THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this document or as to the action to be taken, you should consult a licensed security dealer, registered institution in securities, a bank manager, solicitor, professional accountant, or other professional adviser.

If you have sold or otherwise transferred all your shares in SCMP Group Limited, you should at once hand this document to the purchaser(s) or transferee(s) or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

SCMP Group Limited
SCMP 集團有限公司*

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

RESPONSE DOCUMENT

MANDATORY CONDITIONAL GENERAL OFFER
by J.P. Morgan Securities (Asia Pacific) Limited
on behalf of Kerry Media Limited
to acquire all issued Shares in the share capital of
SCMP GROUP LIMITED
(other than those Shares already owned or agreed to be acquired by the Offeror and other members of the Concert Group)

Independent Financial Adviser to the Independent Board Committee

PLATINUM
Securities

A letter from the Board is set out on pages 5 to 9 of this document. A letter from the Independent Board Committee containing its advice to the Independent Shareholders in relation to the Offer is set out on page 10 of this document. A letter from Platinum, being the independent financial adviser to the Independent Board Committee containing its advice to the Independent Board Committee in relation to the Offer is set out on pages 11 to 27 of this document.

25 January 2008

* *For identification purpose only*

CONTENTS

In this document, the following expressions have the meanings set out below unless the context requires otherwise.

"Acquisition"	the acquisition made by the Offeror on 13 December 2007 of 50,000,000 Shares at the consideration of HK$2.39 per Share;
"acting in concert"	has the meaning given to it in the Takeovers Code;
"Announcement"	the announcement dated 13 December 2007 issued by the Company regarding the suspension of trading in the Shares pending release of a formal announcement of the Offer;
"associate(s)"	has the meaning ascribed thereto under the Listing Rules;
"Board"	the board of Directors of the Company;
"Business Day"	a day on which the Stock Exchange is open for transaction of business;
"CCASS"	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited;
"Company"	SCMP Group Limited, a company incorporated in Bermuda as an exempted company with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange;
"Concert Group"	the Offeror and those entities or persons acting in concert with it, as determined in accordance with the Takeovers Code;
"Directors"	each and all of the directors of the Company from time to time;
"DTZ"	DTZ Debenham Tie Leung Limited, an independent firm of professional property valuers;
"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director;

"Form of Acceptance"	the form of acceptance and transfer of Shares in respect of the Offer which accompanies the Offer Document;
"Group"	the Company and its subsidiaries;
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong;
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China;
"Independent Board Committee"	the independent board committee of the Company, comprising The Hon. Ronald J. Arculli, Mr. Peter Lee Ting Chang, Dr. The Hon. Sir David Li Kwok Po and Mr. Wong Kai Man, established to advise the Independent Shareholders in respect of the Offer;
"Independent Shareholders"	the Shareholders other than the Offeror and other members of the Concert Group;
"Joint Announcement"	the joint announcement dated 19 December 2007 issued jointly by the Company and the Offeror regarding, among other things, the Offer;
"JPMorgan"	J.P. Morgan Securities (Asia Pacific) Limited (as defined in the Offer Document);
"Last Trading Day"	12 December 2007, being the last full trading day prior to the suspension of trading in the Shares pending the publication of the Announcement;
"Latest Practicable Date"	22 January 2008, being the latest practicable date prior to the printing of this document for the purpose of ascertaining certain information contained in this document;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited;
"Offer"	the mandatory conditional general offer made by JPMorgan, on behalf of the Offeror, for all issued Shares not already owned or agreed to be acquired by the Concert Group at the Offer Price, in accordance with the Takeovers Code;

"Offer Document"	the offer document dated 4 January 2008 issued by the Offeror in connection with the Offer;
"Offer Period"	has the meaning ascribed to it in the Takeovers Code;
"Offer Price"	HK$2.75 per Share payable in cash by the Offeror;
"Offeror"	Kerry Media Limited, a company incorporated in the British Virgin Islands with limited liability, the ultimate controlling shareholder of whom is Kerry Group Limited;
"Overseas Shareholder(s)"	Shareholder(s) whose registered address(es) as shown on the register of members of the Company are outside Hong Kong;
"Platinum"	Platinum Securities Company Limited, a licensed corporation under the SFO to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities, being the independent financial adviser to the Independent Board Committee in relation to the Offer;
"Relevant Period"	the period between Wednesday, 13 June 2007, being the date falling six months preceding the date of the Announcement up to and including the Latest Practicable Date;
"Response Document"	this document issued by the Company in relation to the Offer containing, inter alia, the board circular of the Company, as required by the Takeovers Code;
"SFC"	the Securities and Futures Commission of Hong Kong;
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
"Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of the Company;
"Share Option Scheme"	the share option scheme approved at the annual general meeting of the Company held on 25 May 2006;
"Shareholders"	holders of Shares;

"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"subsidiary"	has the meaning as defined in the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) and "subsidiaries" shall be construed accordingly; and
"Takeovers Code"	the Code on Takeovers and Mergers and Share Repurchases of Hong Kong.

SCMP Group Limited
SCMP 集團有限公司*

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

Executive Directors:
Kuok Khoon Ean *(Chairman)*
Kuok Hui Kwong

Non-executive Directors:
Roberto V. Ongpin *(Deputy Chairman)*
Tan Sri Dr. Khoo Kay Peng
Dr. David J. Pang

Independent Non-executive Directors:
The Hon. Ronald J. Arculli
Peter Lee Ting Chang
Dr. The Hon. Sir David Li Kwok Po
Wong Kai Man

Registered office:
Canon's Court
22 Victoria Street
Hamilton, HM12
Bermuda

Head office and principal place of business:
Morning Post Centre
22 Dai Fat Street
Tai Po Industrial Estate
New Territories
Hong Kong

25 January 2008

To the Independent Shareholders

Dear Sir or Madam,

MANDATORY CONDITIONAL GENERAL OFFER
by J.P. Morgan Securities (Asia Pacific) Limited
on behalf of Kerry Media Limited
to acquire all issued Shares in the share capital of
SCMP GROUP LIMITED
(other than those Shares already owned or agreed to be acquired
by the Offeror and other members of the Concert Group)

INTRODUCTION

Reference is made to the Joint Announcement jointly issued by the Company and the Offeror dated 19 December 2007. As stated in the Joint Announcement, on 13 December 2007, the Offeror, being ultimately controlled by Kerry Group Limited, acquired 50,000,000 Shares (representing approximately 3.20% of the voting rights of the Company) at the consideration of HK$2.39 per Share. Before the Acquisition, the Offeror, together with other members of the Concert Group, were interested in a total of 650,132,000 Shares, representing approximately

* *For identification purpose only*

41.65% of the issued share capital of the Company. As the Offeror, together with other members of the Concert Group, has acquired more than 2% of the voting rights of the Company immediately after the Acquisition compared with their lowest collective percentage holding in the Company in the preceding 12-month period, the Offeror is required to make a mandatory offer for all the issued Shares, other than those already owned by or agreed to be acquired by the Offeror or members of the Concert Group, in accordance with Rule 26.1(d) of the Takeovers Code.

Shareholders should by now have received a copy of the Offer Document issued by JPMorgan, for and on behalf of the Offeror, setting out, inter alia, the terms and conditions of the Offer. Shareholders are urged to read carefully the terms and conditions contained therein.

The Takeovers Code requires that an independent board committee, comprising all non-executive Directors, be established to advise the Independent Shareholders in respect of the Offer. The Independent Board Committee, comprising all four independent non-executive Directors, namely The Hon. Ronald J. Arculli, Mr. Peter Lee Ting Chang, Dr. The Hon. Sir David Li Kwok Po and Mr. Wong Kai Man, has been established by the Company to make a recommendation to the Independent Shareholders in connection with the Offer. None of Mr. Roberto V. Ongpin, Tan Sri Dr. Khoo Kay Peng nor Dr. David J. Pang, all non-executive Directors, has any conflict of interest in respect of the Offer. Each of them was prepared to be a member of the Independent Board Committee, but the Board is of the view that all three of them should refrain from participating in it for the following reasons: (i) in the case of Mr. Roberto V. Ongpin, because of his personal relationship with family members of the Concert Group; (ii) in the case of Tan Sri Dr. Khoo Kay Peng, he has had, through his corporate interests, several business relationships with the Concert Group; and (iii) in the case of Dr. David J. Pang, because of his being a director of a member of the Concert Group.

The purpose of this document is to provide you further information relating to the Company and the Offer and to set out the reasons for the recommendation of the Independent Board Committee and the advice of Platinum, in each case, regarding the Offer.

THE OFFER AND PROCEDURES FOR ACCEPTANCE

Based on the information set out in the Offer Document, JPMorgan makes the Offer on behalf of the Offeror to acquire the Shares not already owned or agreed to be acquired by the Offeror and other members of the Concert Group. The expected timetable and procedures for acceptance of the Offer are set out in the "Expected Timetable", the section headed "Acceptance and Settlement" in the "Letter from JPMorgan" and Appendix I of the Offer Document and the section headed "Revised Expected Timetable" in the joint announcement dated 17 January 2008 issued jointly by the Company and the Offeror regarding delay in despatch of the Response Document and extension of closing date of the Offer.

INFORMATION ON THE COMPANY AND THE GROUP

The Company is incorporated in Bermuda with limited liability and its issued Shares have been listed on the Stock Exchange since 1990. The Group is engaged mainly in newspaper and magazine publishing.

The audited consolidated net asset value of the Company was HK$1,730.91 million and HK$1,894.59 million for the years ended 31 December 2005 and 31 December 2006, respectively.

The Company recorded an audited consolidated net profit attributable to shareholders of approximately HK$246.36 million and HK$338.58 million for the years ended 31 December 2005 and 31 December 2006, respectively.

Share Option Scheme

The Company has a Share Option Scheme. As at the date of the Joint Announcement, there were no outstanding share options granted pursuant to the Share Option Scheme.

Other than the Shares, the Company does not have any other outstanding equity securities (including equity related convertible securities, or warrants, options or subscription rights or derivatives in respect of any equity share capital of the Company (including non-transferable options)).

INFORMATION ON THE OFFEROR AND ITS INTENTIONS REGARDING THE COMPANY

Your attention is drawn to the section headed "Information on the Offeror" and the section headed "Intentions of the Offeror regarding the Group" in the "Letter from JPMorgan" on page 12 of the Offer Document.

As stated in the Offer Document, in the event that the compulsory acquisition right is not available to the Offeror and the Offer closes, it is the Offeror's intention to maintain the listing of the Shares on the Stock Exchange and the Offeror will undertake to the Stock Exchange to take appropriate steps following the close of the Offer to ensure that such number of the Shares as required by the Listing Rules are held by the public.

The Stock Exchange has stated that if, at the closing of the Offer, less than 25% of the Shares are held by the public, or if the Stock Exchange believes that:

- **a false market exists or may exist in the trading of the Shares; or**
- **there are insufficient Shares in public hands to maintain an orderly market,**

then the Stock Exchange may exercise its power to suspend trading in the Shares of the Company. In this connection, it should be noted that, following the completion of the Offer, there may be insufficient public float for the Shares and therefore trading in the Shares may be suspended until the prescribed level of public float is restored.

OVERSEAS SHAREHOLDERS

As stated in the Offer Document, with the Executive's consent under Note 3 to Rule 8 of the Takeovers Code, the Offeror intends to post the Offer Document to all Independent Shareholders other than those that are residing, or are domiciled, in Canada. The making of the Offer to Overseas Shareholders may be prohibited or affected by the laws of the relevant jurisdictions. Overseas Shareholders should inform themselves about and observe any applicable legal requirements. It is the responsibility of each Overseas Shareholder wishing to accept the Offer to satisfy himself or herself or itself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required and the compliance with other necessary formalities or legal requirements. Any such Overseas Shareholder will be responsible for any such issue, transfer or other taxes by whomsoever payable. Acceptances of the Offer by any such person will constitute a warranty by such person that such person is permitted under all applicable laws to receive and accept the Offer, and any revision thereof, and such acceptance shall be valid and binding in accordance with all applicable laws.

Shareholders, including without limitation, custodians, nominees and trustees, who would, or otherwise intend to, forward the Offer Document and/or the Form of Acceptance to any jurisdiction outside of Hong Kong, should read the details in this regard which are contained in paragraph 6 and paragraph 7(f)(ii) of Appendix I to the Offer Document before taking any action.

RECOMMENDATION

Your attention is drawn to the "Letter from the Independent Board Committee" to the Independent Shareholders set out on page 10 of this document and the "Letter from Platinum" to the Independent Board Committee set out on pages 11 to 27 of this document, which set out their respective advice and recommendation in respect of the Offer and the principal factors considered by them in arriving at their respective advice and recommendation.

ADDITIONAL INFORMATION

In considering what action to take in connection with the Offer, the Independent Shareholders should consider their own tax positions and, if they are in any doubt, they should consult their own professional advisers.

You are recommended to read the "Letter from JPMorgan" set out on pages 6 to 14 of the Offer Document and the further terms of the Offer as set out in Appendix I to the Offer Document. Your attention is also drawn to the information set out in Appendices I, II and III to this document.

OTHER INFORMATION

The Directors would like to provide additional information on the valuation of two of the Company's publishing titles, *South China Morning Post* and *Sunday Morning Post* (the "Publishing Titles"). As stated in the Company's annual report for the year ended 31 December 2006, the Company has appointed American Appraisal China Limited (the "Valuer"), an independent valuer, to value the Publishing Titles on an open market basis. The Valuer had valued the Publishing Titles at approximately HK$4.4 billion as at 31 December 2004 ("2004 Valuation"). The Directors have adopted the 2004 Valuation in their annual valuation of the Publishing Titles as at 31 December 2006.

The 2004 Valuation is not reflected in the Group's financial statements as the then accounting principles generally accepted in Hong Kong and the accounting policies of the Company require publishing titles with indefinite useful lives to be stated at cost less any accumulated amortisation and any accumulated impairment losses. The Publishing Titles were acquired in 1987 and their useful lives had been determined to be 10 years. The cost of HK$1.82 billion was fully amortised by 1997. Publishing titles that have been fully amortised in prior years have not been restated. They are included in the Group's financial statements at zero carrying amounts.

The Company was recently informed by the Valuer that a modeling error was made in the 2004 Valuation which would result in the reduction of the 2004 Valuation from approximately HK$4.4 billion to approximately HK$3.0 billion.

Your attention is drawn to Platinum's opinion in relation to Publishing Titles in the "Letter from Platinum" to the Independent Board Committee set out on pages 11 to 27 of this document.

Yours faithfully,
For and on behalf of
SCMP Group Limited
Kuok Khoon Ean
Chairman

SCMP Group Limited
SCMP 集團有限公司*

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

25 January 2008

To the Independent Shareholders

Dear Sir or Madam,

MANDATORY CONDITIONAL GENERAL OFFER
by J.P. Morgan Securities (Asia Pacific) Limited
on behalf of Kerry Media Limited
to acquire all issued Shares in the share capital of
SCMP GROUP LIMITED
(other than those Shares already owned or agreed to be acquired
by the Offeror and other members of the Concert Group)

We refer to the Offer Document dated 4 January 2008 issued by the Offeror and the Response Document dated 25 January 2008 issued by the Company to the Independent Shareholders of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Response Document unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to consider the Offer and to advise you as to whether, in our opinion, the terms of the Offer are fair and reasonable so far as your interests are concerned. Platinum has been appointed to advise us in respect of the Offer.

We wish to draw your attention to: (i) the "Letter from the Board" set out on pages 5 to 9 of this document; (ii) the "Letter from JPMorgan" set out on pages 6 to 14 of the Offer Document containing details of the Offer and other relevant information on the Offeror. Please also refer to the "Letter from Platinum" as set out on pages 11 to 27 of this document for its advice and recommendations to us in relation to the Offer and, in particular, the paragraphs under the heading "Market Conditions" in the "Letter from Platinum" as set out on page 26 of this document.

Having taken into account the principal factors considered by, and the advice and recommendation of, Platinum with respect to the Offer, we do not consider that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders not to accept the Offer.

Yours faithfully,
Wong Kai Man
For and on behalf of
the Independent Board Committee

The Hon. Ronald J. Arculli	**Mr. Peter Lee Ting Chang**
Dr. The Hon. Sir David Li Kwok Po	**Mr. Wong Kai Man**

Independent Non-executive Directors

* *For identification purpose only*

The following is the text of the letter of advice from the independent financial adviser to the Independent Board Committee for the purpose of incorporation into this Response Document.

PLATINUM
Securities

25 January 2008

SCMP Group Limited
Morning Post Centre
22 Dai Fat Street
Tai Po Industrial Estate
New Territories
Hong Kong

To the Independent Board Committee

Dear Sirs,

MANDATORY CONDITIONAL GENERAL OFFER
by J.P. Morgan Securities (Asia Pacific) Limited
on behalf of Kerry Media Limited
to acquire all issued Shares in the share capital of
SCMP GROUP LIMITED
(other than those Shares already owned or agreed to be acquired
by the Offeror and other members of the Concert Group)

INTRODUCTION

We refer to the Joint Announcement. On 4 January 2008, the Offeror dispatched the Offer Document to the Independent Shareholders. Details of the Offer are contained in the letter from JPMorgan and the Appendices in the Offer Document.

You should read the Offer Document carefully and, in particular, the sections headed "Information on the Offeror" and "Intentions of the Offeror regarding the Group" in the letter from JPMorgan.

We have been appointed by the Company as the independent financial adviser to advise the Independent Board Committee as to the fairness and reasonableness on the terms of the Offer. Our appointment has been approved by the Independent Board Committee. Terms used in this letter shall have the same meaning as defined in this Response Document unless the context otherwise requires.

Platinum is independent from, and not connected with, the Company, its associates or parties acting in concert with any of them save for the fact that Dr. The Hon. Sir David Li Kwok Po ("Sir David"), an independent non-executive Director of the Company, is the chairman and chief executive of The Bank of East Asia, Limited ("BEA"), which in turn has an equity interest in Platinum Holdings Company Limited ("Platinum Holdings"), the holding company of Platinum.

Sir David has no management function in Platinum Holdings, its subsidiaries (including Platinum) and its associated companies. Furthermore, both Platinum and Sir David, who is a member of the Independent Board Committee, are acting independently of the Company and, therefore, their association via Platinum Holdings and BEA do not present any conflict of interest in respect of their respective roles in the provision of advice to the Independent Board Committee and the Independent Shareholders.

We will receive a fee from the Company for our role as the independent financial adviser to the Independent Board Committee in relation to the Offer. Apart from this normal professional fee payable to us in connection with this appointment, no arrangements exist whereby we will receive any fees or benefits from the Company or any other party to the Offer or their respective substantial shareholder(s) or associates.

In formulating our opinion, we have relied on the information and facts supplied to us by the Company. We have reviewed, among other things: (i) the interim report of the Group for the six months ended 30 June 2007 (the "2007 Interim Report"); (ii) the annual report of the Group for the year ended 31 December 2006 (the "2006 Annual Report"); and (iii) the valuation report dated 25 January 2008 prepared by DTZ on the property interests held by the Group (the "Valuation Report").

We have assumed that all information, facts, opinions and representations contained in the Response Document are true, complete and accurate in all material respects and we have relied on the same. The Directors have confirmed that they take full responsibility for the contents of the Response Document, and have made all reasonable inquiries that no material facts have been omitted from the information supplied to us.

We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy or completeness of the information of all facts as set out in the Response Document and of the information and representations provided to us by the Company. Furthermore, we have no reason to suspect the reasonableness of the opinions and representations expressed by the Company and/or the Directors which have been provided to us. In line with normal practice, we have not, however, conducted a verification process of the information supplied to us, nor have we conducted any independent in-depth investigation into the business and affairs of the Group. We consider that we have reviewed sufficient information to enable us to reach an informed view and to provide a reasonable basis for our opinion regarding the Offer.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising four independent non-executive Directors, namely The Hon. Ronald J. Arculli, Mr. Peter Lee Ting Chang, Sir David and Mr. Wong Kai Man, has been established for the purpose of advising the Independent Shareholders in respect of the Offer.

