NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

The registered office of SCMP Group Limited is located at Cedar House, 41 Cedar Avenue, Hamilton, HM12 Bermuda.

The Company acted as an investment holding company during the period. The principal activities of the Group during the period have not changed and consisted of the publishing, printing, and distribution of the *South China Morning Post*, *Sunday Morning Post* and other print and online publications, retailing, music publishing, video and film post-production, recreation clubs, education and holding of properties for rental income purpose.

2. Change of Financial Year End

The Company changed its financial year end from 30 June to 31 December commencing from the year 2001. The new financial year end was adopted to facilitate the Group to align its seasonal peak periods with the business cycle of its operations and that of its key customers, which would greatly enhance annual reviews and budgeting. In addition, some of the Group's subsidiaries and associated companies have a 31 December year end, and this change will allow all the Group's companies to have a co-terminus year end. In consequence, the comparative amounts for the consolidated profit and loss account, consolidated statement of recognised gains and losses, consolidated cash flow statement and the related notes to financial statements are not directly comparable.

3. Restatements of the Group's Consolidated Balance Sheet and Profit and Loss Account for the 12-Month Period Ended 30 June 2000

Due to the adoption of new and revised Statements of Standard Accounting Practice ("SSAPs") issued by the Hong Kong Society of Accountants ("HKSA") in the current reporting period as stated in note 4(a), certain figures have been restated. The changes are set out below.

(a) Publishing titles

Prior to the 18-month period ended 31 December 2001, publishing titles were stated at cost of HK$1,820,000,000. Under the new SSAP 29 "Intangible Assets", the publishing titles have to be amortised on a straight-line basis over their useful lives. These publishing titles were acquired in 1987 and their useful lives have been determined to be 10 years. The cost of HK$1,820,000,000 was fully amortised by 1997 as a result of adopting SSAP 29.

Changes to the consolidated balance sheet

(i) The publishing titles previously stated at HK$1,820,000,000 were restated to nil balance.
(ii) The net assets were reduced by HK$1,820,000,000.
(iii) The retained profit was reduced by HK$1,820,000,000.

There is no impact on the results for the 18-month period ended 31 December 2001 and the 12-month period ended 30 June 2000.

(b) Goodwill

Prior to the 18-month period ended 31 December 2001, goodwill was eliminated against contributed surplus in the year of acquisition. The goodwill previously eliminated was HK$610,033,000.

The SSAP 30 "Business Combinations" and the SSAP 31 "Impairment of Assets" require goodwill to be stated in the consolidated balance sheet at cost less accumulated amortisation and provision for impairment in value, if any.

As a result of adopting SSAP 30 and SSAP 31, goodwill of HK$610,033,000 was restated as goodwill in the consolidated balance sheet. The goodwill has been fully amortised or provided for impairment prior to 1 July 2000 following the requirement by SSAP 30 and SSAP 31 to amortise and provide for impairment.

Changes to the consolidated balance sheet

(i) Net assets - no change as the cost restated was either amortised or provided for impairment.
(ii) The retained profit was reduced by HK$610,033,000.
(iii) The contributed surplus was increased by HK$610,033,000.

Changes to the consolidated profit and loss account

(iv) Depreciation and amortisation was increased by HK$8,657,000 due to amortisation of goodwill.
(v) Provision for asset impairment was increased by HK$22,657,000 due to provision for impairment in goodwill.
(vi) Profit attributable to shareholders was reduced by HK$31,314,000 being total of (iv) and (v).

There is no impact on the results for the 18-month period ended 31 December 2001 as the goodwill has been fully amortised or provided for impairment prior to 1 July 2000.

(c) Dividend
Prior to the 18-month period ended 31 December 2001, the Group recognised the final dividend declared after the consolidated balance sheet date as current liabilities at the balance sheet date.

Under the SSAP 9 (revised) the dividend has to be recognised in the reporting period in which it is declared.

As a result of adopting SSAP 9 (revised), the final dividend for the 12-month period ended 30 June 2000 of HK$259,942,000 declared on 15 September 2000 was no longer recognised in the consolidated balance sheet as current liabilities and was added back to the retained profit.

Changes to the consolidated balance sheet

(i) The net assets were increased by HK$259,942,000 and the current liabilities were reduced by HK$259,942,000.
(ii) The retained profit was increased by HK$259,942,000.

