Reporter. He was subsequently promoted to China Editor in 2000 and Deputy Editor in 2007, a position he held for four years prior to being promoted to his current position. Mr. Wang has a Masters degree in Journalism, and a Bachelors degree in English.

DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2013, the Directors and Chief Executive Officer 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
Dr. the Hon. Sir David Li Kwok Po	Personal	4,778,000	0.31%[6]

(ii) Associated Corporations

Name of Associated Corporation	Name of Director	Number of ordinary shares held: Personal interests	Corporate interests	Family/Other interests	Number of underlying ordinary shares held under equity derivatives	Total	Approximate % of issued share capital
Kerry Group Limited	Dr. David J. Pang	1,400,000	-	-	600,000[1]	2,000,000	0.13%[7]
	Ms. Kuok Hui Kwong	-	-	179,742,263[2]	2,000,000[3]	181,742,263	11.87%[7]
Kerry Properties Limited	Ms. Kuok Hui Kwong	42,000	-	8,131,945[4]	700,000[5]	8,873,945	0.62%[8]

Notes:

1. This represents interests in options held by Dr. David J. Pang to subscribe for the relevant underlying ordinary shares in respect of option shares granted by Kerry Group Limited, details of which are set out in the section headed "Directors' and Chief Executive Officer's Rights to Acquire Shares or Debentures" below.

2. This includes 1,500,000 shares held by the spouse of Ms. Kuok Hui Kwong and 178,242,263 shares held by discretionary trusts of which Ms. Kuok and/or her spouse are contingent beneficiaries.

3. This represents interests in options held by Ms. Kuok Hui Kwong and her spouse to subscribe for the relevant underlying ordinary shares in respect of option shares granted by Kerry Group Limited, details of which are set out in the section headed "Directors' and Chief Executive Officer's Rights to Acquire Shares or Debentures" below.

4. This includes 8,081,945 shares held by discretionary trusts of which Ms. Kuok Hui Kwong and/or her spouse are contingent beneficiaries and 50,000 shares held by a discretionary trust of which Ms. Kuok's spouse is a contingent beneficiary.

5. This represents interests in options held by the spouse of Ms. Kuok Hui Kwong to subscribe for the relevant underlying ordinary shares in respect of option shares granted by Kerry Properties Limited, details of which are set out in the section headed "Directors' and Chief Executive Officer's Rights to Acquire Shares or Debentures" below.

6. Approximate percentage calculated based on the 1,561,057,596 ordinary shares of the Company in issue as at 30 June 2013.

7. Approximate percentage calculated based on the 1,531,443,133 ordinary shares of Kerry Group Limited in issue as at 30 June 2013.

8. Approximate percentage calculated based on the 1,439,898,228 ordinary shares of Kerry Properties Limited in issue as at 30 June 2013.

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 2013, none of the Directors and Chief Executive Officer 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' AND CHIEF EXECUTIVE OFFICER'S RIGHTS TO ACQUIRE SHARES OR DEBENTURES

(i) Company

During the six months ended 30 June 2013, none of the Directors and Chief Executive Officer (including their spouses and children under 18 years of age) have any interest in, or had been granted, or had exercised, any rights to subscribe for shares or debentures of the Company required to be disclosed pursuant to the SFO.

(ii) Associated Corporations

(a) Kerry Group Limited

Dr. David J. Pang, Ms. Kuok Hui Kwong and her spouse 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 2013. Details are set out as follows:

Name of Director	Date of grant	Number of KGL Options held as at 01/01/2013	Number of KGL Options granted during the period	Number of KGL Options exercised during the period	Number of KGL Options held as at 30/06/2013	Exercise price/share HK$	Exercise period
Dr. David J. Pang	19/07/2010	700,000	-	(100,000)	600,000	10.00	19/07/2010-15/07/2017
Ms. Kuok Hui Kwong	19/07/2010[1]	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

Note:

1. 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 2013. Details are set out as follows:

Date of grant	Number of KPL Options held as at 01/01/2013	Number of KPL Options granted during the period	Number of KPL Options exercised during the period	Number of KPL Options held as at 30/06/2013	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
30/04/2012	300,000	-	-	300,000	35.45	Tranche I (150,000)-31/10/2012-29/04/2022 Tranche II (150,000)-31/10/2013-29/04/2022

Save as stated above, at no time during the six months ended 30 June 2013 had any Directors and Chief Executive Officer (including their spouses and children under 18 years of age) have any interest in, or had been granted, or had exercised, any rights to subscribe for shares or debentures of the associated corporations of the Company required to be disclosed pursuant to SFO.

SUBSTANTIAL INTERESTS IN SHARE CAPITAL

As at 30 June 2013, 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[6]
Kerry Group Limited	Interest of controlled corporations	1,155,061,308	Long position	73.99%
Kerry Holdings Limited	Interest of controlled corporations	1,155,061,308[1]	Long position	73.99%
Kerry 1989 (C.I.) Limited	Interest of controlled corporations	1,078,717,308[2]	Long position	69.10%
Kerry Media Limited	Beneficial owner	1,078,717,308[3]	Long position	69.10%
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[4,5]	Long position	6.94%

Notes:

1. 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.

2. 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.

3. 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.

4. The Company has been notified informally that as at 30 June 2013, Silchester International Investors International Value Equity Trust was interested in 100,513,634 shares (representing approximately 6.44% of the Company's issued share capital) and this decrease in shareholding was not required to be disclosed under Part XV of the SFO.