TERMS OF THE OFFER

According to the Offer Document, JPMorgan, on behalf of the Offeror, makes the Offer to acquire all the issued Shares other than those already owned by or agreed to be acquired by the Offeror or other members of the Concert Group on the following basis:

For each Share . . . . HK$2.75 in cash

The Offer is conditional upon the Offeror having received valid acceptances of the Offer (and such acceptances not, where permitted under the Takeovers Code, being withdrawn on or before 1 February 2008, the closing date of the Offer (the "Closing Date")) which, together with the Shares already owned by or agreed to be acquired by the Offeror or other members of the Concert Group, will result in the Offeror and other members of the Concert Group holding more than 50% of the voting rights of the Company by 4:00 p.m. on the Closing Date.

The procedures for acceptance and further terms of the Offer are set out in the letter from JPMorgan and Appendix I in the Offer Document.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our recommendation in relation to the Offer to the Independent Board Committee, we have considered the following principal factors:

1. Financial performance of the Group

The following is a summary of the audited consolidated financial statements of the Group for the three years ended 31 December 2006 as extracted from the annual reports of the Company and the unaudited consolidated financial statements of the Group for the six months ended 30 June 2006 and 2007 as extracted from the 2007 Interim Report.

Table 1: Financial summary of the Group

	For the year ended 31 December			**For the six months ended 30 June**	
	2006	**2005**	**2004**	**2007**	**2006**
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*
Revenue	**1,213.2**	**1,120.4**	**1,022.7**[Note]	**632.9**	**583.2**
Operating profit from the principal activities	377.6	287.3	257.6	214.4	178.2
% of revenue ("Operating Profit Margin")	31.1%	25.6%	25.2%	33.9%	30.6%
Major expenses in relation to the principal activities					
Staff costs	377.1	369.3	343.5	191.0	180.6
% of revenue ("Staff Cost Ratio")	31.1%	33.0%	33.6%	30.2%	31.0%
Production costs	178.3	170.4	147.5	88.3	86.0
% of revenue ("Production Cost Ratio")	14.7%	15.2%	14.4%	14.0%	14.7%

Note: Excluded discontinued operations

Sources: Annual and interim reports of the Group *(a) Revenues*

Revenue of the Group from its principal activities recorded steady growth from 2004 to 2006.

Revenue grew 9.6% to HK$1,120.4 million for the year ended 31 December 2005 from HK$1,022.7 million for the year ended 31 December 2004 and a further 8.3% to HK$1,213.2 million for the year ended 31 December 2006. According to the 2006 Annual Report, the Company attributed the growth to the strong economic condition in Hong Kong which produced growth in advertisement spend in all media, in which newspaper industry had a market share of 33%.

We note that the revenue for the six months ended 30 June 2007 reported in the 2007 Interim Report also recorded an increase of 8.5% to HK$632.9 million from HK$583.2 million for the same period in 2006. Again, this is attributable to the increase in advertising revenue.

In addition to advertising revenue growth, we note that circulations of the two newspapers published by the Group has shown improvement over the past few years. The table below sets out that the circulations of *South China Morning Post* ("*SCMP*") and *Sunday Morning Post* ("*SMP*") from 2003 to the first half of 2007.

Table 2: Circulations of *SCMP* and *SMP*

Period	**SCMP** *Copies*	**SMP** *Copies*
1st half of 2003	92,271	74,829
2nd half of 2003	96,389	75,896
1st half of 2004	100,004	78,362
2nd half of 2004	101,782	82,208
1st half of 2005	103,964	81,099
2nd half of 2005	104,552	81,453
1st half of 2006	104,415	80,498
2nd half of 2006	102,102	80,124
1st half of 2007	105,000	80,600

Note: Figures audited by Audit Bureau of Circulations other than figures of 1st half of 2007 which are unaudited

Source: 2007 Interim Report

Moreover, based on the discussion with the management of the Company, we understand that strong economic fundamentals in Hong Kong together with an un-geared balance sheet (after deducting bank balances and deposits) provide the Group with a sound base for the future.

(b) Operating Profit Margin

The operating profit from principal activities increased by approximately 11.5% from approximately HK$257.6 million for the year ended 31 December 2004 to approximately HK$287.3 million for the year ended 31 December 2005 and a further 31.4% to approximately HK$377.6 million for the year ended 31 December 2006. In addition, the operating profit from principal activities increased by approximately 20.3% from approximately HK$178.2 million for the six months ended 30 June 2006 to approximately HK$214.4 million for the six months ended 30 June 2007.

The Operating Profit Margin for each of the financial year under review has been improving from approximately 25.2% in 2004 to approximately 25.6% in 2005 and to approximately 31.1% in 2006. In addition, the Group recorded Operating Profit Margin of approximately 33.9% for the six months ended 30 June 2007.

The improving Operating Profit Margin recorded by the Group is the result of the lowering of staff costs and production costs as a percentage of revenue of the Group as illustrated in Table 1 above. Staff costs increased from approximately HK$343.5 million to approximately HK$369.3 million and to approximately HK$377.1 million for the three years ended 31 December 2006. However, the Staff Cost Ratio is on a downward trend, from approximately 33.6% to approximately 33.0% and to approximately 31.1% for the three corresponding years. Production costs, including newsprint costs, are on an upward trend and the Production Cost Ratio has been roughly maintained as illustrated in Table 1 above. These figures reflect the management's ability to control staff costs and production costs despite a competitive environment.

2. Offer Price

The Offer Price of HK$2.75 per Share represents:

(a) a premium of approximately 1.10% to the closing price of HK$2.72 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(b) a premium of approximately 15.06% to the closing price of HK$2.39 per Share as quoted on the Stock Exchange on the Last Trading Day;

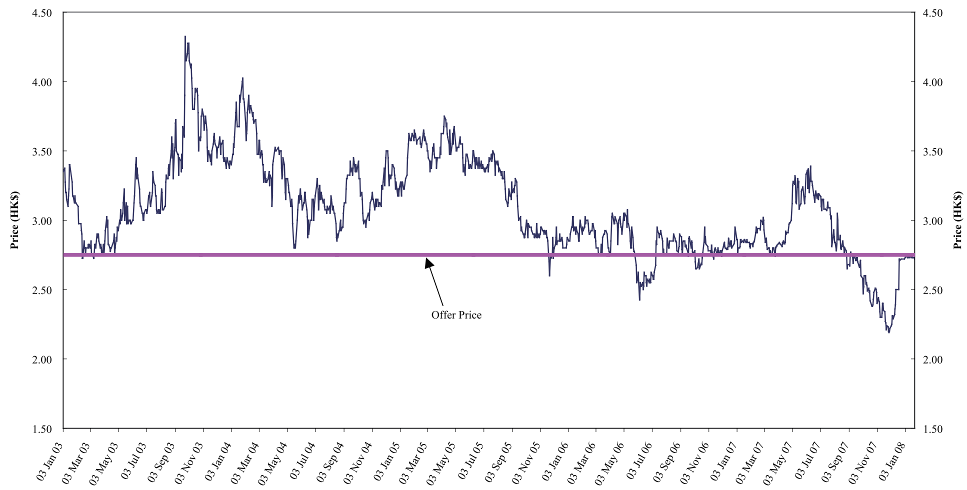
(c) a premium of approximately 20.09% to the average closing price of approximately HK$2.29 per Share as quoted on the Stock Exchange for the last 10 trading days up to and including the Last Trading Day; and

(d) a premium of approximately 19.05% to the average closing price of approximately HK$2.31 per Share as quoted on the Stock Exchange for the last 30 trading days up to and including the Last Trading Day.

In the above analysis, we note that the premium of the Offer Price per Share to the closing prices and average closing prices of the Shares range from 1.10% to 20.09%.

Chart 1 below illustrates the historical daily closing prices of the Shares from 3 January 2003 up to and including the Latest Practicable Date.

Chart 1: Daily closing prices of the Shares



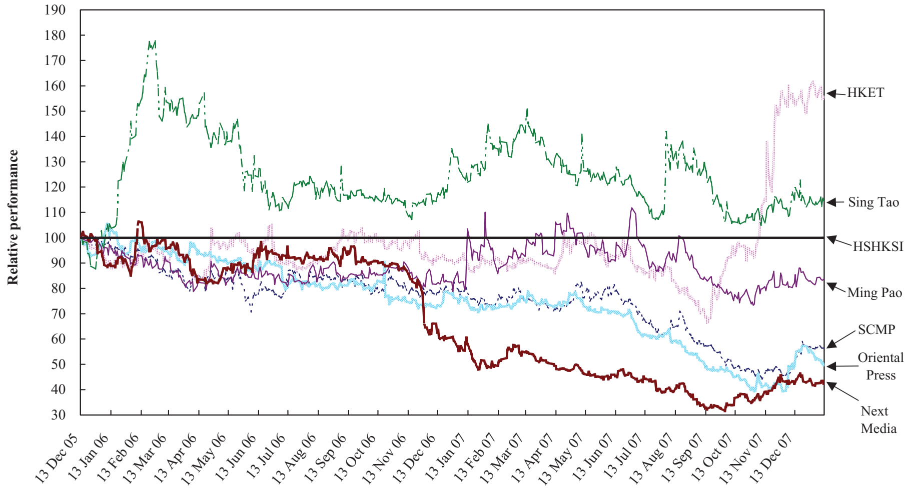
Source: Bloomberg as at the Latest Practicable Date

As shown in the above Chart 1, the Offer Price is near the lower end of the closing prices of the Shares from 3 January 2003 to the Latest Practicable Date, which ranged from HK$2.190 per Share to HK$4.325 per Share.

In assessing whether the Offer is fair and reasonable, we have reviewed six companies listed on the Stock Exchange which have business operations in the publication of newspapers in Hong Kong, namely Hong Kong Economic Times Holdings Limited ("HKET"), Ming Pao Enterprise Corporation Limited ("Ming Pao"), Next Media Limited ("Next Media"), Oriental Press Group Limited ("Oriental Press"), Sing Tao News Corporation Limited ("Sing Tao") and SMI Publishing Group Limited ("SMI"). All the above-mentioned companies are listed on the Main Board of the Stock Exchange except for SMI, which is listed on the Growth Enterprise Market of the Stock Exchange. We have excluded SMI as a comparable company to the Company in our analysis because the shares of such company are suspended from trading since 28 April 2005. The basis of the selection of the above-mentioned comparable companies, excluding SMI, (the "Comparable Companies") is that: (i) as reported in their respective latest annual reports, a substantial portion of their respective total revenue is publication of newspapers and magazines in Hong Kong; (ii) the newspapers published by these companies are well established, have a long history and are widely read; and (iii) the shares of which are listed on the Stock Exchange. The list of Comparable Companies is an exhaustive list of companies selected based on our above-mentioned criteria. The Comparable Companies have been identified, to our best endeavor, in our research through published information on Bloomberg.

The following chart shows the relative performance of the closing prices of the Shares and shares of the Comparable Companies to the Hang Seng HK SmallCap Index (the "HSHKSI") from two years before the Last Trading Day, i.e., 13 December 2005, up to and including the Latest Practicable Date (the "Review Period").

Chart 2: Relative performance of the closing prices of the Shares and shares of the Comparable Companies to the HSHKSI



Source: Bloomberg as at the Latest Practicable Date

As illustrated in the above Chart 2, during the Review Period, the closing prices of the Shares generally underperformed the HSHKSI and the shares of the Comparable Companies except Next Media and Oriental Press.

The following Table 3 sets out the relative performance of the Shares and the shares of the Comparable Companies to the HSHKSI as at the Latest Practicable Date.

Table 3: Relative performance of the Shares and the shares of the Comparable Companies to the HSHKSI

Company	**Relative performance as at the Latest Practicable Date** *Note* %
HKET	171.8
Ming Pao	96.3
Next Media	51.3
Oriental Press	56.5
Sing Tao	110.3
The Company	**70.2**

Note: Calculated based on the respective closing prices of the Shares and the shares of the Comparable Companies as at the Latest Practicable Date over their respective closing prices on 13 December 2005 and standardised by the return of the HSHKSI over the same period.

Source: Bloomberg as at the Latest Practicable Date

As shown in the above Table 3, as at the Latest Practicable Date and comparing to 13 December 2005, the Shares underperformed the HSHKSI and the shares of the Comparable Companies except Next Media and Oriental Press.

In order to provide a more comprehensive and meaningful evaluation of the Offer Price, we have further reviewed commonly used valuation parameters for the Comparable Companies and selected the price to earnings ratio (the "PER") as our valuation parameter. In our opinion, valuation of publishing and media-related stocks, which the Company is classified under, are more appropriately valued based on profitability of the companies rather than their assets. Accordingly, the Company should be more appropriately valued on an earnings-multiple basis as a valuation parameter for the Company. Details of the analysis are illustrated in Table 4 below.

Table 4: Analysis of the PER for the Company and the Comparable Companies

Company	**PER as at the Latest Practicable Date** *Times*
HKET	16.5
Ming Pao	30.2
Next Media	19.0
Oriental Press	22.0
Sing Tao	5.0
Simple average	**18.5**
The Offer	**12.7** *Note*

Note: Calculated based on the Offer Price multiplied by the Shares outstanding as at the Latest Practicable Date and then divided by the profit attributable to the Shareholders as stated in the 2006 Annual Report.

Sources: Latest annual reports of the Company and the Comparable Companies and Bloomberg as at the Latest Practicable Date.

As shown in the Table 4 above, we note that the PERs of the Comparable Companies range from approximately 5.0 times to approximately 30.2 times, with a simple average of approximately 18.5 times.

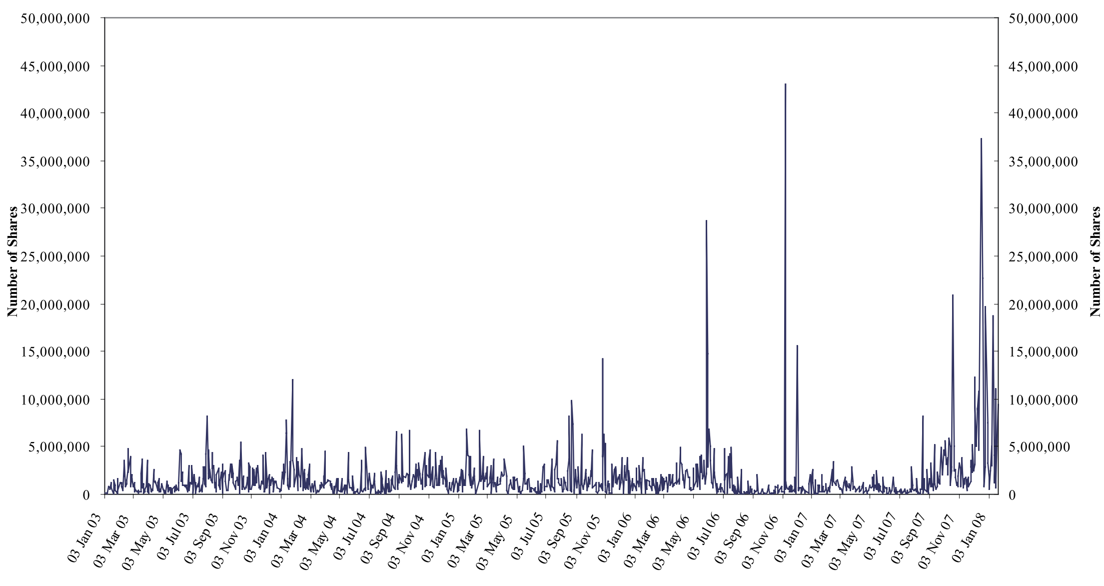
The PER as represented by the Offer Price is less than the simple average of the PERs of the Comparable Companies and is at the low end of such PERs' range.

In light of the above, we are of the view that the Offer price is not attractive as far as the Independent Shareholders are concerned.

3. Liquidity of the Shares

In our analysis of the liquidity of the Shares, we made reference to the following chart and tables of the daily trading volume of the Shares.

Chart 3: Daily trading volume of the Shares



Source: Bloomberg as at the Latest Practicable Date

As shown in the Chart 3 above, the trading volume of the Shares from 3 January 2003 to the Latest Practicable Date were, in general, thin.

In order to assess the trading volume of the Shares compared to its peers in the same industry, we have compared the monthly trading volumes of the Shares with that of the Comparable Companies, which are set out in Tables 5 and 6 below.

Table 5: Monthly trading volume over total issued shares of the Company and the Comparable Companies

Month	The Company Monthly trading volume over total issued Share Notes %	HKET Monthly trading volume over total issued share Notes %	Ming Pao Monthly trading volume over total issued share Notes %	Next Media Monthly trading volume over total issued share Notes %	Oriental Press Monthly trading volume over total issued share Notes %	Sing Tao Monthly trading volume over total issued share Notes %
October 2005	2.91	1.48	0.25	1.31	4.34	0.82
November 2005	2.08	1.94	0.19	1.72	3.65	0.56
December 2005	1.84	4.85	0.69	2.52	2.95	0.50
January 2006	1.77	3.19	0.37	0.83	4.81	2.36
February 2006	1.22	1.97	0.09	1.49	4.33	6.59
March 2006	2.07	1.80	0.11	0.90	6.45	3.11
April 2006	2.10	3.85	0.19	0.92	5.60	2.70
May 2006	4.42	2.73	0.11	0.50	1.91	1.01
June 2006	3.49	3.38	0.24	0.86	1.48	0.24
July 2006	2.20	1.88	0.65	0.35	4.14	0.76
August 2006	0.64	1.83	0.15	0.32	2.24	1.12
September 2006	0.36	2.00	0.25	13.21	1.66	0.83
October 2006	0.49	6.68	0.27	1.25	4.63	0.61
November 2006	3.57	1.83	0.19	0.94	3.63	0.88
December 2006	1.62	0.92	0.20	2.17	2.16	4.47
January 2007	1.04	2.64	1.95	3.54	1.76	1.40
February 2007	1.30	0.85	0.64	1.85	1.61	1.06
March 2007	1.26	1.83	0.19	0.95	1.92	1.38
April 2007	0.55	2.27	2.02	0.88	2.23	0.55
May 2007	1.18	1.20	0.71	1.34	1.73	3.75
June 2007	0.57	4.90	16.00	1.91	1.50	0.82
July 2007	0.65	6.08	0.47	1.49	3.38	0.96
August 2007	1.34	6.70	0.47	0.44	2.51	11.45
September 2007	2.20	5.25	0.25	0.22	1.59	2.08
October 2007	5.36	4.26	0.47	0.77	1.93	0.82
November 2007	2.93	4.42	0.30	1.62	4.27	0.63
December 2007	10.02	1.92	0.05	1.79	12.64	0.32
Simple average for year 2006	**2.00**	**2.67**	**0.24**	**1.98**	**3.59**	**2.06**
Simple average for year 2007	**2.37**	**3.53**	**1.96**	**1.40**	**3.09**	**2.10**
Simple average for the period from October 2005 to December 2007	**2.19**	**3.06**	**1.02**	**1.71**	**3.37**	**1.92**

Notes:

1. *Calculated based on monthly trading volume of the Company and the Comparable Companies over their respective total issued shares as quoted from Bloomberg.*

2. *Monthly trading volume of August 2005 and September 2005 are excluded since the trading in shares of HKET commenced on 3 August 2005 and initial trading is not representative.*

Source: Bloomberg as at the Latest Practicable Date

Table 6: Monthly trading volume over free float shares of the Company and the Comparable Companies

	The Company	HKET	Ming Pao	Next Media	Oriental Press	Sing Tao
Month	**Monthly trading volume over free float Share** *Notes*	**Monthly trading volume over free float share** *Notes*	**Monthly trading volume over free float share** *Notes*	**Monthly trading volume over free float share** *Notes*	**Monthly trading volume over free float share** *Notes*	**Monthly trading volume over free float share** *Notes*
	%	%	%	%	%	%
October 2005	8.02	5.14	1.00	5.09	10.17	2.22
November 2005	5.74	6.75	0.74	6.65	8.56	1.52
December 2005	5.09	16.87	2.75	9.77	6.92	1.36
January 2006	3.17	11.11	1.49	2.51	11.27	6.38
February 2006	2.18	6.84	0.35	4.52	10.14	17.80
March 2006	3.71	6.27	0.43	2.72	15.13	8.47
April 2006	3.76	13.38	0.75	2.77	13.12	7.70
May 2006	7.89	9.49	0.41	1.51	4.47	2.92
June 2006	6.23	11.84	0.90	2.96	3.47	0.68
July 2006	3.92	6.61	2.39	1.21	9.75	2.20
August 2006	1.14	5.73	0.55	1.10	5.27	3.22
September 2006	0.64	6.27	0.92	32.24	3.90	2.40
October 2006	0.87	17.58	1.00	4.94	10.88	1.77
November 2006	6.08	4.82	0.71	3.73	8.53	2.54
December 2006	2.71	2.42	0.74	8.64	5.09	12.97
January 2007	1.72	6.94	7.22	14.13	4.13	4.06
February 2007	2.15	2.16	2.38	7.36	3.79	3.08
March 2007	2.08	4.66	0.69	3.77	4.60	4.01
April 2007	0.90	5.80	7.47	3.49	5.38	1.59
May 2007	1.96	3.06	2.62	5.32	4.18	10.24
June 2007	0.93	12.52	61.23	7.60	3.60	2.34
July 2007	1.07	15.52	1.81	5.91	8.13	2.72
August 2007	2.22	19.65	1.83	1.73	6.04	32.61
September 2007	3.40	15.48	0.97	0.87	3.84	6.50
October 2007	8.98	12.15	1.80	3.03	4.66	2.65
November 2007	4.91	12.60	1.17	6.45	10.28	2.02
December 2007	18.31	5.47	0.21	7.15	32.27	1.05
Simple average for year 2006	**3.53**	**8.53**	**0.89**	**5.74**	**8.42**	**5.75**
Simple average for year 2007	**4.05**	**9.67**	**7.45**	**5.57**	**7.58**	**6.07**
Simple average for the period from October 2005 to December 2007	**4.07**	**9.15**	**3.87**	**5.82**	**8.06**	**5.45**

Notes:

1. *Calculated based on month trading volume of the Company and the Comparable Companies over their respective free float shares as quoted from Bloomberg.*

2. *Monthly trading volume of August 2005 and September 2005 are excluded since the trading in shares of HKET commenced on 3 August 2005 and initial trading is not representative.*

Source: Bloomberg as at the Latest Practicable Date

As shown in the Table 5 above, the average trading volume of the shares of the Comparable Companies based on their respective total issued shares for the period from October 2005 to December 2007 range from approximately 1.02% to approximately 3.37%.