(d) Minority interests
In the consolidated balance sheet, minority interests of HK$3,992,000 previously included in the "Accounts payable and accrued liabilities" was reclassified to "Minority interests" in line with the presentation in the 18-month period ended 31 December 2001.

In the consolidated profit and loss account, the profit attributable to minority interests of HK$1,206,000 previously included under "Other operating expenses" was also reclassified to "Minority interests".

Changes to the consolidated balance sheet

(i) Accounts payable and accrued liabilities were reduced by HK$3,992,000.
(ii) Current liabilities were reduced by HK$3,992,000.
(iii) Minority interests were increased by HK$3,992,000.

Changes to the consolidated profit and loss account

(iv) Other operating expenses were reduced by HK$1,206,000.
(v) Minority interests were increased by HK$1,206,000.
(vi) Profit attributable to shareholders - no change.

(e) Summary of restatements to the Group's consolidated balance sheet and profit and loss account for the 12-month period ended 30 June 2000

(i) Retained earnings as at 30 June 2000

	Notes	HK$'000
As previously reported		1,248,623
Less: accumulated amortisation of publishing titles	3(a)(iii)	(1,820,000)
Less: accumulated amortisation and provision for impairment in goodwill	3(b)(ii)	(610,033)
Add: proposed dividend	3(c)(ii)	259,942
As restated	25	(921,468)

(ii) Total assets and liabilities as at 30 June 2000

	Notes	Total assets HK$'000	Total liabilities HK$'000	Net assets HK$'000
As previously reported		4,813,317	(728,864)	4,084,453
Less: accumulated amortisation of publishing titles	3(a)(ii)	(1,820,000)	–	(1,820,000)
Add: restatement of goodwill		610,033	–	610,033
Less: accumulated amortisation and provision for impairment in goodwill		(610,033)	–	(610,033)
Add: proposed dividend	3(c)(i)	–	259,942	259,942
As restated		2,993,317	(468,922)	2,524,395

(iii) Contributed surplus as at 30 June 2000

	Notes	HK$'000
As previously reported		1,454,099
Add: restatement of goodwill	3(b)(iii)	610,033
As restated	25	2,064,132

(iv) Current liabilities as at 30 June 2000

	Notes	HK$'000
As previously reported		648,494
Less: proposed dividend	3(c)(i)	(259,942)
Less: minority interests	3(d)(ii)	(3,992)
As restated		384,560

(v) Profit attributable to shareholders for the 12-month period ended 30 June 2000

	Notes	Depreciation and amortisation HK$'000	Provision for asset impairment HK$'000	Profit attributable to shareholders HK$'000
As previously restated		(81,526)	–	593,888
Less: amortisation of goodwill	3(b)(iv)	(8,657)	–	(8,657)
Less: provision for impairment in goodwill	3(b)(v)	–	(22,657)	(22,657)
Net change	3(b)(vi)	(8,657)	(22,657)	(31,314)
As restated		(90,183)	(22,657)	562,574

4. Summary of Significant Accounting Polices

(a) Basis of preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the HKSA. They have been prepared under the historical cost convention, except for the re-measurement of investment properties, and certain fixed assets and long-term investment shares, as further explained below.

In the current period, the Group adopted the following SSAPs issued by HKSA which are effective for accounting periods commencing on or after 1 January 2001.

SSAP 9 (revised)	Events after the balance sheet date
SSAP 14 (revised)	Leases
SSAP 26	Segment reporting
SSAP 28	Provisions, contingent liabilities and contingent assets
SSAP 29	Intangible assets
SSAP 30	Business combinations
SSAP 31	Impairment of assets
SSAP 32	Consolidated financial statements and accounting for investments in subsidiaries

Except for SSAP 14 (revised) which is effective for accounting period commencing on or after 1 July 2000, all of the above new or revised SSAPs are effective for accounting period commencing on or after 1 January 2001. The comparatives have been adjusted or extended to take into account the requirements of the new accounting standards. The effect of adopting SSAP 9 (revised), SSAP 29 and SSAP 31 are set out in the accounting policies below. Except for the above, there is no impact on the operating profit resulting from the adoption of the above standards in the financial statements as the Group was already following the recognition and measurement principles in those standards.