5. The interests held by Silchester International Investors International Value Equity Trust are duplicated in the interests reported above for Silchester International Investors LLP.

6. Approximate percentage calculated based on the 1,561,057,596 ordinary shares of the Company in issue as at 30 June 2013.

Save as stated above, as at 30 June 2013, the register maintained by the Company pursuant to section 336 of the SFO recorded no other interests or short positions in the shares and underlying shares of the Company.

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 optimise 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.

No share option was granted under the Scheme during the six months ended 30 June 2013 (the "Period").

The outstanding shares in respect of options granted under the Scheme as at 30 June 2013 are summarised below:

	Number of shares in respect of options granted
Outstanding at 1 January 2013	9,400,000
Granted during the Period	-
Exercised during the Period	(112,000)
Cancelled during the Period	-
Lapsed during the Period	(400,000)
Outstanding at 30 June 2013	8,888,000

Details of the movements during the six months ended 30 June 2013 in the options granted under the Scheme are as follows:

(i) Options granted to Directors and Chief Executive Officer

None of the Directors and Chief Executive Officer of the Company has any outstanding options or has any options exercised, cancelled or lapsed during the six months ended 30 June 2013.

(ii) Options granted to employees

		Number of options						
Date of grant	Tranche	Outstanding at 01/01/2013	Granted during the Period	Exercised during the Period	Lapsed during the Period	Outstanding at 30/06/2013	Exercise price/Share HK$	Exercise period
28/11/2011	1	1,296,000	-	(64,000)	(64,000)	1,168,000	1.484	19/07/2012-27/11/2021
28/11/2011	2	486,000	-	(24,000)	(24,000)	438,000	1.484	19/10/2012-27/11/2021
28/11/2011	3	486,000	-	(24,000)	(24,000)	438,000	1.484	19/01/2013-27/11/2021
28/11/2011	4	486,000	-	-	(24,000)	462,000	1.484	19/04/2013-27/11/2021
28/11/2011	5	694,000	-	-	(24,000)	670,000	1.484	19/07/2013-27/11/2021
28/11/2011	6	645,000	-	-	(28,000)	617,000	1.484	19/10/2013-27/11/2021
28/11/2011	7	645,000	-	-	(28,000)	617,000	1.484	19/01/2014-27/11/2021
28/11/2011	8	645,000	-	-	(28,000)	617,000	1.484	19/04/2014-27/11/2021
28/11/2011	9	645,000	-	-	(28,000)	617,000	1.484	19/07/2014-27/11/2021
28/11/2011	10	739,000	-	-	(32,000)	707,000	1.484	19/10/2014-27/11/2021
28/11/2011	11	739,000	-	-	(32,000)	707,000	1.484	19/01/2015-27/11/2021
28/11/2011	12	739,000	-	-	(32,000)	707,000	1.484	19/04/2015-27/11/2021
28/11/2011	13	739,000	-	-	(32,000)	707,000	1.484	19/07/2015-27/11/2021
28/11/2011	14	104,000	-	-	-	104,000	1.484	19/10/2015-27/11/2021
28/11/2011	15	104,000	-	-	-	104,000	1.484	19/01/2016-27/11/2021
28/11/2011	16	104,000	-	-	-	104,000	1.484	19/04/2016-27/11/2021
28/11/2011	17	104,000	-	-	-	104,000	1.484	19/07/2016-27/11/2021
Total		9,400,000	-	(112,000)	(400,000)	8,888,000		

Notes:

1. The weighted average closing price of the shares of the Company immediately before the dates on which the share options were exercised was HK$1.95.

2. No options were granted or cancelled during the Period.

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 2013.

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 2013 are in line with the corporate governance statement as set out in the Company’s 2012 Annual Report. During the period, the Group’s corporate governance practices have complied with all the code provisions of the Corporate Governance Code (“Stock Exchange Code”) as set out in Appendix 14 of the 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 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 2013 to 30 June 2013.

AUDIT COMMITTEE

The Company established an Audit Committee in 1998 with written terms of reference. The Audit Committee currently comprises three Independent Non-executive Directors, namely Dr. the Hon. Sir David Li Kwok Po as Committee Chairman, Mr. Ronald J. Arculli and Mr. Wong Kai Man. The Audit Committee met once in the first six months of 2013. The Audit Committee has reviewed the Group’s unaudited interim results for the six months ended 30 June 2013.

With effect from 21 August 2013, Mr. Wong Kai Man will act as the Chairman of the Audit Committee in place of Dr. the Hon. Sir David Li Kwok Po. Save from the aforesaid, the composition of the Audit Committee remains unchanged.

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 as Committee Chairman and Mr. Ronald J. Arculli, and an Executive Director, Ms. Kuok Hui Kwong.

With effect from 21 August 2013, Dr. the Hon. Sir David Li Kwok Po will be appointed as the Chairman of the Remuneration Committee in place of Mr. Wong Kai Man who remains a member of the Remuneration Committee. The Remuneration Committee will comprise of Dr. the Hon. Sir David Li Kwok Po as Committee Chairman, Mr. Ronald J. Arculli, Ms. Kuok Hui Kwong and Mr. Wong Kai Man.

NOMINATION COMMITTEE

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

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. The Strategy Committee met once in the first six months of 2013.

PUBLIC FLOAT

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

On behalf of the Board
David J. PANG
Chairman

Hong Kong, 20 August 2013