We note that the average monthly trading volume of the Shares of 2.19% based on the Company's total issued Shares for this period is near the middle of the range as represented by the Comparable Companies. In addition, the average monthly trading volume of the Shares based on the Company's total issued Shares for year 2006 and year 2007 are 2.00% and 2.37% respectively. These two figures are also near the middle of the range as represented by the Comparable Companies for their respective periods.

On the other hand, as shown in Table 6 above, the average trading volume of the shares of the Comparable Companies based on their free float shares for the period from October 2005 to December 2007 range from approximately 3.87% to approximately 9.15%. The average monthly trading volume of the Shares of 4.07% based on the Company's free float Shares for this period is at the low end of the range as represented by the Comparable Companies. Moreover, the figures of 3.53% and 4.05% for year 2006 and year 2007 respectively are also at the low end of the range as represented by the Comparable Companies for their respective periods.

In light of the above, we are of the view that the liquidity of the Shares has been relatively low.

4. Publishing Titles

It was disclosed in the 2006 Annual Report that American Appraisal China Limited (the "Valuer"), an independent valuer, had valued two of the Group's publishing titles, *SCMP* and *SMP* (the "Publishing Titles"), on an open market basis at approximately HK$4.4 billion as at 31 December 2004 (the "2004 Valuation") and the Directors had adopted the 2004 Valuation in their annual valuation of the Publishing Titles as at 31 December 2006.

The 2004 Valuation is not reflected in the Group's financial statements as the then accounting principles generally accepted in Hong Kong and the accounting policies of the Company require publishing titles with indefinite useful lives to be stated at cost less any accumulated amortisation and any accumulated impairment losses.

The Publishing Titles were acquired in 1987 and their useful lives had been determined to be 10 years. The cost of HK$1.82 billion was fully amortised by 1997. Publishing titles that have been fully amortised in prior years have not been restated. They are included in the Group's financial statements at zero carrying amounts.

As stated in the letter from the Board in this Response Document, the Company was recently informed by the Valuer that a modeling error was made in the 2004 Valuation which would result in the reduction of the 2004 Valuation from approximately HK$4.4 billion to approximately HK$3.0 billion.

As stated in the section headed "Offer Price" above, we are of the opinion that the Company is more appropriately valued based on an earnings-multiple basis rather than its asset value and as the carrying value of the Publishing Titles have been fully amortised and stated at zero as at 31 December 2006, the issue in relation to the 2004 Valuation has no implication on our analysis.

5. Net asset value

As stated in the section headed "Offer Price" above, we are of the opinion that the Company is more appropriately valued based on an earnings-multiple basis and, therefore, net asset value is not used in our analysis.

For reference, according to the 2006 Annual Report, the audited net asset value of the Group as at 31 December 2006 is approximately HK$1,882.8 million and, based on 1,560,945,596 Shares in issue as at 31 December 2006, the audited net asset value per Share is approximately HK$1.21. The unaudited net asset value of the Group as at 30 June 2007 is approximately HK$1,859.6 million and the unaudited net asset value per Share is approximately HK$1.19, based on the same number of Shares in issue. This represents a slight decrease of the net asset value of Share of approximately 1.65%.

We would like to draw the attention of the Independent Shareholders to the following possible impact on the asset value of the Company.

According to the Valuation Report contained in Appendix II to this Response Document, the total capital value of the Group's property interests amounted to approximately HK$1,352.1 million as at 30 November 2007, of which the capital value of investment properties amounted to approximately HK$1,040.1 million. This represents a valuation surplus of approximately HK$266.3 million and a corresponding deferred tax liability of approximately HK$45.0 million, or, as a whole, a net valuation surplus of approximately HK$221.3 million (or approximately HK$0.14 per Share), based on the audited and unaudited carrying values of investment properties as at 31 December 2006 and 30 June 2007 of approximately HK$773.8 million.

However, we would like to highlight that the valuation of the investment property located at Clear Water Bay Road, Hang Hau, New Territories, Hong Kong ("TV City") is subject to the negotiation of land premium with the Lands Department of the Government of the Hong Kong Special Administrative Region ("Hong Kong Government"). We have been informed by the Company that it has not received any written notification from the Hong Kong Government concerning the amount of the land premium. Although the property market in Hong Kong has experienced a significant upward trend during 2007 and it appears that this trend is continuing due to the expectation of lower interest rate and shortage of supply, there is uncertainty as to the final land premium settlement with the Hong Kong Government and the sentiment of the property market in Hong Kong which may result in a significant deviation from the capital value of the TV City of HK$500 million.

We also note that the Company has an approximately 21.3% interest in The Post Publishing Public Company Limited ("Bangkok Post Company"), a company listed on the Stock Exchange of Thailand. Bangkok Post Company is principally engaged in the publishing and distribution of newspaper, magazines and books. As at 31 December 2006, the Company reported the total "interests in associates" at approximately HK$53.2 million which includes the approximately 21.3% interest in Bangkok Post Company. As at the Latest Practicable Date, this interest in Bangkok Post Company had a market value of approximately HK$137.4 million based on closing price on the Latest Practicable Date of 5.1 Baht, total issued shares of 500 million shares in Bangkok Post Company and exchange rate of HK$0.2530 to 1 Baht. This market value represents a surplus of approximately HK$88.3 million, or approximately HK$0.057 per Share, and approximately HK$84.0 million, or approximately HK$0.054 per Share, over the carrying values of the 21.3% interest in Bangkok Post Company of approximately HK$49.1 million as at 31 December 2006 and HK$53.4 million as at 30 June 2007 respectively.

6. Dividend

In assessing the dividend policy of the Company, we have reviewed and compared the historical dividend payout ratios and the dividend yields of the Company with the Comparable Companies. The details of the analysis are set out in the following table.

Table 7: Historical annual dividend payout ratios and dividend yields of the Company and the Comparable Companies

Company	**Dividend payout ratio** *Note 1, 4*		**Dividend yield** *Note 2, 4*	
	For the year ended		For the year ended	
	31 March 2007/ 31 December 2006 %	31 March 2006/ 31 December 2005 %	31 March 2007/ 31 December 2006 %	31 March 2006/ 31 December 2005 %
HKET	39.2	37.8	2.4	1.9
Ming Pao	51.2	40.8	1.7	3.9
Next Media	87.5	85.1	4.6	5.7
Oriental Press	77.9	85.2	3.5	4.0
Sing Tao	22.3	8.2	4.5	2.0
The Company	**87.6**	**95.0**	**7.0**	**5.5**
The Offer	**n/a**	**n/a**	**6.9** *Note 3*	**5.5** *Note 3*

Notes:

1. *Calculated based on annual dividend over the respective profit attributable to the shareholders of the Company or the Comparable Companies.*

2. *Calculated based on annual dividend over the respective closing share prices as at the Latest Practicable Date of the Company and the Comparable Companies.*

3. *Calculated based on annual dividend over the Offer Price.*

4. *Excluded special dividend paid.*

Sources: Annual reports of the Company and the Comparable Companies and Bloomberg as at the Latest Practicable Date.

As shown in the above Table 7, we note that the dividend payout ratios and dividend yields of the Company are above the respective ranges of the Comparable Companies for the past two financial years, except for the year of 2005/2006 where the dividend yield of the Company is at the high end of the range of the Comparable Companies.

High dividend payout ratio means that a substantial portion of the profits is paid to shareholders while less profits are reinvested back into the business to create future growth. The nature of the principal business of the Group does not require significant investment subject to the possible funding requirements for the development of the TV City if the Group decides to develop this project. In this respect, we note that the combined amount of cash and bank balances and available-for-sale financial assets was approximately HK$463.8 million as at 31 December 2006, a growth of approximately 40.8% from that of approximately HK$329.3 million as at 31 December 2005, while the unsecured long-term bank loan stood at approximately HK$17 million as at 31 December 2006. Dependent upon the strategic plan of the Group, funding requirements for the development of the TV City and subject to an unforeseeable operating environment, it appears that the Group is capable of maintaining its dividend policy.

Accordingly, we consider that the Offer Price appears not adequate because the dividend yields of the Shares are higher than the current saving deposit rates in Hong Kong, assuming the Independent Shareholders are not able to find an alternative investment if they accept the Offer.

MARKET CONDITIONS

Notwithstanding our recommendation set out below, the recent exceptional volatility and decline in the Hong Kong stock market since the Last Trading Date may cause Independent Shareholders to reconsider their exposure to equity investments generally and result in a decision to divest themselves of their shareholding in the Company.

Those Independent Shareholders who wish to realise part or all of their Shares should have regard to the market price of the Shares before the closing of the Offer and consider selling their Shares in the open market rather than accepting the Offer. Although Independent Shareholders selling at below the Offer Price run the risk of foregoing the full Offer consideration should the Offer become unconditional, Independent Shareholders may prefer the certainty of selling in the market.

Should such Independent Shareholders find that they cannot sell their Shares in the market at their target price due to the poor liquidity in the Shares, they may consider accepting the Offer. We draw Independent Shareholders' attention to the acceptance condition and remind them that if this condition is not satisfied then the Offer will lapse and their Shares will be returned to them.

RECOMMENDATION

Having considered the above principal factors and reasons, in particular:

(i) strong economic fundamentals in Hong Kong together with an un-geared balance sheet (after deducting bank balances and deposits) provide the Group with a sound base for the future;

(ii) management's ability to control staff costs and production costs despite a competitive environment;

(iii) lower PER of the Company based on the Offer Price compared with the Comparable Companies; and

(iv) higher dividend payout ratio and dividend yield of the Company compared with the Comparable Companies,

we do not consider the terms of the Offer to be fair and reasonable insofar as the Independent Shareholders are concerned.

Accordingly, we advise the Independent Board Committee to recommend to the Independent Shareholders not to accept the Offer.

Yours faithfully,
For and on behalf of
Platinum Securities Company Limited

Liu Chee Ming	**Lenny Li**
Managing Director	*Assistant Director*

I. FINANCIAL SUMMARY

Set out below is a summary of the financial results of the Group for each of the three years ended 31 December 2006 as extracted from the annual reports of the Company for the years ended 31 December 2005 and 2006 and the six months ended 30 June 2007 as extracted from the interim report of the Company for the six months ended 30 June 2007. For the accounting period commencing on 1 January 2005, the Group adopted the new Hong Kong Financial Reporting Standards and the comparatives for the year ended 31 December 2004 have been restated as required in the Group's financial statements for the year ended 31 December 2005. The restated figures have been adopted for the purpose of this summary. The auditor's report as set out in the annual report of the Company for each of the three years ended 31 December 2006 did not contain any qualification. There were no exceptional and/or extraordinary items for each of the three years ended 31 December 2006 and the six months ended 30 June 2007.

Results

	Year ended 31 December			For the six months ended 30 June
	2004	**2005**	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Restated)	(Audited)	(Audited)	(Unaudited)
Revenue	1,374,673	1,120,376	1,213,156	632,860
Profit before income tax	370,996	310,854	427,475	221,970
Income tax expense	(48,182)	(58,971)	(80,047)	(39,710)
Profit for the year/period	322,814	251,883	347,428	182,260
Attributable to:				
Shareholders	317,146	246,357	338,584	175,000
Minority interests	5,668	5,526	8,844	7,260
	322,814	251,883	347,428	182,260
Dividends	234,142	234,142	296,580	124,876
Earnings per share *(in HK cents)*				
– Basic and diluted	20.32	15.78	21.69	11.21
Dividend per share *(in HK cents)*	15.00	15.00	19.00	8.00

Assets and Liabilities

	As at 31 December			As at 30 June
	2004	**2005**	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Restated)	(Audited)	(Audited)	(Unaudited)
Total assets	2,206,802	2,138,154	2,292,935	2,213,401
Total liabilities	(509,542)	(407,244)	(398,348)	(334,844)
Total equity	1,697,260	1,730,910	1,894,587	1,878,557
Minority interests	(12,320)	(10,406)	(11,832)	(18,948)
Shareholders' funds	1,684,940	1,720,504	1,882,755	1,859,609

II. AUDITED FINANCIAL STATEMENTS FOR THE TWO YEARS ENDED 31 DECEMBER 2006

Set out below are the audited consolidated balance sheet of the Group and the audited balance sheet of the Company as at 31 December 2005 and 31 December 2006, the audited consolidated income statement of the Group for the two years ended 31 December 2005 and 2006, the audited consolidated statement of changes in equity of the Group and the audited consolidated cash flow statement of the Group for the two years ended 31 December 2005 and 2006, together with the accompanying notes to the financial statements extracted from the annual report of the Company for the year ended 31 December 2006:

Consolidated Balance Sheet
As at 31 December 2006

	Notes	2006 HK$'000	2005 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	*6*	566,953	623,025
Investment properties	*7*	773,800	733,000
Lease premium for land	*8*	32,609	33,630
Intangible assets	*9*	34,920	35,791
Interests in associates	*11*	53,169	45,443
Available-for-sale financial assets	*12*	208,516	147,828
Defined benefit plan's assets	*27(a)*	39,611	33,539
		1,709,578	1,652,256
Current assets			
Inventories	*13*	29,252	38,418
Accounts receivable	*14*	281,771	245,217
Prepayments, deposits and other receivables		17,028	20,814
Cash and bank balances	*30(c)*	255,306	181,449
		583,357	485,898
Total assets		2,292,935	2,138,154
EQUITY			
Capital and reserves			
Share capital	*15*	156,095	156,095
Reserves		1,523,737	1,408,314
Proposed dividend		202,923	156,095
	16(a)	1,726,660	1,564,409
Shareholders' funds		1,882,755	1,720,504
Minority interests		11,832	10,406
Total equity		1,894,587	1,730,910

	Notes	2006 HK$'000	2005 HK$'000
LIABILITIES			
Non-current liabilities			
Long-term bank loan, unsecured	17	17,000	17,000
Deferred income tax liabilities	18	111,833	105,461
		128,833	122,461
Current liabilities			
Accounts payable and accrued liabilities	19	149,881	134,996
Subscriptions in advance		23,037	24,431
Current income tax liabilities		81,672	66,725
Short-term bank loan, unsecured	17	1,990	51,918
Bank overdraft, secured	17	12,935	6,713
		269,515	284,783
Total liabilities		398,348	407,244
Total equity and liabilities		2,292,935	2,138,154
Net current assets		313,842	201,115
Total assets less current liabilities		2,023,420	1,853,371

Consolidated Income Statement

Year ended 31 December 2006

	Notes	2006 HK$'000	2005 HK$'000
Revenue	5	1,213,156	1,120,376
Other income		4,436	3,858
Staff costs	20	(377,084)	(369,291)
Cost of production materials		(178,350)	(170,377)
Rental and utilities		(35,226)	(30,842)
Depreciation and amortisation		(65,609)	(77,955)
Advertising and promotion		(30,989)	(30,535)
Other operating expenses		(148,341)	(154,066)
Fair value gain on investment properties		40,070	50,400
Gain on disposal of available-for-sale financial assets		13,680	711
Impairment of non-current assets		(16,186)	(35,704)
Operating profit	21	419,557	306,575
Net interest income/(expense)	22	2,128	(131)
Share of profits of associates		5,790	4,410
Profit before income tax		427,475	310,854
Income tax expense	23	(80,047)	(58,971)
Profit for the year		347,428	251,883
Attributable to:			
Shareholders	24	338,584	246,357
Minority interests		8,844	5,526
		347,428	251,883
Dividends	25	296,580	234,142
Earnings per share			
Basic and diluted	26	21.69 cents	15.78 cents

Consolidated Statement of Changes in Equity

Year ended 31 December 2006

	Attributable to shareholders									
	Share capital and share premium *HK$'000*	**Contributed surplus** *HK$'000*	**Investment revaluation reserve** *HK$'000*	**Asset revaluation reserve** *HK$'000*	**Hedging reserve** *HK$'000*	**Translation reserve** *HK$'000*	**Retained profits** *HK$'000*	**Total shareholders' funds** *HK$'000*	**Minority interests** *HK$'000*	**Total equity** *HK$'000*
Balance at 1 January 2005	197,066	1,021,767	70,608	1,325	–	(34,380)	428,554	1,684,940	12,320	1,697,260
Available-for-sale financial assets										
– Fair value gain taken to equity	–	–	22,603	–	–	–	–	22,603	–	22,603
– Transfer to profit or loss on disposal	–	–	5	–	–	–	–	5	–	5
Exchange differences on consolidation	–	–	–	–	–	(1,558)	–	(1,558)	60	(1,498)
Fair value gain on leasehold building	–	–	–	3,000	–	–	–	3,000	–	3,000
Deferred income tax directly charged to reserve	–	–	–	(701)	–	–	–	(701)	–	(701)
Loss on cash flow hedges	–	–	–	–	(3,748)	–	–	(3,748)	–	(3,748)
Transfer to initial carrying amount of property, plant and equipment	–	–	–	–	3,748	–	–	3,748	–	3,748
Net income/(expense) recognised directly in equity	–	–	22,608	2,299	–	(1,558)	–	23,349	60	23,409
Profit for the year	–	–	–	–	–	–	246,357	246,357	5,526	251,883
Total recognised income/(expense) for the year	–	–	22,608	2,299	–	(1,558)	246,357	269,706	5,586	275,292
Dividends	–	(156,095)	–	–	–	–	(78,047)	(234,142)	(7,500)	(241,642)
Balance at 31 December 2005	197,066	865,672	93,216	3,624	–	(35,938)	596,864	1,720,504	10,406	1,730,910
Balance at 1 January 2006	197,066	865,672	93,216	3,624	–	(35,938)	596,864	1,720,504	10,406	1,730,910
Available-for-sale financial assets										
– Fair value gain taken to equity	–	–	76,248	–	–	–	–	76,248	–	76,248
– Transfer to profit or loss on disposal	–	–	(9,662)	–	–	–	–	(9,662)	–	(9,662)
Exchange differences on consolidation	–	–	–	–	–	6,833	–	6,833	82	6,915
Net income recognised directly in equity	–	–	66,586	–	–	6,833	–	73,419	82	73,501
Profit for the year	–	–	–	–	–	–	338,584	338,584	8,844	347,428
Total recognised income for the year	–	–	66,586	–	–	6,833	338,584	412,003	8,926	420,929
Dividends	–	–	–	–	–	–	(249,752)	(249,752)	(7,500)	(257,252)
Balance at 31 December 2006	197,066	865,672	159,802	3,624	–	(29,105)	685,696	1,882,755	11,832	1,894,587