(b) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the 18-month period ended 31 December 2001. The results of subsidiaries acquired or disposed of during the period are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation. The gain or loss on disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any amortised goodwill or goodwill taken to reserves which was not previously charged or recognised in the consolidated profit and loss account.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

(c) Goodwill

Goodwill arising on the acquisition of subsidiaries, associates and jointly controlled entities represents the excess of purchase consideration paid over the fair values ascribed to the identifiable assets and liabilities acquired.

Prior to the 18-month period ended 31 December 2001, goodwill was eliminated against reserves in the year of acquisition.

In the 18-month period ended 31 December 2001, the Group has adopted earlier SSAP 30 "Business Combinations" and SSAP 31 "Impairment of Assets" whereby goodwill is restated in the balance sheet at cost less accumulated amortisation and provision for impairment in value, if any. Goodwill is amortised on a straight-line basis over an estimated useful economic life of not more than 20 years. Provision for impairment on any excess of the carrying amount of the goodwill over its estimated recoverable amount is expensed in the profit and loss account in the year in which the impairment occurs. For the 18-month period ended 31 December 2001, the Group had no goodwill amortisation charge as the goodwill has been fully amortised or provided for impairment prior to 1 July 2000.

The adoption of SSAPs 30 and 31 represents a change in accounting policies and the effects on the Group's financial statements resulting from such change have been accounted for as a prior year adjustment. The comparative consolidated profit and loss account for the 12-month period ended 30 June 2000 has been restated to conform with the changes in accounting policies. For the 12-month period ended 30 June 2000, the Group's amortisation of goodwill was HK$8,657,000 and the provision for impairment of goodwill was HK$22,657,000. These have resulted in a decrease in the Group's net profit for the 12-month period ended 30 June 2000 by HK$31,314,000. The opening retained profits of the Group at 1 July 1999 have been reduced by HK$578,719,000 which is the aggregate of the accumulated amortisation of goodwill of HK$431,261,000 and the accumulated provision for impairment of goodwill of HK$147,458,000 relating to periods prior to 1 July 1999.

(d) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue 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 maintains neither 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;

(iv) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable; and

(v) dividends, when the shareholder's right to receive payment is established. Prior to 1 July 2000, the Company recognised dividend income from its subsidiaries at the end of the financial year to which those dividends relate, even though such dividends were declared subsequent to the financial year end. To comply with the SSAP 9 (revised) where any dividends proposed or declared after the balance sheet date will not be recognised as a liability at the balance sheet date, the Company recognises dividends declared by its subsidiaries after the balance sheet date as revenue in the next financial year. This results in a change in accounting policy.

The Company has applied this change in accounting policy retrospectively, resulting in a decrease in retained profits at 1 July 1999 by HK$259,650,000, a decrease in profit for the 12-month period ended 30 June 2000 by HK$292,000 and a decrease in loss for the 18-month period ended 31 December 2001 by HK$259,942,000.

(e) Subsidiaries

A subsidiary is a company other than a jointly controlled entity in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors or has the power to govern the financial and operating policies of another body corporate so as to obtain benefits from its activities.

Interests in subsidiaries in the Company's balance sheet are stated at cost unless, in the opinion of the Directors, there have been permanent impairment loss when they are written down to values determined by the Directors. The results of subsidiaries are accounted for by the Company on the basis of dividend received or receivable.

(f) Associates

An associate is a company, not being a subsidiary or a joint venture, in which the Group has a long-term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. The Group's share of the post-acquisition results and reserves of associates is included in the consolidated profit and loss account 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 under the equity method of accounting less any provisions for permanent diminutions in values other than temporary in nature deemed necessary by the Directors.

(g) Jointly controlled entities

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

Joint venture arrangements which involve the establishment of a separate entity in which the Group and other parties have an interest are referred to as jointly controlled entities. A jointly controlled entity is a joint venture which involves the establishment of a corporation, partnership or other entity in which each venturer has an interest. The jointly controlled entity operates in the same way as other enterprises, except that a contractual arrangement between the venturers establishes joint control over the economic activity of the entity.

The Group's share of the post acquisition results and reserves of a jointly controlled entity is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in a jointly controlled entity are stated in the consolidated balance sheet at the Group's share of net assets of the jointly controlled entity under the equity method of accounting less any provisions for permanent diminutions in values other than temporary in nature deemed necessary by the Directors.