Consolidated Cash Flow Statement
Year ended 31 December 2006

	Notes	2006 HK$'000	2005 HK$'000
Cash flows from operating activities			
Cash generated from operations	30(a)	428,465	346,556
Hong Kong profits tax paid		(58,243)	(7,558)
Overseas tax paid		(485)	(555)
Net cash generated from operating activities		369,737	338,443
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		(24,415)	(110,945)
Purchase of additional interests in an associate		–	(6,963)
Interest received		5,297	6,630
Dividends received from:			
Listed investments		2,612	2,463
Associates		4,855	5,547
Proceeds from disposal of a discontinued operation		–	4,091
Proceeds from sale of available-for-sale financial assets		19,744	951
Proceeds from sale of property, plant and equipment		226	267
Net cash generated from/(used in) investing activities		8,319	(97,959)
Cash flows from financing activities			
Repayment of long-term bank loans	30(b)	(50,000)	(230,000)
Drawdown of short-term bank loans	30(b)	–	51,918
Dividends paid to a minority shareholder of a subsidiary	30(b)	(7,500)	(7,500)
Dividends paid	25	(249,752)	(234,142)
Interest paid		(3,169)	(6,761)
Net cash used in financing activities		(310,421)	(426,485)
Net increase/(decrease) in cash and cash equivalents		67,635	(186,001)
Cash and cash equivalents at 1 January		174,736	360,737
Cash and cash equivalents at 31 December		242,371	174,736
Analysis of cash and cash equivalents			
Cash and bank balances	30(c)	255,306	181,449
Bank overdraft		(12,935)	(6,713)
		242,371	174,736

BALANCE SHEET

As at 31 December 2006

	Notes	2006 HK$'000	2005 HK$'000
ASSETS			
Non-current assets			
Interests in subsidiaries	10	1,360,422	1,515,703
Current assets			
Cash and bank balances	30(c)	609	610
Total assets		1,361,031	1,516,313
EQUITY			
Capital and reserves			
Share capital	15	156,095	156,095
Reserves		1,002,013	1,204,123
Proposed dividend		202,923	156,095
	16(b)	1,204,936	1,360,218
Total equity		1,361,031	1,516,313

Notes to the Financial Statements

1. CORPORATE INFORMATION

The Company is incorporated in Bermuda as an exempted company with limited liability. Its principal place of business is Morning Post Centre, 22 Dai Fat Street, Tai Po Industrial Estate, New Territories, Hong Kong.

The Company acted as an investment holding company during the year. The principal activities of the Group during the year comprised the publishing, printing, and distribution of the *South China Morning Post, Sunday Morning Post* and other print and digital publications, video and film post-production, properties investment and music publishing.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). They have been prepared under the historical cost convention, as modified by the revaluation of investment properties, certain properties and available-for-sale financial assets, as further explained below.

(b) The adoption of new/revised HKFRS

HKICPA has issued a number of new standards, amendments to standards and interpretations that have become effective for the year ended 31 December 2006, including the following that are relevant to the Group's operations:

HKAS 19 Amendment:	Actuarial Gains and Losses, Group Plan and Disclosures
HKAS 21 Amendment:	Net Investment in a Foreign Operation
HKAS 39 Amendment:	The Fair Value Option
HKAS 39 Amendment:	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HK(IFRIC)-Int 4:	Determining Whether an Arrangement Contains a Lease

These amendments to standards and interpretations had no material impact on the Group's results and financial position except for HKAS 19 Amendment which introduced some changes in the disclosure requirements for defined benefit retirement schemes. These changes have been reflected in these financial statements.

(c) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December.

(i) Subsidiaries

Subsidiaries are entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. This power is deemed to exist when the Group has a shareholding of more than one half of the voting rights in an entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill. If the cost of acquisition is less than the Group's share of the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Minority interests at the balance sheet date, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheet and statement of changes in equity within equity, separately from equity attributable to the shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit for the year between minority interests and the shareholders of the Company.

Interests in subsidiaries in the Company's balance sheet are stated at cost less accumulated impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(ii) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of the post-acquisition profits or losses and post-acquisition movements in reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets of the associates under the equity method of accounting less accumulated impairment losses which are deemed necessary by the Directors.

(d) Revenue recognition

Revenue is recognised when it is probable that the future economic benefits will flow to the Group and when these benefits can be measured reliably, on the following bases:

(i) on the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer provided that the Group retains neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(ii) newspaper advertisements and other services, based on the period in which such services are rendered;

(iii) rental income, in the period in which the properties are let out and on the straight-line basis over the lease terms.

(e) Employee benefits

(i) Employee retirement schemes

The Group operates four staff retirement schemes comprising a defined benefit pension ("DB") scheme, a defined contribution pension ("DC") scheme, a Mandatory Provident Fund ("MPF") and a Top-up ("Top-up") scheme for its employees, the assets of which are held separately from those of the Group in independently administered funds. The retirement schemes are generally funded by payments from employees and by the relevant Group companies.

Contributions to the DC, MPF and Top-up schemes are charged to the income statement as incurred. For the DC and Top-up schemes, the amounts charged to the income statement may be reduced by contributions forfeited by employees who leave these schemes prior to vesting fully in the contributions.

The Group's contributions to the DB scheme are made based on the periodic recommendations of independent qualified actuaries. Pension cost are assessed using the projected unit credit method: the cost of providing pensions is charged to the income statement so as to spread the regular cost over the service lives of employees in accordance with the advice of the actuaries who carry out a full valuation of the plans. The pension obligation is measured as the present value of the estimated future cash outflows by reference to market yields of Government securities which have similar terms as the related liabilities. Actuarial gains and losses are recognised in the income statement over the average remaining service lives of employees. Past service costs are recognised as an expense on a straight-line basis over the average period until the benefits become vested.

(ii) Share-based compensation

The Company has two share option schemes which are parts of remuneration policy with rewards determined based upon the performance of the Group and individual employees. The fair value of the employee services received in exchange for the grant of options is recognised as an expense in the income statement and credited to the employee share-based compensation reserve. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, taking into account the market vesting conditions. At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable, and the impact taken to the income statement, and corresponding adjustment to the employee share-based compensation reserve.

The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium when the options are exercised.

(f) Intangible assets

(i) Goodwill

Goodwill arising on the acquisition of subsidiaries and associates represents the excess of cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired. Goodwill is stated at cost less accumulated impairment losses.

Goodwill acquired in relation to subsidiaries is allocated to cash-generating units and is presented as an intangible asset in the consolidated balance sheet. Goodwill acquired in relation to associates is included in the carrying amounts of the associates.

Goodwill is tested at least annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(ii) Publishing titles

Publishing titles with a finite useful life are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of the publishing titles over their estimated useful lives.

Publishing titles with an indefinite useful life are tested at least annually for impairment. They are stated at cost less accumulated impairment losses.

Publishing titles that have been fully amortised in prior years have not been restated. They are included in the financial statements at zero carrying amounts.

(iii) Software cost

Computer software licences are capitalised based on their purchase price and direct cost of preparing the assets for their intended use.

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Software costs recognised as assets are amortised using the straight-line method over their estimated useful lives ranging from five to seven years.

(g) Property, plant and equipment

Property, plant and equipment, other than assets in progress, are stated at cost or valuation less accumulated depreciation and accumulated impairment losses. The cost of an asset comprises its purchase price and any costs directly attributable to bringing the asset to its working condition and location for its intended use. Cost may also include transfers from hedging reserve of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

Fair value gains on property, plant and equipment are dealt with in the asset revaluation reserve. Fair value losses are charged to the income statement to the extent that they exceed fair value gains arising previously on the individual assets. A subsequent fair value increase is recognised as income to the extent that it reverses a fair value loss of the same asset previously charged to the income statement.

Depreciation is calculated using the straight-line method to allocate cost or revalued amounts of the property, plant and equipment to their residual values over the following estimated useful lives:

Leasehold buildings	25 to 50 years
Other fixed assets	2 to 20 years

No depreciation/amortisation is provided for assets in progress.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

(h) Impairment of assets

Intangible assets that have an indefinite life are tested at least annually for impairment. Intangible assets with a finite life and other property, plant and equipment are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists, the recoverable amount of the assets is estimated and where relevant, an impairment loss is recognised to reduce the carrying amount of the assets to their recoverable amount. Such impairment losses are recognised in the income statement except where an item of property, plant and equipment has been revalued and the impairment loss does not exceed the balance in the asset revaluation reserve, in which case the impairment loss is recognised as a reduction in the asset revaluation reserve.

(i) Investment properties

Investment properties are properties that are held to earn rentals or for capital appreciation or both. They comprise land held under operating leases and buildings held under finance leases. Land held under operating leases is classified and accounted for as investment property when the definition of investment property is met.

Investment properties are measured initially at costs, including related transaction costs. After initial recognition, investment properties are carried at fair values, with changes in fair values recognised in the income statement. The methods used to determine the fair values of the investment properties are set out in note 7.

Subsequent expenditure on an investment property is included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the income statement.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment and its fair value at the date of reclassification becomes its cost for accounting purposes.

If an owner-occupied property becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this property at the date of transfer is recognised as a movement in the asset revaluation reserve. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the income statement.

(j) Financial instruments

The Group's financial instruments comprise available-for-sale financial assets, accounts receivable, cash and bank balances, accounts payable, bank loans and overdraft and share capital.

(i) Available-for-sale financial assets

Available-for-sale financial assets represent share investments that are not held for trading purposes.

Purchases and sales of available-for-sale financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the shares. They are initially recognised at fair value plus transaction costs and subsequently carried at fair value at each balance sheet date. Unrealised gains and losses arising from changes in the fair values are recognised in investment revaluation reserve. When the shares are subsequently sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from available-for-sale financial assets.

The fair values of quoted investments are determined directly by reference to published price quotations from the relevant stock exchanges. For unlisted shares, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, and discounted cash flow analysis.

The Group assesses at each balance sheet date whether there is objective evidence that the available-for-sale financial assets are impaired. If any such evidence exists, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement – is removed from investment revaluation reserve and recognised in the income statement. Impairment losses previously recognised are not reversed through the income statement.

Dividends from available-for-sale financial assets are recognised when the right to receive payment is established.

(ii) Accounts receivable

Accounts receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less impairment losses for bad and doubtful debts. An impairment loss on accounts receivable is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the impairment loss is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Impairment loss is recognised in the income statement.

(iii) Cash and bank balances

Cash and bank balances comprise cash on hand and demand deposits, and other short term highly liquid investments which are readily convertible into known amounts of cash and are subject to an insignificant risk of changes in value.

For the purpose of consolidated cash flow statement, cash and cash equivalents represent cash and bank balances with original maturities of three months or less and bank overdrafts that are repayable on demand. Bank overdrafts are shown separately as current liabilities in the balance sheet.

Interest income on bank deposits is recognised on a time proportion basis, taking into account the principal amounts outstanding and the effective interest rates applicable.

(iv) Accounts payable

Accounts payable are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method.

(v) Bank loans and overdraft

Interest-bearing bank loans and overdraft are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings as finance costs in the income statement.

(vi) Share capital

Ordinary shares are classified as equity. The par value of the shares issued and fully paid is recognised in the share capital account. Any excess of proceeds from a new issue of shares (net of any incremental costs directly attributable to the new issue) over the par value of the shares issued is recognised in the share premium account.

(k) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are stated at weighted average cost and in the case of work in progress and finished goods, comprise direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

(l) Income tax expense

Tax expense is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

Current income tax is based on estimated assessable profits for the year. It is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date. Unpaid current income tax for current and prior periods is recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Deferred income tax liability is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax liability is determined using tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax liability is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

(m) Foreign currency transactions

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges. Translation differences on available-for-sale financial assets are included in the investment revaluation reserve.

(iii) Group companies

On consolidation, the balance sheet of subsidiaries and associates denominated in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the income statement is translated at an average rate. The resulting translation differences are included in the translation reserve. When any of these subsidiaries or associates is sold, any translation differences previously recognised in respect of such subsidiary or associate are transferred to the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(n) Leases

(i) Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Payments made under operating leases, including lease premium for land held for own use, net of any incentives received from the lessor are charged to the income statement on a straight-line basis over the lease periods.

(ii) Finance leases

Leases of assets where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Investment properties acquired under finance leases are carried at their fair value.

(o) Provisions and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

(p) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segment operating in other economic environments.

The Group has determined that business segments are to be presented as the primary reporting format. No geographical reporting format is presented as Group's businesses are substantially based in Hong Kong.

(q) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

(r) Recently issued HKFRSs

At the date of approval of these financial statements, the following standards relevant to the Group have been issued but were not yet effective:

HKAS 1 Amendment:	Capital Disclosures
HKFRS 7:	Financial Instruments: Disclosures
HKFRS 8:	Operating Segments

HKAS 1 Amendment and HKFRS 7 will be effective for financial year beginning on or after 1 January 2007. HKFRS 8 will be effective for financial year beginning on or after 1 January 2009. The Group has not early adopted these standards.

The Group has carried out an assessment of HKAS 1 Amendment and HKFRS 7 and considered that they will have no material impact on the Group's financial statements, but will introduce certain new disclosure items.

HKFRS 8 provides for a new mechanism in the identification of reportable segments based on management reporting system. This standard also sets out criteria for the aggregation of two or more operating segments and the quantitative thresholds for segmental disclosures. The Group is not yet in a position to state whether HKFRS 8 would have a significant impact on its financial statements.

(s) Comparative figures

Certain comparative figures have been reclassified to conform to current year's presentation for a fairer representation of the Group's activities. These reclassifications have no effect on financial position, profit for the year or the cash flows of the Group.

3. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks, particularly interest rate, currency, price, liquidity and credit risks. Where appropriate, the Group's risk management policies seek to minimise potential adverse effects of these risks on the financial performance of the Group. The policies for managing these risks are summarised below.

(a) Interest rate risk

The Group has cash balances placed with reputable banks and financial institutions, which generate interest income for the Group. The Group manages its interest rate risk by placing such balances on various maturities and interest rate terms.

The Group's bank loans also expose it to interest rate risk. The Group manages the risk by setting roll-over periods of various duration after due consideration of market conditions and expectation of future interest rate.

(b) Currency risk

The currency risk of the Group arises mainly from its purchases of raw material and capital expenditure denominated in currencies other than the functional currency. In addition, the Group also has foreign investments, foreign currency deposits and investments in foreign subsidiaries and associates whose net assets are exposed to currency risk.

Where appropriate, the Group hedges against its currency risk resulting from the purchase transactions in foreign currency, its foreign currency denominated investments and net assets of its foreign subsidiaries and associates.

(c) Price risk

The Group has investments in shares of companies listed in Hong Kong and overseas stock exchanges. The market values of these investments are affected by, amongst others, changes in market prices as a result of changes in global economic conditions, macro and micro economic factors affecting the country where the investments are quoted, and factors specific to the investee companies.

The fluctuations in market prices due to the above factors are unforeseen. The Group monitors changes in these factors, and responds to them as and when appropriate and necessary.

(d) Liquidity risk

The Group's objective is to maintain a balance between the continuity and the flexibility of funding through the use of bank loans and overdraft. In addition, banking facilities have been put in place for contingency purposes.

(e) Credit risk

The Group's credit risk arises mainly from its bank deposits and accounts receivable. To mitigate the risk arising from banks, the Group places its deposits with a number of reputable banks.

The Group manages its credit risk associated with accounts receivable through the application of credit approvals, credit ratings and monitoring procedures. The Group also obtains bankers' guarantees from certain customers.

Credit sales are only made to customers with appropriate credit history or high credit standing while sales to new customers or customers of low credit standing are usually made on an advance payment or cash on delivery basis.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Judgements

In the process of applying the Group's accounting policies, the management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements.

Impairment of property, plant and equipment

As described in note 2(h), impairment assessments on property, plant and equipment are performed when there are indications that the carrying amount of the assets may not be recoverable.

(i) In the light of the continued losses of the video and film post-production operation in Guangzhou, the Group has carried out impairment assessments on its property, plant and equipment. Impairment loss of HK$12,542,000 has been recognised accordingly.

(ii) With reference to the valuation carried out by DTZ Debenham, an independent professional valuer, the Group has performed an impairment assessment on its investment properties and leasehold buildings. The result of which indicated that the fair value of one of the leasehold buildings was below its carrying value. Accordingly, an impairment loss of HK$3,644,000 was recognised.

(b) Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Defined benefit plan's assets

Determining the carrying amount of defined benefit plan's assets requires actuarial assumptions made in respect of discount rate, rate of return on plan assets and rate of future salary increases. Changes to these assumptions could have a significant risk of causing a material adjustment to the carrying amount in the balance sheet. Details of these actuarial assumptions are set out in note 27(a).

5. REVENUE AND SEGMENT INFORMATION

Turnover consists of revenue from all of the Group's principal activities, which comprises the aggregate of advertising, circulation and distribution income of newspapers and other publications, the net invoiced amount in respect of goods sold and services rendered and gross rental income. Total revenue from these principal activities amounted to HK$1,213,156,000 and HK$1,120,376,000 for the year ended 31 December 2006 and 2005 respectively.

An analysis of the Group's revenue for the year is as follows:

	2006	**2005**
	HK$'000	*HK$'000*
Revenue		
Newspapers, magazines and other publications	1,172,208	1,076,996
Investment properties	17,559	16,306
Video and film post-production	19,035	22,600
Music publishing	4,354	4,474
	1,213,156	1,120,376

Revenue from newspapers, magazines and other publications included revenue of HK$6,957,000 (2005: HK$7,633,000) arising from exchanges of goods or services with third parties.

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

Year ended 31 December 2006

	Newspapers, magazines and other publications	**Investment properties**	**Video and film post-production**	**Music publishing**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	1,172,208	17,559	19,035	4,354	1,213,156
Segment results and operating profit	381,563	52,659	(16,457)	1,792	419,557
Share of profits of associates	5,790	–	–	–	5,790
Net interest income					2,128
Profit before income tax					427,475
Income tax expense					(80,047)
Profit for the year					347,428
Segment assets	1,454,708	777,063	6,605	1,390	2,239,766
Interests in associates	53,169	–	–	–	53,169
Total assets					2,292,935
Segment liabilities	(170,831)	(10,066)	(22,348)	(1,598)	(204,843)
Unallocated liabilities					(193,505)
Total liabilities					(398,348)
Capital expenditure	23,457	730	225	3	24,415
Depreciation	53,203	–	4,114	15	57,332
Amortisation of intangible assets	7,256	–	–	–	7,256
Amortisation of lease premium for land	1,021	–	–	–	1,021
Impairment losses	3,644	–	12,542	–	16,186

Year ended 31 December 2005

	Newspapers, magazines and other publications *HK$'000*	Investment properties *HK$'000*	Video and film post-production *HK$'000*	Music publishing *HK$'000*	Total *HK$'000*
Revenue	1,076,996	16,306	22,600	4,474	1,120,376
Segment results and operating profit	258,976	63,087	(16,919)	1,431	306,575
Share of profits less losses of associates	4,410	–	–	–	4,410
Net interest expense					(131)
Profit before income tax					310,854
Income tax expense					(58,971)
Profit for the year					251,883
Segment assets	1,326,254	736,707	28,102	1,648	2,092,711
Interests in associates	45,443	–	–	–	45,443
Total assets					2,138,154
Segment liabilities	(194,832)	(9,143)	(29,024)	(2,059)	(235,058)
Unallocated liabilities					(172,186)
Total liabilities					(407,244)
Capital expenditure	109,307	–	1,632	6	110,945
Depreciation	64,672	–	5,110	22	69,804
Amortisation of intangible assets	7,132	–	–	–	7,132
Amortisation of lease premium for land	1,019	–	–	–	1,019
Impairment losses	31,397	–	4,307	–	35,704

6. PROPERTY, PLANT AND EQUIPMENT

	Leasehold buildings *HK$'000*	Other fixed assets *HK$'000*	Assets in progress *HK$'000*	Total *HK$'000*
At 1 January 2005				
Cost or valuation	331,868	901,927	12,351	1,246,146
Accumulated depreciation and impairment losses	(72,162)	(571,544)	–	(643,706)
Net book value at 1 January 2005	259,706	330,383	12,351	602,440
Net book value at 1 January 2005	259,706	330,383	12,351	602,440
Additions	–	12,737	93,417	106,154
Transfer from hedging reserve	–	3,748	–	3,748
Revaluation	3,000	–	–	3,000
Disposals	–	(366)	(20)	(386)
Impairment losses	–	(4,451)	(53)	(4,504)
Reclassification/transfer	(18,000)	105,146	(105,146)	(18,000)
Depreciation	(6,661)	(63,143)	–	(69,804)
Translation differences	–	377	–	377
Net book value at 31 December 2005	238,045	384,431	549	623,025
At 31 December 2005				
Cost or valuation	308,868	1,013,993	602	1,323,463
Accumulated depreciation and impairment losses	(70,823)	(629,562)	(53)	(700,438)
Net book value at 31 December 2005	238,045	384,431	549	623,025

	Leasehold buildings *HK$'000*	Other fixed assets *HK$'000*	Assets in progress *HK$'000*	Total *HK$'000*
At 1 January 2006				
Cost or valuation	308,868	1,013,993	602	1,323,463
Accumulated depreciation and impairment losses	(70,823)	(629,562)	(53)	(700,438)
Net book value at 1 January 2006	238,045	384,431	549	623,025
Net book value at 1 January 2006	238,045	384,431	549	623,025
Additions	–	7,715	9,585	17,300
Disposals	–	(413)	–	(413)
Impairment losses	(3,644)	(12,542)	–	(16,186)
Reclassification/transfer	–	9,408	(9,408)	–
Depreciation	(6,564)	(50,768)	–	(57,332)
Translation differences	–	559	–	559
Net book value at 31 December 2006	227,837	338,390	726	566,953
At 31 December 2006				
Cost or valuation	308,868	1,018,489	779	1,328,136
Accumulated depreciation and impairment losses	(81,031)	(680,099)	(53)	(761,183)
Net book value at 31 December 2006	227,837	338,390	726	566,953

Other fixed assets include plant and machinery, computer and office equipment and leasehold improvements.

	Leasehold buildings *HK$'000*	**Other fixed assets** *HK$'000*	**Assets in progress** *HK$'000*	**Total** *HK$'000*
Analysis of cost and valuation as at 31 December 2006:				
At cost	299,673	1,018,489	779	1,318,941
At valuation – 1990	9,195	–	–	9,195
	308,868	1,018,489	779	1,328,136
Analysis of cost and valuation as at 31 December 2005:				
At cost	299,673	1,013,993	602	1,314,268
At valuation – 1990	9,195	–	–	9,195
	308,868	1,013,993	602	1,323,463

One of the Group's leasehold buildings was revalued in 1990 by Knight Frank Kan & Baillieu, an independent professional valuer, at HK$9,195,000, being their open market value based on their existing use. No subsequent revaluation was carried out as the Group has adopted the exemption provision of paragraph 80A of HKAS 16, of not making regular revaluations by class of those assets stated at revalued amounts based on revaluations which were reflected in prior year's financial statements. Had such leasehold building been carried at cost less accumulated depreciation, the carrying value of such leasehold building would have been stated at approximately HK$2,947,000 (2005: HK$3,294,000).

7. INVESTMENT PROPERTIES

	Group	
	2006 *HK$'000*	**2005** *HK$'000*
At 1 January	733,000	664,600
Additions	730	–
Transfer from leasehold buildings	–	18,000
Fair value gain	40,070	50,400
At 31 December	773,800	733,000

Particulars of investment properties held by the Group

Property		**Type**	**Lease term**
(i)	20th and 21st Floors and Car Parking Spaces Nos. 21, 22 and 23 on 4th Floor, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong	Offices and car parking spaces	Long
(ii)	The lobby on Ground Floor and the front portion of the 1st, 2nd and 3rd Floors, No. 1 Leighton Road and portion of the canopy on the 1st Floor level, Yue King Building, 26-30 Canal Road West, 1-7 Leighton Road and 41-47 Morrison Hill Road, Wanchai, Hong Kong	Retail shops, offices and advertising board spaces	Medium

Property		Type	Lease term
(iii)	Ground Floor, Block B, Ko Fai Industrial Building, 7 Ko Fai Road, Yau Tong, Kowloon, Hong Kong	Workshop unit	Medium
(iv)	Clear Water Bay Studio, Clear Water Bay Road, A Kung Wan, Hang Hau, New Territories, Hong Kong	TV Studio	Medium

The investment properties were valued by DTZ Debenham Tie Leung Limited, an independent professional valuer. The valuation represents the estimated amounts for which the properties should exchange between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. Properties (i), (ii) and (iii) above have been valued by direct comparison approach by making reference to comparable sales transactions as available in the relevant market or where appropriate by capitalising the rental income derived from the existing tenancies with due provision for the reversionary income potential of the property interests. Property (iv) has been valued by the Depreciated Replacement Costs ("DRC") approach. The DRC is the current cost of replacement (reproduction) less deductions for physical deterioration and all relevant forms of obsolescence and optimisation.

For the year ended 31 December 2006, direct operating expenses of HK$522,000 (2005: HK$167,000) arising from investment properties that generated rental income and HK$4,050,000 (2005: HK$3,370,000) arising from investment properties that did not generate rental income were charged to the consolidated income statement.

As at 31 December 2006, the Group's total future minimum lease payments under non-cancelable operating leases for its investment properties are receivable as follows:

	Group	
	2006	**2005**
	HK$'000	*HK$'000*
Not later than one year	11,834	12,500
Later than one year but not later than five years	5,554	13,719
	17,388	26,219

8. LEASE PREMIUM FOR LAND

	Group	
	2006	**2005**
	HK$'000	*HK$'000*
At 1 January	33,630	34,649
Amortisation	(1,021)	(1,019)
At 31 December	32,609	33,630

The Group's interests in leasehold land represent prepaid operating lease payment and their net book value are analysed as follows:

	2006	**2005**
	HK$'000	*HK$'000*
In Hong Kong held on:		
Leases of over 50 years	17,906	18,560
Leases of between 10 to 50 years	14,703	15,070
	32,609	33,630

9. INTANGIBLE ASSETS

	Publishing titles *HK$'000*	Software costs *HK$'000*	Assets in progress *HK$'000*	Total *HK$'000*
At 1 January 2005				
Cost	1,820,000	47,643	–	1,867,643
Accumulated amortisation	(1,820,000)	(5,763)	–	(1,825,763)
Net book value	–	41,880	–	41,880
Net book value at 1 January 2005	–	41,880	–	41,880
Additions	–	27	1,016	1,043
Reclassification	–	604	(604)	–
Amortisation	–	(7,132)	–	(7,132)
Net book value at 31 December 2005	–	35,379	412	35,791
At 31 December 2005				
Cost	1,820,000	48,274	412	1,868,686
Accumulated amortisation	(1,820,000)	(12,895)	–	(1,832,895)
Net book value	–	35,379	412	35,791
Net book value at 1 January 2006	–	35,379	412	35,791
Additions	–	18	6,367	6,385
Reclassification	–	1,606	(1,606)	–
Amortisation	–	(7,256)	–	(7,256)
Net book value at 31 December 2006	–	29,747	5,173	34,920
At 31 December 2006				
Cost	1,820,000	49,898	5,173	1,875,071
Accumulated amortisation	(1,820,000)	(20,151)	–	(1,840,151)
Net book value	–	29,747	5,173	34,920

10. INTERESTS IN SUBSIDIARIES

	Company 2006 *HK$'000*	 2005 *HK$'000*
Unlisted shares, at costs	–	–
Amounts due from subsidiaries	1,360,422	1,515,703
	1,360,422	1,515,703

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

Details of the principal subsidiaries are set out in Note 31 to the financial statements.

11. INTERESTS IN ASSOCIATES

	Group 2006	Group 2005
	HK$'000	*HK$'000*
Associates		
Share of net assets other than goodwill:		
Shares listed overseas	43,157	37,180
Unlisted shares	4,992	4,080
	48,149	41,260
Goodwill	5,938	5,126
Amounts due to associates	(918)	(943)
	53,169	45,443
Fair value of shares held in a listed associate	143,777	140,990

The amounts due to associates are unsecured, interest-free and have no fixed terms of repayment.

Summarised financial information in respect of the Group's associates is set out below:

	Group 2006	Group 2005
	HK$'000	*HK$'000*
Total assets	425,183	321,934
Total liabilities	(211,153)	(138,036)
Net assets	214,030	183,898
Group's share of associates' net assets	48,149	41,260
Revenue	413,479	347,254
Profit for the year	26,226	25,225
Group's share of associates' profits for the year	5,790	4,410

Details of the principal associates are set out in Note 31 to the financial statements.

12. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2006	**2005**
	HK$'000	*HK$'000*
Listed equity shares, at fair value		
Hong Kong	208,516	144,249
The Philippines	–	3,579
	208,516	147,828

13. INVENTORIES

	Group	
	2006	**2005**
	HK$'000	*HK$'000*
Raw materials	24,335	33,727
Work in progress	322	515
Finished goods	4,595	4,176
	29,252	38,418

The amount of inventories recognised as expense during the year was HK$106,418,000 (2005: HK$101,453,000).

14. ACCOUNTS RECEIVABLE

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

	Group			
	2006		**2005**	
	Balance	**Percentage**	**Balance**	**Percentage**
	HK$'000	*%*	*HK$'000*	*%*
0 to 30 days	190,835	66.9	172,374	67.9
31 to 60 days	49,473	17.3	46,980	18.5
61 to 90 days	31,811	11.1	21,343	8.4
Over 90 days	13,223	4.7	13,108	5.2
Total	285,342	100.0	253,805	100.0
Less: Accumulated impairment losses	(3,571)		(8,588)	
	281,771		245,217	

The carrying amounts of accounts receivable approximate their fair value.

15. SHARE CAPITAL

	Group and Company 2006 HK$'000	2005 HK$'000
Authorised:		
5,000,000,000 shares of HK$0.10 each	500,000	500,000
Issued and fully paid:		
1,560,945,596 (2005: 1,560,945,596) shares of HK$0.10 each	156,095	156,095

The Company has two share option schemes. A share option scheme (the "Current Scheme") was approved by shareholders on 27 October 1997 (the "Effective Date") and was amended with shareholders' approval on 6 November 2000 and further amended at the annual general meeting held on 29 May 2002 in conformity with the amended Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The Current Scheme will expire on 27 October 2007. Another share option scheme (the "New Scheme") was approved at the annual general meeting of the Company held on 25 May 2006 (the "Adoption Date").

Under the Current Scheme and the New Scheme, the Board of Directors of the Company may grant options to subscribe for shares of the Company to any full-time employee or Executive Director of the Company or any of its subsidiaries (the "Executive"). No consideration is required to be paid by the Executive upon acceptance of the options. Under the Current Scheme, no option may be exercised earlier than one year after it has been granted or later than ten years after the Effective Date, i.e. 27 October 2007. Under the New Scheme, no option may be exercised earlier than one year after it has been granted or later than ten years after the Adoption Date, i.e. 25 May 2016.

Movements in the number of share options outstanding under the Current Scheme during the year are as follows:

	No. of shares in respect of options granted		Weighted average exercise price	
	2006	2005	2006 HK$	2005 HK$
Outstanding at 1 January	7,353,000	8,326,000	5.27	5.21
Granted during the year	–	–	–	–
Exercised during the year	–	–	–	–
Lapsed during the year	(560,000)	(973,000)	5.34	4.77
Outstanding at 31 December *(Note (a))*	6,793,000	7,353,000	5.26	5.27
Exercisable at 31 December	6,793,000	7,353,000	5.26	5.27

No share options under the Current Scheme were cancelled during the year (2005: Nil).

Note (a):

Share options outstanding under the Current Scheme at the end of the year have the following terms:

	Date of grant	Exercise period	Exercise price per share *HK$*	2006 No. of shares in respect of options granted	2005 No. of shares in respect of options granted
Other employees	02/08/1999	02/08/2000 – 27/10/2007	5.00	1,092,500	1,092,500
	11/01/2000	11/01/2001 – 27/10/2007	5.51	740,500	880,500
	20/04/2000	20/04/2001 – 27/10/2007	6.05	2,990,000	3,260,000
	28/06/2001	28/06/2002 – 27/10/2007	4.95	420,000	420,000
	23/09/2003	23/09/2004 – 27/10/2007	3.90	1,550,000	1,700,000
				6,793,000	7,353,000

Share options outstanding under the Current Scheme have a weighted average remaining contractual life of 0.82 year (2005: 1.82 years).

During the year, no share option was granted, exercised, cancelled or lapsed under the New Scheme. No share option was outstanding under the New Scheme as at 31 December 2006.

16. RESERVES

(a) Group

Movements of the Group's reserves for the year ended 31 December 2006 and 2005 are presented in the consolidated statement of changes in equity on page 33.

The contributed surplus of the Group represents the excess of the nominal value of the shares of subsidiaries acquired over the nominal value of the Company's shares issued in exchange therefor during the Group reorganisation in 1990 less dividend distributions.

(b) Company

	Share premium *HK$'000*	Contributed surplus *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*
At 1 January 2005	40,971	1,299,645	19,321	1,359,937
Profit for the year	–	–	234,423	234,423
2004 final dividend distribution	–	(156,095)	–	(156,095)
2005 interim dividend distribution	–	–	(78,047)	(78,047)
At 31 December 2005	40,971	1,143,550	175,697	1,360,218

	Share premium *HK$'000*	Contributed surplus *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*
At 1 January 2006	40,971	1,143,550	175,697	1,360,218
Profit for the year	–	–	94,470	94,470
2005 final dividend distribution	–	–	(156,095)	(156,095)
2006 interim dividend distribution	–	–	(93,657)	(93,657)
At 31 December 2006	40,971	1,143,550	20,415	1,204,936

The contributed surplus of the Company arose as a result of the Group reorganisation in 1990 and represents the difference between the nominal value of the Company's shares so allotted and the consolidated net asset value of the acquired subsidiaries and associate less dividends distribution. Under Bermudan law, the contributed surplus is distributable to shareholders under certain circumstances.

In addition, the Company's share premium of HK$40,971,000 (2005: HK$40,971,000) can be distributed as fully paid-up bonus shares or applied towards eliminating the retained losses of the Company.

17. BANK LOANS AND OVERDRAFT

As at 31 December 2006, the Group's bank loans and overdraft were repayable as follows:

	Group 2006 *HK$'000*	2005 *HK$'000*
Within one year	14,925	58,631
In the third to fifth year	17,000	17,000
	31,925	75,631

The carrying amounts of the Group's bank loans and overdraft are denominated in the following currencies:

	Group 2006 *HK$'000*	2005 *HK$'000*
Hong Kong dollar	17,000	67,000
Renminbi	14,925	8,631
	31,925	75,631

The effective interest rates for the bank loans and overdraft were as follows:

	Group 2006	2005
Bank overdraft	5.58%	5.22%
Bank loans	4.78%	4.33%

All of the Group's bank loans and overdraft are arranged at floating interest rates and will be repriced within one year. The carrying amounts of the bank loans and overdraft approximate their fair value.

18. DEFERRED INCOME TAX LIABILITIES

Deferred income tax liabilities are calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2005: 17.5%).

The movement on the deferred income tax liabilities account is as follows:

	Group 2006	Group 2005
	HK$'000	*HK$'000*
At 1 January	105,461	90,540
Charge to income statement for the year *(note 23)*	6,372	14,220
Charge to equity for the year	–	701
At 31 December	111,833	105,461

The movements in deferred income tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year are as follows:

Group

Deferred income tax liabilities	Accelerated tax depreciation 2006	Accelerated tax depreciation 2005	Others 2006	Others 2005	Total 2006	Total 2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January	107,262	93,871	1,591	472	108,853	94,343
Charge to income statement	6,270	12,690	485	1,119	6,755	13,809
Charge to equity	–	701	–	–	–	701
At 31 December	113,532	107,262	2,076	1,591	115,608	108,853

Group

Deferred income tax assets	Provisions 2006	Provisions 2005	Tax losses 2006	Tax losses 2005	Others 2006	Others 2005	Total 2006	Total 2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January	(1,606)	(1,893)	(1,771)	(1,879)	(15)	(31)	(3,392)	(3,803)
Charge/(credit) to income statement	1,177	287	(1,509)	108	(51)	16	(383)	411
At 31 December	(429)	(1,606)	(3,280)	(1,771)	(66)	(15)	(3,775)	(3,392)

	Group 2006	Group 2005
	HK$'000	*HK$'000*
Deferred income tax liabilities	115,608	108,853
Deferred income tax assets	(3,775)	(3,392)
	111,833	105,461

Deferred income tax assets are recognised for tax loss carry forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group has unrecognised tax losses of HK$258,485,000 (2005: HK$266,261,000) to carry forward against future taxable income; the expiry dates of these tax losses are shown as follows:

	Group	
	2006	**2005**
	HK$'000	*HK$'000*
Expiring within one year	1,794	1,997
Expiring in the second to fifth year	28,295	33,492
After the fifth year	228,396	230,772
	258,485	266,261

19. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in accounts payable and accrued liabilities are the following trade payables:

	Group			
	2006		**2005**	
	Balance	**Percentage**	**Balance**	**Percentage**
	HK$'000	*%*	*HK$'000*	*%*
0 to 30 days	29,888	80.2	25,311	80.8
31 to 60 days	4,436	11.9	1,451	4.6
61 to 90 days	333	0.9	517	1.7
Over 90 days	2,609	7.0	4,056	12.9
Total accounts payable	37,266	100.0	31,335	100.0
Accrued liabilities	112,615		103,661	
Total accounts payable and accrued liabilities	149,881		134,996	

The carrying amounts of accounts payable approximate their fair value.