(h) Publishing titles

Prior to the 18-month period ended 31 December 2001, publishing titles were stated at cost. No amortisation was provided for in the financial statements.

In the 18-month period ended 31 December 2001, the Group has adopted SSAP 29 "Intangible Assets" whereby publishing titles are stated at cost less accumulated amortisation and provision for impairment in value, if any. The Group's publishing titles are amortised on a straight-line basis over ten years, taking into account the rapid change in the business environment and other factors.

The adoption of SSAP 29 represents a change in accounting policies and the effects on the Group's financial statements resulting from such change have been accounted for as a prior year adjustment. The Group's publishing titles had been fully amortised up to 30 June 1997 and there was no impact on the operating profits for the 18-month period ended 31 December 2001 and the 12-month period ended 30 June 2000. The opening retained profits of the Group at 1 July 1999 have been reduced by HK$1,820,000,000 which represents the accumulated amortisation for publishing titles for periods prior to 1 July 1999.

(i) Dividend

In accordance with the SSAP 9 (revised), the Group no longer recognises dividend proposed or declared after the balance sheet date as a liability at the balance sheet date. This change in accounting policy has been applied retrospectively so that the comparatives presented have been restated to conform to the change in accounting policy. This change has resulted in an increase in the Group's opening retained profits at 1 July 1999 by HK$259,650,000 which is the reversal of the provision for 1999 final dividend previously recorded as a liability as at 30 June 1999.

(j) Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are intended to be held on a long-term basis for their investment potential.

Investment properties held under leases with unexpired periods of 20 years or less are depreciated over the unexpired terms of the leases.

Investment properties held under leases with unexpired periods greater than 20 years are stated at open market values on the basis of annual professional valuations performed at the end of each financial year. Changes in the values of investment properties are dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged.

On disposal of an investment property, the relevant portion of the investment property revaluation reserve realised in respect of previous valuations is released to the profit and loss account.

(k) Fixed assets and depreciation

Fixed assets, other than investment properties and assets in progress, are stated at cost or valuation less accumulated depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

Surpluses arising from the revaluation of fixed assets are dealt with in the asset revaluation reserve. Revaluation deficits are charged to the profit and loss account to the extent that they exceed surpluses arising previously on the individual assets. A subsequent revaluation increase is recognised as income to the extent that it reverses a revaluation deficit of the same asset previously charged to the profit and loss account.

Depreciation is provided on the straight-line method over the following estimated useful lives:

Land	Over the lease term
Buildings	25 to 50 years
Other fixed assets	2 to 20 years

No depreciation/amortisation is provided for assets in progress.

(l) Impairment and gain or loss on sale
At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that assets included in the leasehold land and buildings and other fixed assets are impaired. If any such indication exists, the recoverable amount of the assets is estimated and where relevant, an impairment loss is recognised to reduce the assets to its recoverable amount. Such impairment losses are recognised in the profit and loss account except where the assets is carried at valuation and the impairment loss does not exceed the revaluation surplus for that same assets, in which case it is treated as a revaluation decrease.

The gain or loss on disposal of a fixed asset other than investment properties is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account. Any revaluation reserve balance remaining attributable to the relevant asset is transferred to retained earnings and is shown as a movement in reserves.

(m)Long-term investment shares
Long-term investment shares, which represent share investments not held for trading purposes, are carried at their fair values. The unrealised gain or loss so arising is recognised directly in equity, as a movement in the investment revaluation reserve, until the investment is sold or otherwise disposed of, or until the investment is determined to be impaired, as deemed necessary by the Directors, at which time the cumulative unrealised gain or loss is included in the net profit or loss for the year.

(n) Inventories
Inventories are stated at the lower of cost and net realisable value after making due allowance for any obsolete or slow-moving items. Costs of inventories except printing materials which are stated at weighted average cost, is determined on the first-in, first-out basis 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.

(o) Deferred tax
Deferred tax is provided, using the liability method, on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

(p) Foreign currencies
The Group's financial records are maintained and the financial statements are stated in Hong Kong dollars.