20. STAFF COSTS

	Group	
	2006	**2005**
	HK$'000	*HK$'000*
Staff costs (including directors' remuneration *(note (a))*)		
Wages and salaries	369,102	359,916
Unutilised leave pay	1,959	234
Pension costs – defined contribution plans	15,066	15,481
Less: Forfeited contributions	(2,971)	(3,216)
Net pension costs – defined contribution plans	12,095	12,265
Pension income – defined benefit plan *(note 27)*	(6,072)	(3,124)
	377,084	369,291

(a) Directors' remuneration

The aggregate amounts of remuneration paid or payable to Directors of the Company during the year are as follows:

	2006	**2005**
	HK$'000	*HK$'000*
Fees:		
Executive	–	–
Non-executive	1,100	1,076
Other emoluments:		
Salaries, allowances and benefits in kind	266	654
Retirement scheme contributions	15	60
Bonuses paid and payable	52	150
	1,433	1,940

The remuneration of the above Directors fell within the following band:

	2006	**2005**
HK$ Nil – HK$1,000,000	8	8
	8	8

Mr. Kuok Khoon Ean informed the Company that, with effect from 1 April 2003, he would waive his entitlements to basic salary and housing allowances until he informs the Company otherwise. No discretionary bonus was paid to Mr. Kuok in the years 2005 and 2006. As at the date of this Annual Report, Mr. Kuok was still waiving his said entitlements. Save from the aforesaid, there was no arrangement under which a Director had waived or agreed to waive any remuneration in respect of the year.

Directors' fees paid or payable to Independent Non-executive Directors during the year were approximately HK$800,000 (2005: HK$775,000). Directors' fees received or receivable by other Non-executive Directors during the year amounted to approximately HK$300,000 (2005: HK$300,000). Save from the aforesaid, there were no other emoluments paid or payable to Non-executive Directors in 2006.

No options were granted to any Directors of the Company to acquire shares of the Company in 2005 and 2006.

The details of the remuneration of each of the Directors for the year ended 31 December 2006 are set out below:

Name of Director	Directors' fees	Salaries, allowances and benefits in kind	Retirement scheme contributions	Bonuses paid and payable	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Kuok Khoon Ean	–	–	–	–	–
Roberto V. Ongpin	100	–	–	–	100
Ronald J. Arculli	300	–	–	–	300
Khoo Kay Peng	100	–	–	–	100
Kuok Hui Kwong	–	266	15	52	333
Peter Lee Ting Chang	300	–	–	–	300
David Li Kwok Po	200	–	–	–	200
Robert Ng Chee Siong	100	–	–	–	100
	1,100	266	15	52	1,433

(b) Five highest paid individuals

The five highest paid individuals during the year include none (2005: none) of the Directors. Details of the remuneration of the five (2005: five) highest paid individuals are set out below:

	2006	2005
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	10,589	9,080
Retirement scheme contributions	285	325
Bonuses paid and payable	3,062	2,150
Compensation for loss of office	–	972
	13,936	12,527

The remuneration of the five (2005: five) highest paid individuals fell within the following bands:

	2006	2005
HK$2,000,001 – HK$2,500,000	1	3
HK$2,500,001 – HK$3,000,000	3	1
HK$3,000,001 – HK$3,500,000	1	1
	5	5

The Company's remuneration policy is established to attract, motivate and retain high performing individuals so that they are committed to the success of our business, thereby enhancing shareholder value.

The Company has share option schemes. The Remuneration Committee approves the granting of share options and reports such grants to the Board of Directors. The grant is made based on individual's performance and contributions.

Executive Directors serving on the Board and Board Committees have not drawn any directors' fee in the year. The director's fee of each of the Non-executive Directors (2006: HK$100,000; 2005: HK$100,000) is fixed by the Board of Directors pursuant to the authority granted by the shareholders at the Company's annual general meeting. Each Non-executive Director serving on the Audit Committee, the Remuneration Committee and the Nomination Committee receives an additional fee (Audit Committee: 2006: HK$100,000, 2005: HK$100,000; Remuneration Committee: 2006: HK$50,000, 2005: HK$50,000; Nomination Committee: 2006: HK$50,000, 2005: HK$50,000). The directors' remunerations are determined with reference to directors' remunerations paid by other companies in Hong Kong which are of comparable size and business nature.

21. OPERATING PROFIT

Operating profit is stated after charging and crediting:

	Group	
	2006	**2005**
	HK$'000	*HK$'000*
Charging		
Operating lease rentals on land and buildings	10,813	9,573
Loss on disposal of property, plant and equipment	186	119
Auditors' remuneration	2,582	2,387
Impairment of available-for-sale financial assets	–	31,200
Impairment of property, plant and equipment *(note 6)*	16,186	4,504
Crediting		
Dividend income from listed investments	2,778	2,463
Net rental income from investment properties	17,254	16,297

22. NET INTEREST INCOME/(EXPENSE)

	Group	
	2006	**2005**
	HK$'000	*HK$'000*
Interest income on bank deposits	5,297	6,630
Interest expense on bank loans and overdraft	(3,169)	(6,761)
	2,128	(131)

Bank loans and overdraft of the Group were wholly repayable within five years.

23. INCOME TAX EXPENSE

Hong Kong profits tax has been provided for at the rate of 17.5% (2005: 17.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which Group operates.

	Group	
	2006	**2005**
	HK$'000	*HK$'000*
Current income tax		
Hong Kong profits tax	73,031	44,196
Overseas taxation	644	555
Deferred income tax	6,372	14,220
	80,047	58,971

The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using the taxation rate applicable to the places of operation of the Company and its subsidiaries as follows:

	Group	
	2006	**2005**
	HK$'000	*HK$'000*
Profit before income tax	427,475	310,854
Calculated at a taxation rate of 17.5% (2005: 17.5%)	74,808	54,399
Effect of different taxation rates in other countries	(4,827)	(2,304)
Income not subject to taxation	(4,526)	(2,383)
Recognition of previously unrecognised temporary difference	(774)	1,289
Utilisation of previously unrecognised tax losses	(718)	(1,255)
Over provision in prior year	(199)	(484)
Temporary difference not recognised	8,926	(7,474)
Tax losses not recognised	4,581	8,163
Expenses not deductible for taxation purposes	1,844	7,359
Withholding tax	485	555
Temporary difference recognised on undistributed profit in associates	447	1,106
Income tax expense	80,047	58,971

24. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit of HK$338,584,000 (2005: HK$246,357,000) attributable to shareholders included profit of HK$94,470,000 (2005: HK$234,423,000) dealt with in the Company's own financial statements.

25. DIVIDENDS

(a) Dividends attributable to the year

	Group and Company	
	2006	2005
	HK$'000	*HK$'000*
Interim dividend paid, HK6 cents (2005: HK5 cents) per share	93,657	78,047
Final dividend proposed but not yet recognised, HK13 cents (2005: HK10 cents) per share	202,923	156,095
	296,580	234,142

(b) Dividends paid during the year

	Group and Company	
	2006	2005
	HK$'000	*HK$'000*
Interim dividend in respect of 2006, HK6 cents per share	93,657	–
Interim dividend in respect of 2005, HK5 cents per share	–	78,047
Final dividend in respect of 2005, HK10 cents per share	156,095	–
Final dividend in respect of 2004, HK7 cents per share	–	109,266
Special dividend in respect of 2004, HK3 cents per share	–	46,829
	249,752	234,142

26. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the profit for the year attributable to shareholders of HK$338,584,000 (2005: HK$246,357,000) and 1,560,945,596 (2005: 1,560,945,596) shares in issue during the year.

As at 31 December 2006, there were share options outstanding that enable the holders to subscribe for 6,793,000 shares (2005: 7,353,000 shares) in the Company. These share options could potentially dilute basic earnings per share in the future, but were not included in the calculation of diluted earnings per share because they are antidilutive for the years presented.

27. EMPLOYEE RETIREMENT SCHEMES

The Group continues to operate a DB scheme, a DC scheme and a Top-up scheme. These schemes are exempted recognised occupational retirement schemes under the MPF Ordinance. The assets of these schemes are held separately from those of the Group in two administered trust funds. Schemes assets are managed by independent professional investment managers. The Group also operates a MPF scheme which is a master trust scheme established under trust arrangement.

(a) Defined benefit scheme

The defined benefit scheme is a final salary defined benefit plan.

Pension costs are assessed using the projected unit credit method. The pension costs are charged to the income statement so as to spread the regular cost over the service lives of employees. A full valuation based on the projected unit credit method has been carried out by Watson Wyatt Hong Kong Limited, an independent qualified actuary, and the pension costs are charged to the income statement in accordance with their advice. The actuarial valuations indicate that the Group's obligations under this defined benefit scheme is 133% (2005: 135%) covered by plan assets held by the trustees.

Changes in the present value of the defined benefit obligations are as follows:

	Group	
	2006	**2005**
	HK$'000	*HK$'000*
At 1 January	235,126	236,282
Current service cost	11,028	12,175
Interest cost	9,797	8,683
Contributions by plan participants	4,104	4,445
Actuarial losses/(gains)	31,722	(12,796)
Benefits paid	(12,103)	(13,663)
At 31 December	279,674	235,126

Changes in the fair value of the plan assets are as follows:

	Group	
	2006	**2005**
	HK$'000	*HK$'000*
At 1 January	317,269	298,948
Expected return on plan assets	22,037	20,757
Actuarial gains	41,797	6,782
Contributions by plan participants	4,104	4,445
Benefits paid	(12,103)	(13,663)
At 31 December	373,104	317,269

The amounts recognised in the balance sheet are as follows:

	Group	
	2006	**2005**
	HK$'000	*HK$'000*
Fair value of plan assets	373,104	317,269
Present value of funded obligations	(279,674)	(235,126)
	93,430	82,143
Unrecognised actuarial gains	(53,819)	(48,604)
Net asset	39,611	33,539

The amounts recognised in the income statement are as follows:

	Group	
	2006	**2005**
	HK$'000	*HK$'000*
Current service cost	11,028	12,175
Interest cost	9,797	8,683
Expected return on plan assets	(22,037)	(20,757)
Net actuarial gains	(4,860)	(3,225)
Total income, included in staff costs *(Note 20)*	(6,072)	(3,124)

The plan assets are invested in unit trusts managed by independent investment managers. The approximate asset allocation as at the balance sheet date is as follows:

	Group	
	2006	**2005**
	%	%
Equity instruments	70	70
Debt instruments	25	25
Cash	5	5
	100	100

The expected rate of return on plan assets is based on market expectation, at the beginning of the period, for returns net of administration costs, over the entire life of the related obligations.

The plan has a benchmark asset mix of roughly 70% in equities and 30% in fixed-income securities or cash. Based on current market expectation of long-term returns, the Group has decided to adopt an expected rate of return of 7%.

The actual return on plan assets was HK$63,834,000 (2005: HK$27,539,000).

The principal actuarial assumptions were as follows:

	Group	
	2006	**2005**
	%	%
Discount rate	3.75	4.25
Expected rate of return on plan assets	7.00	7.00
Expected rate of future salary increases	4.00	4.00

Amounts for the current and previous year are as follows:

	Group	
	2006	**2005**
	HK$'000	*HK$'000*
Fair value of plan assets	373,104	317,269
Present value of defined benefit obligation	(279,674)	(235,126)
Surplus	93,430	82,143
Experience gains/(losses) on plan assets	41,797	6,782
Experience gains/(losses) on plan liabilities	(17,357)	(2,506)

Based on an actuarial valuation of the plan as at 1 July 2005, the Group was recommended by the actuary to suspend contribution to the DB scheme until 30 June 2008. The next actuarial valuation that will determine the level of the Group's future contribution will be conducted not later than 1 July 2008.

(b) MPF scheme

The Group makes regular contributions of 5% of the employees' relevant income (which is subject to a cap of HK$20,000) to the MPF scheme ("MPF Contribution").

(c) Top-up scheme

The Group makes regular contribution of 10% of the employees' monthly basic salary (which is subject to a cap of HK$50,000). Out of the 10% contribution, it is firstly applied to MPF Contribution and the balance will be made to the Top-up Scheme.

There were no material forfeited pension scheme contributions during the current and prior year to reduce contributions in future years.

(d) Defined contribution scheme

The contributions to the defined contribution pension scheme are currently at 10-15% of the employees' monthly salaries.

There were no material forfeited pension scheme contributions during the current and prior year to reduce contributions in future years.

28. OPERATING LEASE COMMITMENTS

As at 31 December 2006, the Group had future minimum lease payment under non-cancelable operating leases for land and buildings as follows:

	Group	
	2006	**2005**
	HK$'000	*HK$'000*
Not later than one year	18,662	8,970
Later than one year but not later than five years	30,495	1,810
	49,157	10,780

29. CAPITAL COMMITMENTS

	Group	
	2006	**2005**
	HK$'000	*HK$'000*
Capital commitments for property, plant and equipment		
Contracted, but not provided for	3,627	3,380
Authorised, but not contracted for	24,242	35,872
	27,869	39,252

30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of operating profit to cash generated from operations

	Group	
	2006	**2005**
	HK$'000	*HK$'000*
Operating profit	419,557	306,575
Gain on disposal of available-for-sale financial assets	(13,680)	(711)
Fair value gain on investment properties	(40,070)	(50,400)
Depreciation and amortisation	65,609	77,955
Dividend income from listed investments	(2,778)	(2,463)
Loss on disposal of property, plant and equipment	186	119
Impairment of non-current assets	16,186	35,704
Pension income	(6,072)	(3,124)
(Decrease)/increase in amounts due to associates	(21)	134
Increase in amounts due from associates	(4)	(7)
Decrease/(increase) in inventories	9,166	(644)
Increase in accounts receivable	(36,554)	(53,604)
Decrease in prepayments, deposits and other receivables	3,786	17,228
Increase in accounts payable and accrued liabilities	14,548	18,211
(Decrease)/increase in subscriptions in advance	(1,394)	1,583
Cash generated from operations	428,465	346,556

(b) Analysis of changes in financing during the year

	Short-term Bank loans *HK$'000*	Long-term Bank loans *HK$'000*	Minority interests *HK$'000*
Balance at 1 January 2005	–	247,000	12,320
Non cash movements			
Share of profits	–	–	5,526
Exchange difference	–	–	60
Cash movements			
Dividend paid to a minority shareholder of a subsidiary	–	–	(7,500)
Drawdown/(repayment) of bank loans	51,918	(230,000)	–
Balance at 31 December 2005	51,918	17,000	10,406
Balance at 1 January 2006	51,918	17,000	10,406
Non cash movements			
Share of profits	–	–	8,844
Exchange difference	72	–	82
Cash movements			
Dividend paid to a minority shareholder of a subsidiary	–	–	(7,500)
Repayment of bank loans	(50,000)	–	–
Balance at 31 December 2006	1,990	17,000	11,832

(c) Cash and bank balances

	Group		Company	
	2006 *HK$'000*	2005 *HK$'000*	2006 *HK$'000*	2005 *HK$'000*
Cash at bank and in hand	114,388	62,811	609	610
Short-term bank deposits	140,918	118,638	–	–
	255,306	181,449	609	610

Substantially all of the Group's cash and bank balances are denominated in Hong Kong Dollar. The effective interest rate on short-term bank deposits was 3.95% (2005: 4.05%); these deposits have an average maturity of 11 days as at 31 December 2006 (2005: 6 days).

31. SUBSIDIARIES AND ASSOCIATES

Particulars of the Company's principal subsidiaries and the Group's principal associates at 31 December 2006 are as follows:

Subsidiaries

Company	Place of incorporation/ registration and operations (Kind of legal entity)	Nominal value of issued/ registered share capital	Proportion held Direct	Indirect	Nature of business
Capital Artists Limited	Hong Kong	Ordinary HK$44,394,500	–	100%	Music publishing
Coastline International Limited	The Commonwealth of The Bahamas	Ordinary US$2	–	100%	Property holding
Guangzhou Video-Film Advertising Limited	The People's Republic of China (Wholly Foreign-owned Enterprise)	Registered capital US$2,100,000	–	83%	Advertising agent
Lyton Investment Limited	The Commonwealth of The Bahamas	Ordinary US$2	–	100%	Property holding
Macheer Properties Limited	The British Virgin Islands	Ordinary US$1	–	100%	Property holding
Markland Investments Limited	Hong Kong	Ordinary HK$2	–	100%	Investment holding
SCMP (1994) Limited	Hong Kong	Ordinary HK$2	100%	–	Investment holding
SCMP Book Publishing Limited	Hong Kong	Ordinary HK$2,000,000	–	100%	Book publishing
SCMP Hearst Publications Limited	Hong Kong	Ordinary HK$10,000	–	70%	Magazine publishing
SCMP Magazines Publishing (HK) Limited	Hong Kong	Ordinary HK$10,000	–	100%	Magazine publishing
SCMP Magazines Publishing Limited	Hong Kong	Ordinary HK$10,000	–	100%	Publication and advertising
SCMP Maxim Limited	Hong Kong	Ordinary HK$2	–	100%	Magazine publishing
SCMP.com Holdings Limited[#]	The British Virgin Islands	Ordinary US$1	100%	–	Investment holding
Shanghai Nan Hong Information Services Co., Ltd.	The People's Republic of China (Wholly Foreign-owned Enterprise)	Registered capital US$2,101,000	–	100%	Provision of consulting and advisory service
South China Morning Post Publishers Limited	Hong Kong	Ordinary HK$201,000,000	–	100%	Newspaper and magazine publishing
South China Morning Post (S) Pte Ltd	Singapore	Ordinary S$3	–	100%	Advertising agent
Sunny Bright Development Limited	Hong Kong	Ordinary HK$2	–	100%	Property holding
Sunny Success Development Limited	Hong Kong	Ordinary HK$2	–	100%	Property holding
Video-Film Productions Limited	Hong Kong	Ordinary HK$12,050	–	83%	Video and film post-production
West Side Assets Limited[#]	The British Virgin Islands	Ordinary US$1	–	100%	Investment holding

Associates

Company	**Place of incorporation and operations**	**Nominal value of issued share capital**	**Percentage of equity attributable to the Group**	**Nature of business**
Dymocks Franchise Systems (China) Limited#	Hong Kong	Ordinary HK$7,700,000	45%	Bookshop operation
The Post Publishing Public Company Limited#	Thailand	Ordinary Baht500,000,000	21.3%	Newspaper and magazine publishing

The accounts of these companies were not audited by PricewaterhouseCoopers Hong Kong or other PricewaterhouseCoopers International member firms.

The above table lists the subsidiaries of the Company and associates of the Group which, in the opinion of the Directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries and associates would, in the opinion of the Directors, result in particulars of excessive length.

32. RELATED PARTY TRANSACTIONS

During the year, the Group has entered into the following transactions with related parties:

Key management personnel compensation

	Group	
	2006	**2005**
	HK$'000	*HK$'000*
Salaries and other short-term employee benefits	21,206	19,085
Post-employment benefits	576	520
Termination benefits	–	202
	21,782	19,807

33. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 26 March 2007.

III. UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE SIX MONTHS ENDED 30 JUNE 2007

Set out below are the audited consolidated balance sheet of the Group as at 31 December 2006, the unaudited condensed consolidated balance sheet of the Group as at 30 June 2007, the unaudited condensed consolidated income statement of the Group for the six months ended 30 June 2006 and 2007, the unaudited condensed consolidated statement of changes in equity of the Group and the unaudited condensed consolidated cash flow statement for the Group for the six months ended 30 June 2006 and 2007, together with the accompanying notes to the financial statements extracted from the interim report of the Company for the six months ended 30 June 2007:

Condensed Consolidated Balance Sheet

	Notes	(Unaudited) 30 June 2007 HK$'000	(Audited) 31 December 2006 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	*3*	552,510	566,953
Investment properties		773,800	773,800
Lease premium for land		32,099	32,609
Intangible assets		33,024	34,920
Interests in associates		58,005	53,169
Available-for-sale financial assets		207,596	208,516
Defined benefit plan's assets		43,709	39,611
		1,700,743	1,709,578
Current assets			
Inventories		26,977	29,252
Accounts receivable	*4*	258,457	281,771
Prepayments, deposits and other receivables		14,924	17,028
Cash and bank balances		212,300	255,306
		512,658	583,357
Total assets		2,213,401	2,292,935
EQUITY			
Capital and reserves			
Share capital	*5*	156,095	156,095
Reserves		1,578,638	1,523,737
Proposed dividend		124,876	202,923
		1,703,514	1,726,660
Shareholders' funds		1,859,609	1,882,755
Minority interests		18,948	11,832
Total equity		1,878,557	1,894,587

	Notes	(Unaudited) 30 June 2007 HK$'000	(Audited) 31 December 2006 HK$'000
LIABILITIES			
Non-current liabilities			
Long-term bank loan, unsecured		17,000	17,000
Deferred income tax liabilities		109,422	111,833
		126,422	128,833
Current liabilities			
Accounts payable and accrued liabilities	*6*	114,031	149,881
Subscriptions in advance		18,408	23,037
Current income tax liabilities		56,806	81,672
Short-term bank loan, unsecured		2,060	1,990
Bank overdraft, secured		17,117	12,935
		208,422	269,515
Total liabilities		334,844	398,348
Total equity and liabilities		2,213,401	2,292,935
Net current assets		304,236	313,842
Total assets less current liabilities		2,004,979	2,023,420

Condensed Consolidated Income Statement

		(Unaudited) For the six months ended 30 June	
		2007	**2006**
	Notes	*HK$'000*	*HK$'000*
			(Restated)
Revenue	*2*	632,860	583,167
Other income		2,091	2,150
Staff costs		(191,001)	(180,594)
Cost of production materials		(88,271)	(86,040)
Rental and utilities		(21,541)	(16,920)
Depreciation and amortisation		(29,149)	(32,434)
Advertising and promotion		(16,821)	(16,015)
Other operating expenses		(71,674)	(73,034)
Gain on disposal of available-for-sale financial assets		1,370	–
Operating profit		217,864	180,280
Net interest income	*8*	3,163	622
Share of profits of associates		943	2,895
Profit before income tax		221,970	183,797
Income tax expense	*9*	(39,710)	(33,202)
Profit for the period		182,260	150,595
Attributable to:			
Shareholders		175,000	146,530
Minority interests		7,260	4,065
		182,260	150,595
Dividend			
Proposed interim dividend of HK8 cents per share (2006: HK6 cents per share)	*10*	124,876	93,657
Earnings per share			
Basic and diluted	*11*	11.21 cents	9.39 cents

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2007

	(Unaudited) Attributable to shareholders								
	Share capital and share premium	**Contributed surplus**	**Investments revaluation reserve**	**Asset revaluation reserve**	**Translation reserve**	**Retained profits**	**Total shareholders' funds**	**Minority interests**	**Total equity**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 January 2006	197,066	865,672	93,216	3,624	(35,938)	596,864	1,720,504	10,406	1,730,910
Available-for-sale financial assets									
– Fair value gain taken to equity	–	–	24,716	–	–	–	24,716	–	24,716
Exchange differences on consolidation	–	–	–	–	3,189	–	3,189	22	3,211
Net income recognised directly in equity	–	–	24,716	–	3,189	–	27,905	22	27,927
Profit for the period	–	–	–	–	–	146,530	146,530	4,065	150,595
Total recognised income for the period	–	–	24,716	–	3,189	146,530	174,435	4,087	178,522
Dividends	–	–	–	–	–	(156,095)	(156,095)	–	(156,095)
Balance at 30 June 2006	197,066	865,672	117,932	3,624	(32,749)	587,299	1,738,844	14,493	1,753,337
Balance at 1 January 2007	197,066	865,672	159,802	3,624	(29,105)	685,696	1,882,755	11,832	1,894,587
Available-for-sale financial assets									
– Fair value gain taken to equity	–	–	19	–	–	–	19	–	19
– Transfer to profit or loss on disposal	–	–	(1,218)	–	–	–	(1,218)	–	(1,218)
Exchange differences on consolidation	–	–	–	–	5,976	–	5,976	(144)	5,832
Net income recognised directly in equity	–	–	(1,199)	–	5,976	–	4,777	(144)	4,633
Profit for the period	–	–	–	–	–	175,000	175,000	7,260	182,260
Total recognised income for the period	–	–	(1,199)	–	5,976	175,000	179,777	7,116	186,893
Dividends	–	–	–	–	–	(202,923)	(202,923)	–	(202,923)
Balance at 30 June 2007	197,066	865,672	158,603	3,624	(23,129)	657,773	1,859,609	18,948	1,878,557

Condensed Consolidated Cash Flow Statement

	(Unaudited) For the six months ended 30 June 2007	2006
	HK$'000	*HK$'000*
Net cash generated from operations	226,969	191,314
Hong Kong profits tax paid	(66,724)	(49,865)
Overseas tax paid	(264)	–
Net cash generated from operating activities	159,981	141,449
Net cash used in investing activities	(3,417)	(3,557)
Net cash inflow before financing activities	156,564	137,892
Cash flows from financing activities		
Dividend paid	(202,923)	(156,095)
Interest paid	(829)	(1,760)
Net cash used in financing activities	(203,752)	(157,855)
Net decrease in cash and cash equivalents	(47,188)	(19,963)
Cash and cash equivalents at 1 January	242,371	174,736
Cash and cash equivalents at 30 June	195,183	154,773

Notes to the financial statements

1. Basis of preparation and accounting policies

The unaudited condensed consolidated interim financial statements ("interim financial statements") are 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.

These interim financial statements should be read in conjunction with the 2006 annual financial statements.

The accounting policies and methods of computation used in the preparation of these condensed interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2006.

Certain comparative figures in the income statement for the six months ended 30 June 2006 have been reclassified to conform to current period's presentation. This reclassification had no impact to the results of the Group for the six months ended 30 June 2006.

HKICPA has issued a number of new standards, amendments to standards and interpretations that are effective for accounting periods beginning on or after 1 January 2007. The Group has carried out an assessment of these standards, amendments and interpretations and considered that they have no significant impact on these interim financial statements.

2. Segment information

The Company acted as an investment holding company during the period. The principal activities of the Group comprised the publishing, printing and distribution of the *South China Morning Post, Sunday Morning Post* and other print and digital publications, property investment, video and film post-production, and music publishing.

Substantially all the activities of the Group are based in Hong Kong and below is an analysis of the Group's revenue and contribution to operating profit by principal activity:

	(Unaudited) Revenue for the six months ended 30 June		**(Unaudited) Contribution to operating profit for the six months ended 30 June**	
	2007	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Restated)
Newspapers, magazines and other publications	613,270	561,099	210,208	174,320
Investment properties	8,921	8,692	6,754	6,346
Video and film post-production	9,393	10,278	128	(1,434)
Music publishing	1,276	3,098	774	1,048
Total	632,860	583,167	217,864	180,280

3. Property, plant and equipment

	(Unaudited)			
	Leasehold buildings	Other fixed assets	Assets in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2007				
Cost or valuation	308,868	1,018,489	779	1,328,136
Accumulated depreciation and impairment losses	(81,031)	(680,099)	(53)	(761,183)
Net book value at 1 January 2007	227,837	338,390	726	566,953
Additions	–	3,456	6,998	10,454
Depreciation	(3,244)	(21,604)	–	(24,848)
Translation differences	–	36	–	36
Disposals	–	(85)	–	(85)
Transfer	–	6,936	(6,936)	–
Net book value at 30 June 2007	224,593	327,129	788	552,510
At 30 June 2007				
Cost or valuation	308,868	1,028,626	841	1,338,335
Accumulated depreciation and impairment losses	(84,275)	(701,497)	(53)	(785,825)
Net book value at 30 June 2007	224,593	327,129	788	552,510
Analysis of cost and valuation as at 30 June 2007				
At cost	299,673	1,028,626	841	1,329,140
At valuation – 1990	9,195	–	–	9,195
	308,868	1,028,626	841	1,338,335

4. Accounts receivable

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

	(Unaudited) 30 June 2007		(Audited) 31 December 2006	
	Balance	Percentage	Balance	Percentage
	HK$'000	*%*	*HK$'000*	*%*
0 to 30 days	212,361	81.3	190,835	66.9
31 to 60 days	14,631	5.6	49,473	17.3
61 to 90 days	23,793	9.1	31,811	11.1
Over 90 days	10,423	4.0	13,223	4.7
Total	261,208	100.0	285,342	100.0
Less: Accumulated impairment losses	(2,751)		(3,571)	
	258,457		281,771	

5. Share capital

	(Unaudited) 30 June 2007 *HK$'000*	(Audited) 31 December 2006 *HK$'000*
Authorised:		
5,000,000,000 shares of HK$0.10 each	500,000	500,000
Issued and fully paid:		
1,560,945,596 (2006: 1,560,945,596) shares of HK$0.10 each	156,095	156,095

6. Accounts payable and accrued liabilities

An ageing analysis of the accounts payable is as follows:

	(Unaudited) 30 June 2007		(Audited) 31 December 2006	
	Balance *HK$'000*	Percentage *%*	Balance *HK$'000*	Percentage *%*
0 to 30 days	22,272	85.8	29,888	80.2
31 to 60 days	1,039	4.0	4,436	11.9
61 to 90 days	376	1.5	333	0.9
Over 90 days	2,267	8.7	2,609	7.0
Total accounts payable	25,954	100.0	37,266	100.0
Accrued liabilities	88,077		112,615	
Total accounts payable and accrued liabilities	114,031		149,881	

7. Capital commitments

	(Unaudited) 30 June 2007 *HK$'000*	(Audited) 31 December 2006 *HK$'000*
Capital commitments for property, plant and equipment		
Contracted, but not provided for	3,668	3,627
Authorised, but not contracted for	12,486	24,242
	16,154	27,869

8. Net interest income

	(Unaudited) For the six months ended 30 June	
	2007	**2006**
	HK$'000	*HK$'000*
Interest income on bank deposits	3,992	2,382
Interest expense on bank loans and overdraft	(829)	(1,760)
	3,163	622

9. Income tax expense

	(Unaudited) For the six months ended 30 June	
	2007	**2006**
	HK$'000	*HK$'000*
Current income tax		
Hong Kong profits tax	41,857	34,964
Overseas taxation	264	347
Deferred income tax	(2,411)	(2,109)
	39,710	33,202

Hong Kong profits tax has been provided for at a rate of 17.5% (2006: 17.5%) 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.

10. Dividend

A 2006 final dividend of HK13 cents per share, totalling HK$202,923,000 was paid in May 2007. A 2005 final dividend of HK10 cents per share, totalling HK$156,095,000 was paid in May 2006.

The Directors have declared an interim dividend of HK8 cents per share (2006: HK6 cents per share), amounting to HK$124,876,000 (2006: HK$93,657,000), for the period.

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$175,000,000 (2006: HK$146,530,000) and 1,560,945,596 (2006: 1,560,945,596) shares in issue during the period.

As at 30 June 2007, there were share options outstanding that enable holders to subscribe for 6,463,000 shares (2006: 7,033,000 shares) in the Company. These share options could potentially dilute basic earnings per share in the future, but were not included in the calculation of diluted earnings per share because they are antidilutive for the periods presented.

12. Approval of the interim financial statements

These interim financial statements were approved by the Board of Directors on 13 September 2007.

IV. INDEBTEDNESS STATEMENT

As of the close of business on 30 November 2007, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had an outstanding bank overdraft of RMB17,768,000 (approximately HK$18,781,000) and short term revolving bank loans of RMB2,000,000 (approximately HK$2,114,000).

Foreign currency amounts have been translated into Hong Kong dollars at the approximate exchange rates prevailing at the close of business on 30 November 2007.

Saved as aforesaid, as at 30 November 2007, the Group did not have any outstanding bank overdrafts or loans, other similar indebtedness, mortgages, charges, guarantees or other material contingent liabilities.

V. MATERIAL CHANGES

As at the Latest Practicable Date, the Directors were not aware of any material change in the financial or trading position or outlook of the Group since 31 December 2006 (being the date to which the latest published audited financial statements of the Group were made up).

DTZ 戴德梁行

10th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

25 January 2008

The Directors
SCMP Group Limited
Morning Post Centre
22 Dai Fat Street
Tai Po Industrial Estate
Tai Po
New Territories

Dear Sirs,

Re: Portfolio Valuation

INSTRUCTIONS

We refer to your instructions for us to carry out market valuations of the properties which are held by SCMP Group Limited (hereinafter referred to as the "Company") or its subsidiaries (together referred to as the "Group"). We confirm that we have carried out inspection, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the values of the properties as at 30 November 2007 (the "date of valuation").

BASIS OF VALUATION AND ASSUMPTIONS

Our valuation of each property represents its market value which in accordance with the Valuation Standards on Properties of the Hong Kong Institute of Surveyors is defined as "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

Our valuation of each property excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties nor any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of any onerous nature which could affect their values.

VALUATION METHODOLOGY

Our valuation of each property is prepared in accordance with the Valuation Standards on Properties of the Hong Kong Institute of Surveyors and in compliance with Chapter 5 of the Listing Rules published by the Stock Exchange of Hong Kong Limited.

We have valued Properties Nos. 1 to 6 by direct comparison approach assuming sale of the property in its existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market and where appropriate by investment method by capitalizing the rental income derived from the existing tenancies with due provision for any reversionary income potential.

In valuing Property No. 7, which is held and occupied by the Group in Hong Kong, due to specific nature of the buildings and structures, we have adopted the Depreciated Replacement Cost (the “DRC”) approach. A DRC approach requires an estimate of the market value of the land in its existing use and an estimate of the new replacement cost of the buildings and structures, from which deductions are made to allow for the age, condition and functional obsolescence. The value is subject to service potential of the entity from the use of assets as a whole.

According to the information provided by the Group, the potential tax liability which would arise on the disposal of property interests is profits tax of 17.5% of net profit upon disposal, save for deduction of any profit which is capital in nature. The potential tax liability in respect of property interests held for investment under Group I of the Summary of Valuations will be crystallized upon disposal. For property interests held for owner-occupation under Group II of the Summary of Valuations, the likelihood of the relevant tax liability being crystallized is remote as the Group has no plan yet for the disposal of such property interests.

SOURCE OF INFORMATION

We have relied to a very considerable extent on the information given by you and have accepted advice given to us on such matters as planning approvals, statutory notices, easements, tenure and identification of property, particulars of occupancy, floor area and all other relevant matters. Dimensions and measurements are based on the copies of documents or other information provided to us by you and are therefore only approximations. No on-site measurement has been carried out.

We have no reason to doubt the truth and accuracy of the information provided to us by you which is material to the valuation. We were also advised by you that no material facts have been omitted from the information provided.

TITLE INVESTIGATION

We have not been provided with copies of the title documents relating to the properties but have caused searches to be made at the Land Registry. However, we have not searched the original documents to verify ownership or to ascertain any amendments. All documents have been used for reference only and all dimensions, measurements and areas are approximate.

PROPERTY INSPECTION

We have inspected the exterior and, where possible, the interior of the property. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report whether the property is free of rot, infestation or any other structural defects. No test was carried out on any of the services.

REPORT

We enclose herewith our summary of valuations and valuation certificates.

Yours faithfully,
For and on behalf of
DTZ Debenham Tie Leung Limited
K. B. Wong
Registered Professional Surveyor
(General Practice Division)
M.R.I.C.S., M.H.K.I.S.
Director

Note: Mr. K. B. Wong is a Registered Professional Surveyor who has over 23 years of experience in valuation of properties in Hong Kong.

SUMMARY OF VALUATIONS

	Property	Capital value in existing state as at 30 November 2007 *HK$*
Group I – Properties owned and held by the Group for investment purpose		
1.	20th and 21st Floors and Car Parking Space Nos. 21, 22 and 23 on 4th Floor, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong	384,100,000
2.	The Remaining Portion of Lot No. 214 and Sections A and B of Lot No. 220 in Demarcation District No. 229, Clear Water Bay Studio, Clear Water Bay Road, A Kung Wan, Hang Hau, New Territories	500,000,000
3.	The lobby on Ground Floor and the front (or southern) portion of the 1st, 2nd and 3rd Floors of No. 1 Leighton Road including the staircase therein leading up to the 3rd Floor and the lift therein serving the 1st, 2nd and 3rd Floors only and portion of the canopy on the 1st Floor level, Yue King Building, 26-30 Canal Road West, 1-7 Leighton Road and 41-47 Morrison Hill Road, Wanchai, Hong Kong	123,000,000
4.	Ground Floor, Block B, Ko Fai Industrial Building, 7 Ko Fai Road, Yau Tong, Kowloon	33,000,000
	Sub-total:	1,040,100,000
Group II – Properties owned and occupied by the Group		
5.	1st Floor, Block B, Ko Fai Industrial Building, 7 Ko Fai Road, Yau Tong, Kowloon	15,000,000
6.	8th Floor of Block C, Sea View Estate, 8 Watson Road, North Point, Hong Kong	27,000,000
7.	Morning Post Centre, 22 Dai Fat Street, Tai Po Industrial Estate, Tai Po, New Territories	270,000,000
	Sub-total:	312,000,000
	Grand Total:	1,352,100,000

VALUATION CERTIFICATE

Group I – Properties owned and held by the Group for investment purpose

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 November 2007
1.	20th and 21st Floors and Car Parking Space Nos. 21, 22 and 23 on 4th Floor, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong 283/10000th shares of and in Inland Lot No. 8294	The property comprises the office space on the whole of the 20th and 21st floors and 3 private car parking spaces on the 4th floor of a 33-storey office building erected upon a 2-storey car park and 4-storey (including basement) commercial podium. The building was completed in 1975. The saleable areas of the property are as follows: **Floor** / **Approximate saleable area** (sq.ft. / sq.m.) 20th: 12,273 / 1,140.19 21st: 12,273 / 1,140.19 **Total: 24,546 / 2,280.38** The property is held from the Government for a term of 75 years from 29 September 1972 renewable for a further term of 75 years. The current Government rent payable for the lot is HK$8,306 per annum.	As at the date of valuation, 2 car parking spaces were vacant and the remaining portions of the property were let to various tenants at a total passing rent of approximately HK$652,778 per month with the latest lease due to expire on 1 February 2008, exclusive of rates, government rent and management fees.	HK$384,100,000

Notes:

(1) The registered owner of 20th Floor and Car Parking Space No. 21 on 4th Floor is Sunny Bright Development Limited, a wholly-owned subsidiary of the Company.

(2) The registered owner of 21st Floor and Car Parking Space Nos. 22 and 23 on 4th Floor is Sunny Success Development Limited, a wholly-owned subsidiary of the Company.

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 November 2007
2.	The Remaining Portion of Lot No. 214 and Sections A and B of Lot No. 220 in Demarcation District No. 229, Clear Water Bay Studio, Clear Water Bay Road, A Kung Wan, Hang Hau New Territories	The property comprises a broadcasting studio complex occupying a site with an area of approximately 265,982.90 sq.ft. (24,710.41 sq.m.). There are a number of buildings currently standing on the subject site. According to building plans dated 23 August 1996 and 31 December 1996 from the Buildings Department , the approximate gross floor areas of the major buildings are as follows:	As at the date of valuation, the property was vacant.	HK$500,000,000

	Approximate gross floor area sq.ft.	Approximate gross floor area sq.m.
Dormitory 2	31,304	2,908.21
TVB House	65,464	6,081.75
Office Block	43,823	4,071.26
Production Block	273,304	25,390.56
Studio 2-5	45,206	4,199.74
Studio 6 and 7	29,375	2,729.00
Prop Store and Wood Workshop	93,178	8,656.45

The dormitory and studio blocks were completed in the 1960's. The Production Block and Office Block were completed in 1988. TVB House was completed in 1994. The Prop Store and Wood Workshop were completed in 1995.

The property is held from the Government for terms of 99 years less the last 3 days from 1 July 1898. The terms have been statutorily extended to 30 June 2047. The current Government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.

Notes:

(1) The registered owner of the property is Coastline International Limited, a wholly-owned subsidiary of the Company.