Foreign currency transactions are recorded at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable market rates of exchange ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of subsidiaries, associates and jointly controlled entities denominated in foreign currencies are translated into Hong Kong dollars for inclusion in the Group's financial statements using the closing rate method. The resulting translation differences are included in the translation reserve.

(q) Operating leases
Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight-line basis over the lease periods.

(r) Pension costs
The Group operates a defined benefit pension scheme, a defined contribution pension scheme, a Mandatory Provident Fund ("MPF") and a Top-up scheme for its employees. The assets of which are held separately from those of the Group in independently administered funds.

Contributions of the defined benefit pension scheme are made based on the periodic recommendations of independent actuaries and are charged to the profit and loss account so as to charge the cost of the pension benefits over the eligible employees' working lives within the Group. The basic pension cost is attributed to individual years using the aggregate cost method. The actuarial basis used includes investment return, salary escalation rates, withdrawal rates and mortality rates.

Contributions of the defined contribution scheme, MPF and the Top-up scheme are charged to the profit and loss account as incurred and may be reduced by contributions forfeited by employees who leave the scheme prior to vesting fully in the contributions.

(s) Accounts receivables
Provision is made against accounts receivable to the extent they are considered to be doubtful. Accounts receivable in the balance sheet are stated net of such provision.

(t) Cash equivalents
For the purpose of the consolidated cash flow statement, cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance. For the purpose of balance sheet classification, cash equivalents represent assets similar in nature to cash, which are not restricted as to use.

(u) Provisions and contingent liabilities
In accordance with SSAP 28, provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is possible that an outflow of sources 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 accounts. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

(v) Segment reporting
In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical segments as secondary reporting format. No geographical reporting format is presented as the substantial businesses are based in Hong Kong.

Segment assets consist primarily of long-term investment shares, intangible assets, fixed assets, inventories, receivables and operating cash. Segment liabilities comprise operating liabilities and exclude items such as taxation. Capital expenditure mainly comprises additions to fixed assets (note 15).

(w) Related parties
Parties are considered to be related if one party has the ability, directly or indirectly , to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

5. **Turnover, Revenue and Segment Information**

Turnover 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.

An analysis of Group's turnover and other revenue for the period is as follows:

	18-month period ended 31 December 2001 HK$'000	12-month period ended 30 June 2000 HK$'000
Turnover		
Newspapers, magazines and other publications	**1,722,925**	1,262,724
Retailing	**610,408**	359,664
Entertainment, recreation and education services	**247,091**	172,957
Video and film post-production	**47,803**	34,734
Property holding	**116,856**	82,834
	2,745,083	1,912,913
Other revenue		
Dividend income from listed investments	**4,449**	6,331
Interest income	**36,488**	25,658
Others	**3,391**	390
	44,328	32,379
Total revenue	**2,789,411**	1,945,292

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

18-month period ended 31 December 2001

	Newspapers, magazines and other publications HK$'000	Retailing HK$'000	Entertainment, recreation and education services HK$'000	Video and film post-production HK$'000	Property holding HK$'000	Total HK$'000
Turnover	1,722,925	610,408	247,091	47,803	116,856	2,745,083
Segment results and operating profit	532,473	(1,272)	16,298	4,250	62,081	613,830
Share of profits less losses of						
– associates	9,930	–	(795)	1,065	–	10,200
– a jointly controlled entity	(15,857)	–	–	–	–	(15,857)
Profit before taxation						608,173
Taxation						(118,363)
Profit after taxation						489,810
Minority interests						(7,017)
Profit attributable to shareholders						482,793
Segment assets	1,338,849	69,409	27,032	18,122	876,283	2,329,695
Investment in a jointly controlled entity	11,213	–	–	–	–	11,213
Investments in associates	39,156	–	–	6,744	–	45,900
Unallocated assets						2,259
Total assets						2,389,067
Segment liabilities	98,885	64,624	4,739	2,948	8,229	179,425
Unallocated liabilities						101,922
Total liabilities						281,347
Capital expenditure	102,665	5,734	6,704	2,260	–	117,363
Depreciation	96,241	6,068	17,018	2,568	8,563	130,458
Impairment charge	92,403	–	–	–	3,530	95,933