(2) The property is currently zoned under Clear Water Bay Peninsula North Development Permission Area Plan No. S/SK/-CWBN/3 dated 10 November 2006 for "Comprehensive Development Area (2)" purposes.

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 November 2007
3.	The lobby on Ground Floor and the front (or southern) portion of the 1st, 2nd and 3rd Floors of No. 1 Leighton Road including the staircase therein leading up to the 3rd Floor and the lift therein serving the 1st, 2nd and 3rd Floors only and portion of the canopy on the 1st Floor level, Yue King Building, 26-30 Canal Road West, 1-7 Leighton Road and 41-47 Morrison Hill Road, Wanchai, Hong Kong 35/261st shares of and in Section A and the Remaining Portion of Inland Lot No. 1294, Inland Lot No. 1365 and Inland Lot No. 8923	The property comprises retail space and lobby area on portion of the ground floor (which provides exclusive access to the front portions of the three office floors above), the three office floors on the 1st, 2nd and 3rd floors and several advertising board spaces on the external wall. The subject property occupies a portion of the commercial podium upon which a 25-storey residential building was erected. The development was completed in 1971. The property has a saleable area of approximately 1,575 sq.ft. (146.32 sq.m.) on the ground floor and a total saleable area of approximately 31,109 sq.ft. (2,890.10 sq.m.) on the upper three floors. The property is held from the Government for the following terms: I.L. 1294 999 years from 22 February 1892 I.L. 1365 999 years from 27 January 1896 I.L. 8923 50 years from 29 August 1997 The Government rent payable for the lots, IL 1294 and IL1365 are totally HK$152 per annum, whilst that for the lot IL 8923 is an amount equal to 3% of the rateable value of the time being of the lot per annum.	As at the date of valuation, the property was leased for a term of 4 years with the 1st term from 1 November 2004 to 31 October 2008. The current passing rent of the property is HK$326,850 exclusive of rates, government rent and management fees. The total gross revenue for the advertising board from January 2007 to November 2007 was HK$5,343,000.	HK$123,000,000

Notes:

(1) The registered owner of the property is Lyton Investment Limited, a wholly-owned subsidiary of the Company.

(2) The property is subject to an Order No. C2042/HK/99(LSO) under section 24 (1) of the Buildings Ordinance issued by the Building Authority (re: common area). For the purpose of our valuation , we have assumed that the order has been complied with and has not allowed for any reinstatement costs.

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 November 2007
4.	Ground Floor, Block B, Ko Fai Industrial Building, 7 Ko Fai Road, Yau Tong, Kowloon 289/7300th shares of and in Yau Tong Inland Lot Nos. 10 and 11	The property comprises the workshop unit on the ground floor of a 12-storey industrial building completed in 1978. The property has saleable area of approximately 18,159 sq.ft. (1,687.01 sq.m.). The property is held from the Government under Conditions of Sale Nos. 9561 and 9576 for terms of 99 years from 1 July 1898 less the last three days. The terms have been statutorily extended to 30 June 2047. The current Government rent payable for the property is an amount equal to 3% of the rateable value of the time being of the property per annum.	As at the date of valuation, the ground floor was let for a term of 2 years from 1 May 2007 to 30 April 2009 at a monthly rent of HK$196,174, exclusive of rates and management fees.	HK$33,000,000

Note: The registered owner of the property is South China Morning Post Publishers Limited, a wholly-owned subsidiary of the Company.

Group II – Properties owned and occupied by the Group

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 November 2007
5.	1st Floor, Block B, Ko Fai Industrial Building, 7 Ko Fai Road, Yau Tong, Kowloon 208/7300th shares of and in Yau Tong Inland Lot Nos. 10 and 11	The property comprises the workshop unit on the first floor of a 12-storey industrial building completed in 1978. The property has gross floor area of approximately 21,310 sq.ft. (1,979.75 sq.m.). The property is held from the Government under Conditions of Sale Nos. 9561 and 9576 for terms of 99 years from 1 July 1898 less the last three days. The terms have been statutorily extended to 30 June 2047. The current Government rent payable for the property is an amount equal to 3% of the rateable value of the time being of the property per annum.	As at the date of valuation, the property was owner-occupied for storage purpose.	HK$15,000,000

Note: The registered owner of the property is South China Morning Post Publishers Limited, a wholly-owned subsidiary of the Company.

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 November 2007
6.	8th Floor of Block C, Sea View Estate, 8 Watson Road, North Point, Hong Kong 1282/95000th shares of and in Section A of Marine Lot No. 293 and Inland Lot No. 1780	The property comprises the whole of 8th floor of a 15-storey industrial building completed in 1966. The gross floor area of the property is approximately 12,815 sq.ft. (1,190.54 sq.m.). The property is held from the Government for respective terms of 75 years commencing from 5 November 1906 and 23 December 1907 respectively renewable for further terms of 75 years. The current Government rent payable for the property is HK$5,400 per annum.	As at the date of valuation, the property was owner-occupied by the Group for production and ancillary office purpose.	HK$27,000,000

Note: The registered owner of the property is Macheer Properties Limited, a wholly-owned subsidiary of the Company.

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 November 2007
7.	Morning Post Centre, 22 Dai Fat Street, Tai Po Industrial Estate, Tai Po, New Territories Section A of Tai Po Town Lot No. 13 and the Extension thereto	The property comprises a 6-storey plus lower ground car parks factory building completed in about 1995. The property has a total gross floor area of approximately 280,698 sq.ft. (26,077.52 sq.m.). It is erected on a site with a registered site area of approximately 113,059 sq.ft. (10,503.47 sq.m.). Moreover, a total of 75 car parking spaces are provided on the lower ground floor of the property. The property is held from the Hong Kong Industrial Estates Corporation for a term expiring on 27 June 2047. The current Government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.	The property is currently occupied by the Group for offices, press production and paper storage purposes.	HK$270,000,000 (see Note 3)

Notes:

(1) The agreement for lease together with the form of the lease and the subsequent agreement for extension of lease term and modifications (together the "Lease") made between The Hong Kong Industrial Estates Corporation (now known as Hong Kong Science and Technology Parks Corporation) (the "Corporation") and South China Morning Post Publishers Limited (a wholly-owned subsidiary of the Company, the "Lessee") restricts assignment of the property by the Lessee. In the event that the Lessee is desirous of assigning the property at any time during the term of the Lease, the Lessee shall first offer to surrender its interest free from encumbrances and with vacant possession to the Corporation at a consideration calculated in accordance with a prescribed formula set out in the Lease.

(2) Whereas, if the Corporation accepts the surrender of the property offered by the Lessee, the consideration payable by the Corporation as provided in the Lease will be the lesser of either (A) or (B) of the following:

(A) The total of the following two amounts reduced by ten percent:

(I) in respect of the land, a sum equivalent to the fraction of 1/t (one over "t") of eighty percent (80%) of the premium referred to in the Particulars of the Land (as referred to in the Lease) multiplied by the number of completed years in the portion of the term hereby demised unexpired at the date of completion of the surrender where the symbol "t" means or represents the number of completed year or years and any fraction thereof, comprised in the period from the commencement date to 27 June 2047, which fraction of a year shall be deemed to be a completed year, and

(II) in respect of any building (including any fixtures and fittings therein) constructed or erected in accordance with the provisions of the Lease, the replacement cost thereof as at the date of the Corporation's acceptance of the surrender (if accepted) to be determined and discounted for depreciation which shall be calculated at the rate of five percent (5%) per annum or part thereof from the date of the occupation permit or temporary occupation permit (whichever shall be the earlier) for the first building on the said land or, in the event or redevelopment whereby all the building(s) on the said land has been replaced by new building(s), the first new building on the said land pursuant to such redevelopment.

or

(B) in respect of both such land and such building (including any fixtures and fittings therein), the market value thereof as at the date of the Corporation's acceptance of the surrender (if accepted) to be determined but reduced by ten percent.

(3) Due to the specific nature of the buildings and structures and the restrictions on assignment imposed by the Corporation, we have adopted the Depreciated Replacement Cost (the "DRC") approach to derive the capital value of the property, disregarding the abovementioned restrictions and assuming free alienation in the market as at the date of valuation.

(4) For information purpose, we estimate that the consideration payable by the Corporation in case it accepts surrender of the property as calculated in accordance with the above formula prescribed in the Lease as at 30 November 2007 is HK$131,000,000.

(5) The property is currently zoned under Tai Po Outline Zoning Plan No. S/TP/19 dated 18 November 2005 for "Other specified Uses – Industrial Estate purposes".

1. RESPONSIBILITY STATEMENT

The Directors jointly and severally accept full responsibility for the accuracy of the information (other than relating to the Offeror and other members of the Concert Group and the terms of the Offer) contained in this document and confirm, having made all reasonable inquiries, that to the best of their knowledge, the opinions expressed in this document (other than relating to the Offeror and other members of the Concert Group and the terms of the Offer) have been arrived at after due and careful consideration and there are no other facts (other than those relating to the Offeror and other members of the Concert Group) not contained in this document the omission of which would make any statement (other than relating to the Offeror and other members of the Concert Group and the terms of the Offer) in this document misleading.

The information contained in this document relating to the Offeror and members of the Concert Group, the terms of the Offer and the Offeror's intention with respect to the Group has been extracted from the Offer Document. The Directors accept responsibility for the correctness and fairness of the reproduction or presentation of such information only.

2. SHARE CAPITAL OF THE COMPANY

The authorised and issued share capital of the Company as at the Latest Practicable Date were as follows:

Authorised:

5,000,000,000 Shares of HK$0.10 each

Issued:

1,560,945,596 Shares of HK$0.10 each

All the existing issued Shares are fully paid up and rank pari passu in all respects including all rights as to dividends, voting rights and capital.

Since 31 December 2006, the date to which the latest audited financial statement of the Company was made up, and up to the Latest Practicable Date, no new Share has been issued by the Company.

The Company has a Share Option Scheme. As at the date of the Joint Announcement, there were no outstanding share options granted pursuant to the Share Option Scheme.

Other than the Shares, the Company does not have any other outstanding equity securities (including equity related convertible securities, or warrants, options or subscription rights or derivatives in respect of any equity share capital of the Company (including non-transferable options)).

3. DISCLOSURE OF INTERESTS

(A) Interests of Directors in the Company and its associated corporations

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

Interests and/or short positions in the shares of the Company and/or its associated corporations

		Shares of the Company	
Name of Director	**Capacity/ Nature of interests**	**Number of Shares held**	**Approximate % of issued share capital***
Mr. Kuok Khoon Ean *(Note 1)*	Corporate	340,000	0.022%
Tan Sri Dr. Khoo Kay Peng *(Note 2)*	Corporate	16,150,000	1.035%
Dr. The Hon. Sir David Li Kwok Po	Personal	4,778,000	0.306%

Notes:

1. The interests in the 340,000 Shares are in respect of deemed corporate interests held by Mr. Kuok Khoon Ean through Allerlon Limited, which is wholly owned by Mr. Kuok and his spouse.

2. The interests in the 16,150,000 Shares are in respect of deemed corporate interests held by Tan Sri Dr. Khoo Kay Peng through Bonham Industries Limited. As at the Latest Practicable Date, Dr. Khoo held 99.9% of the entire issued capital of Bonham Industries Limited.

* Approximate percentage calculated based on the 1,560,945,596 Shares in issue as at the Latest Practicable Date.

All the interests stated above represent long positions in the Shares.

Save as stated above, as at the Latest Practicable Date, 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 or any of its associated corporations during the Relevant Period. At no time during the Relevant Period was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

Apart from the aforesaid, as at the Latest Practicable Date, none of the Directors 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.

(B) Interests of substantial Shareholders and other persons in the Company

As at the Latest Practicable Date, the following persons, not being a Director of the Company, had the following interests and/or short positions in Shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of Part XV of the SFO:

Name	Capacity/Nature of interests	Number of Shares held	Approximate % of issued share capital*
Kerry Media Limited *(Notes 1 & 2)*	Beneficial owner	609,306,000	39.03%
Kerry 1989 (C.I.) Limited *(Note 3)*	Interest of controlled corporations	547,674,000	35.09%
Kerry Holdings Limited *(Note 4)*	Interest of controlled corporations	594,576,000	38.09%
Kerry Group Limited	Interest of controlled corporations	688,046,000	44.08%
Silchester International Investors Limited *(Note 5)*	Investment manager	218,603,000	14.00%
Silchester International Investors International Value Equity Trust *(Note 6)*	Beneficial owner	114,331,634	7.32%
Brandes Investment Partners, L.P. *(Note 5)*	Investment manager	107,624,430	6.89%

Notes:

1. According to the disclosure of dealings by Kerry Media Limited pursuant to the Takeovers Code, as at the Latest Practicable Date, Kerry Media Limited was interested in 624,008,000 Shares representing approximately 39.976% of the Company's issued share capital.

2. The interests in the 624,008,000 Shares held by Kerry Media Limited are duplicated in the respective interests reported above for Kerry 1989 (C.I.) Limited, Kerry Holdings Limited and Kerry Group Limited.

3. The interests in the 547,674,000 Shares held by Kerry 1989 (C.I.) Limited are duplicated in the respective interests reported above for Kerry Holdings Limited and Kerry Group Limited.

4. The interests in the 594,576,000 Shares held by Kerry Holdings Limited are duplicated in the interests reported above for Kerry Group Limited.

5. Investment manager acting on behalf of clients and not connected with the Company.

6. The interests in the 114,331,634 Shares held by Silchester International Investors International Value Equity Trust are duplicated in the interests reported above for Silchester International Investors Limited.

* Approximate percentage calculated based on the 1,560,945,596 Shares in issue as at the Latest Practicable Date.

All the interests stated above represent long positions in the Shares.

Save as disclosed above, as at the Latest Practicable Date, no other interests or short positions in the Shares or underlying shares of the Company were recorded in the register required to be kept under Section 336 of Part XV of the SFO.

(C) Interest in the Offeror

(a) As at the Latest Practicable Date, the Company did not have any interest in the share capital of the Offeror.

(b) As at the Latest Practicable Date, Mr. Kuok Khoon Ean and Ms. Kuok Hui Kwong, both being executive Directors of the Company, together with their other family interests, were interested in Luxhart Assets Limited which in turn held 25,000 ordinary shares in the issued share capital of the Offeror. Save as disclosed above, none of the Directors had any shareholding in the Offeror as at the Latest Practicable Date.

(D) Dealings in securities

(a) Dealings in securities of the Company by the Directors

None of the Directors had dealt in any Shares or securities convertible into Shares (including the Company's share options) during the Relevant Period.

(b) Dealings in securities of the Company by others

As at the Latest Practicable Date, the Directors are not aware of any dealings for value in the securities of the Company during the Relevant Period by any of the subsidiaries of the Company, any pension fund of the Company and of its subsidiaries, any adviser to the Company as specified in class (2) of the definition of associate in the Takeovers Code, any person who had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of associate in the Takeovers Code, any fund manager connected with the Company who managed the shareholdings in the Company on a discretionary basis.

(c) Dealings in securities of the Offeror by the Company and the Directors

None of the Company and the Directors had dealt in any securities of the Offeror during the Relevant Period.

(E) Service contracts

As at the Latest Practicable Date, there was no existing or proposed service contract entered into between any company comprising the Company or any of its subsidiaries or associated companies and any Director, which (i) was continuous contracts with a notice period of twelve months or more, (ii) was of a fixed term with more than twelve months to run irrespective of the notice period; or (iii) (being either continuous or of a fixed term) had been entered into or amended within the Relevant Period.

(F) Miscellaneous

As at the Latest Practicable Date:

(a) there was no agreement or arrangement between any of the Director and any other person which is conditional on or dependent upon the outcome of the Offer or otherwise connected with the Offer.

(b) no benefit had been given or will be given to any Director as compensation for loss of office or otherwise in connection with the Offer.

(c) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of associate.

(d) none of the subsidiaries of the Company, or any pension fund of any member of the Group, or any advisers to the Company as specified in class (2) of the definition of associate in the Takeovers Code (but excluding exempt principal traders) owned or controlled any securities in the Company.

(e) no shareholdings or securities in the Company were managed on a discretionary basis by fund managers connected with the Company.

(f) Mr. Kuok Khoon Ean, Tan Sri Dr. Khoo Kay Peng and Dr. The Hon. Sir David Li Kwok Po were interested in the Shares as at the Latest Practicable Date as set out in paragraph 3(A) above in this Appendix. As Mr. Kuok Khoon Ean is a director of a member of the Concert Group, he will not accept the Offer. Tan Sri Dr. Khoo Kay Peng has confirmed that he intends to accept the Offer. Dr. The Hon. Sir David Li Kwok Po has confirmed that it is his intention not to accept the Offer. Save as disclosed in this paragraph 3, none of the Directors was interested in any Shares as at the Latest Practicable Date and none of them is expected to participate in the Offer.

(g) no material contract has been entered into by the Offeror in which any Director has a material personal interest.

4. LITIGATION

As at the Latest Practicable Date, no member of the Company was engaged in any litigation or claim of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against any members of the Company.

5. MATERIAL CONTRACTS

No material contract, not being contracts entered into during the ordinary course of business, was entered into by the Company after the date being two years before the commencement of the Offer Period and up to the Latest Practicable Date and is or may be material.

6. GENERAL

(a) The address of the head office and principal place of business in Hong Kong of the Company is at Morning Post Centre, 22 Dai Fat Street, Tai Po Industrial Estate, New Territories, Hong Kong.

(b) As at the Latest Practicable Date, the two executive Directors were Mr. Kuok Khoon Ean (Chairman) and Ms. Kuok Hui Kwong, the three non-executive Directors were Mr. Roberto V. Ongpin (Deputy Chairman), Tan Sri Dr. Khoo Kay Peng and Dr. David J. Pang, and the four independent non-executive Directors were The Hon. Ronald J. Arculli, Mr. Peter Lee Ting Chang, Dr. The Hon. Sir David Li Kwok Po and Mr. Wong Kai Man.

(c) As at the Latest Practicable Date, details of the bank overdrafts or loans, or other indebtedness, mortgages, charges or guarantees or other material contingent liabilities of the Group are set out in the section headed "Indebtedness Statement" in Appendix I of this document.

(d) The English text of this document shall prevail over its Chinese text.

7. CONSENTS AND QUALIFICATIONS

The following is the qualification of the experts contained in this document:

Name	Qualification
DTZ	Professional property valuer

Platinum	A licensed corporation under the SFO to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities, being the independent financial adviser to the Independent Board Committee in relation to the Offer

DTZ and Platinum have given and have not withdrawn their respective written consents to the issue of this document with the inclusion herein of their letters, advice, reports (as the case may be) and the reference to their names, in the form and context in which they respectively appear.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection (i) during normal business hours from 9:30 a.m. to 5:00 p.m. (other than Saturdays, Sundays and public holidays) at the office of the Company at Morning Post Centre, 22 Dai Fat Street, Tai Po Industrial Estate, New Territories, Hong Kong; (ii) on the website of the Company at http://www.scmpgroup.com; and (iii) on the website of the SFC (http://www.sfc.hk), from the date of this document until the end of the Offer Period:

(a) the memorandum of association and the bye-laws of the Company;

(b) the annual reports of the Company for the two years ended 31 December 2006 and the interim report of the Company for the six months ended 30 June 2007;

(c) the valuation certificates and report from DTZ, the valuer providing the valuation report on property interests held by the Group as at 30 November 2007, the text of which is set out on pages 81 to 92 of this document;

(d) the "Letter from the Board" regarding the Offer as set out on pages 5 to 9 of this document;

(e) the "Letter from the Independent Board Committee" containing the recommendations of the Independent Board Committee to the Independent Shareholders regarding the Offer as set out on page 10 of this document;

(f) the "Letter from Platinum" to the Independent Board Committee as set out on pages 11 to 27 of this document; and

(g) the letters of consent from DTZ and Platinum referred to in the paragraph headed "Consents and Qualifications" in this Appendix.