12-month period ended 30 June 2000

	Newspapers, magazines and other publications HK$'000	Retailing HK$'000	Entertainment, recreation and education services HK$'000	Video and film post-production HK$'000	Property holding HK$'000	Total HK$'000
Turnover	1,262,724	359,664	172,957	34,734	82,834	1,912,913
Segment results and operating profit	571,432	6,445	2,956	3,373	73,647	657,853
Share of profits less losses of						
– associates	7,870	–	(1,248)	416	–	7,038
– a jointly controlled entity	(3,184)	–	–	–	–	(3,184)
Profit before taxation						661,707
Taxation						(97,927)
Profit after taxation						563,780
Minority interests						(1,206)
Profit attributable to shareholders						562,574
Segment assets	1,785,944	79,360	66,122	11,090	983,454	2,925,970
Investment in a jointly controlled entity	3,248	–	–	–	–	3,248
Investments in associates	45,095	–	2,348	8,894	–	56,337
Unallocated assets						7,762
Total assets						2,993,317
Segment liabilities	142,177	70,366	39,715	8,408	20,581	281,247
Unallocated liabilities						187,675
Total liabilities						468,922
Capital expenditure	27,642	3,438	6,870	986	343	39,279
Depreciation and amortisation	64,487	4,384	13,039	128	8,145	90,183
Impairment charge	21,000	–	1,657	–	–	22,657

6. Profit from Operating Activities

Profit from operating activities is stated after charging and crediting:

	Group	
		(Restated)
	18-month period ended 31 December 2001	12-month period ended 30 June 2000
Charging	HK$'000	HK$'000
Operating lease rentals on land and buildings	**154,329**	90,005
Loss on disposal of fixed assets	**4,839**	891
Deficit on revaluation of investment properties	**40,678**	–
Auditors' remuneration	**1,798**	2,050
Depreciation on owned assets	**130,458**	81,526
Amortisation of goodwill	**–**	8,657
Staff costs (including Directors' remuneration, as set out in note 8):		
Wages and salaries	**694,850**	439,519
Pension contributions	**36,408**	19,491
Less: Forfeited contributions	**(6,144)**	(3,020)
Net pension contributions	**30,264**	16,471
	725,114	455,990
Provision for impairment in value of long-term investment shares	**92,403**	–
Provision for impairment in goodwill (note 3(e)(v))	**–**	22,657
Provision for impairment in leasehold land and buildings (note 15)	**3,530**	–
Crediting		
Net rental income from investment properties	**111,403**	79,488
Net rental income from leasehold land and buildings	**3,624**	1,950

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

7. Finance Costs

	Group	
	18-month period ended 31 December 2001	12-month period ended 30 June 2000
	HK$'000	HK$'000
Interest on bank loans wholly repayable within five years	1,020	1,564

8. Directors' Remuneration

	Group	
	18-month period ended 31 December 2001 HK$'000	12-month period ended 30 June 2000 HK$'000
Fees:		
Executive	–	–
Non-executive	1,783	685
Other emoluments:		
Salaries, allowances and benefits in kind	10,738	7,743
Pension scheme contributions	2,570	216
Bonuses paid and payable	96	651
	15,187	9,295

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

	18-month period ended 31 December 2001 Number of Directors	12-month period ended 30 June 2000 Number of Directors
HK$Nil – HK$1,000,000	8	10
HK$1,500,001 – HK$2,000,000	2	1
HK$6,000,001 – HK$6,500,000	–	1
HK$9,500,001 – HK$10,000,000	1	–
	11	12

There was no arrangement under which a Director waived or agreed to waive any remuneration in respect of the period.

Directors' fees paid or payable to Independent Directors during the period totalled HK$880,000. There were no other emoluments paid to Non-executive Directors during the period.

Five highest paid individuals
The five highest paid individuals during the period include one Director, details of whose remuneration is set out above. The details of the remuneration of the remaining four highest paid individuals are set out below:

	Group	
	18-month period ended 31 December 2001 HK$'000	12-month period ended 30 June 2000 HK$'000
Salaries, allowances and benefits in kind	14,752	9,800
Pension scheme contributions	1,052	459
Bonuses paid and payable	2,825	1,496
	18,629	11,755

The remuneration of the four highest paid individuals fell within the following bands:

	18-month period ended 31 December 2001 Number of individuals	12-month period ended 30 June 2000 Number of individuals
HK$2,000,001 – HK$2,500,000	–	2
HK$3,000,001 – HK$3,500,000	–	1
HK$3,500,001 – HK$4,000,000	1	1
HK$4,000,001 – HK$4,500,000	1	–
HK$4,500,001 – HK$5,000,000	1	–
HK$5,500,001 – HK$6,000,000	1	–
	4	4

9. Tax

Tax in the profit and loss account is analysed as follows:

	Group	
	18-month period ended 31 December 2001 HK$'000	12-month period ended 30 June 2000 HK$'000
Company and subsidiaries:		
Provision for the period	109,085	99,034
Deferred tax (note 23)	5,718	(3,437)
	114,803	95,597
Associates:		
Hong Kong	–	39
Elsewhere	3,560	2,291
	3,560	2,330
Tax charge for the period	118,363	97,927

Hong Kong profits tax has been calculated at 16% (2000: 16%) on the assessable profits generated during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

10. Profit Atttributable to Shareholders

The profit of HK$482,793,000 (2000: HK$562,574,000) attributable to shareholders included a loss of HK$411,984,000 (2000: profit of HK$519,589,000) dealt with in the Company's own accounts.

The loss in the Company's own accounts is resulting mainly from the provision for diminution in value of its subsidiary due to the amortisation of publishing titles required by the newly adopted SSAP29 (notes 3(a) and 4(h)).

11. Dividends

	Group and Company 18-month period ended 31 December 2001 HK$'000	12-month period ended 30 June 2000 HK$'000
First interim dividend paid of HK15 cents per share (2000: HK15 cents)	**260,178**	259,800
Second interim dividend distribution of HK8 cents per share (2000: Nil)	**138,751**	–
Special dividend paid of HK10 cents per share (2000: Nil)	**173,438**	–
Proposed final dividend, Nil per share (2000: HK15 cents)	**–**	259,942
	572,367	519,742

12. Earnings per Share

The calculation of basic earnings per share is based on the profit for the period attributable to shareholders of HK$482,793,000 (2000: HK$562,574,000) and the weighted average of 1,733,784,078 (2000: 1,731,388,275) shares in issue during the period.

The diluted earnings per share for the period is based on the profit for the period attributable to shareholders of HK$482,793,000 (2000: HK$562,574,000) and the weighted average of 1,733,784,078 (2000: 1,731,388,275) shares in issue during the period plus 136,447 (2000: 1,265,350) dilutive shares deemed to have been issued for no consideration in respect of share options outstanding during the period.

13. Goodwill

	Group HK$'000
Cost	
At 1 July 2000	
– as previously reported	–
– goodwill restated as a result of the adoption of SSAP 30 (note 3 (b))	610,033
– as restated	610,033
At 31 December 2001	610,033
Accumulated amortisation and provision for impairment	
At 1 July 2000	
– as previously reported	–
– amount attributable to restated goodwill (note 3 (b))	610,033
– as restated	610,033
Amortisation during the period	–
At 31 December 2001	610,033
Net book value	
At 31 December 2001	–
At 30 June 2000	
– as previously reported	–
– as restated	–

14. Publishing Titles

	Group HK$'000
Cost	
At 1 July 2000 and 31 December 2001	1,820,000
Accumulated amortisation	
At 1 July 2000	
– as previously reported	–
– effect resulting from the adoption of SSAP 29 (note 3(a))	1,820,000
– as restated	1,820,000
Provided for during the period	–
At 31 December 2001	1,820,000
Net book value	
At 31 December 2001	–
At 30 June 2000	
– as previously reported	1,820,000
– as restated	–

15. Fixed Assets

Group	Investment properties HK$'000	Leasehold land and buildings HK$'000	Assets in progress HK$'000	Other fixed assets HK$'000	Total HK$'000
Cost or valuation:					
At 1 July 2000	752,000	552,676	14,690	837,141	2,156,507
Additions	–	–	79,162	38,201	117,363
Transfers	–	–	(57,724)	57,724	–
Reclassification	118,678	(166,609)	–	30,010	(17,921)
Disposal of subsidiaries	–	–	–	(70,399)	(70,399)
Disposals	–	(11,919)	–	(27,332)	(39,251)
Revaluation deficit	(40,678)	–	–	–	(40,678)
At 31 December 2001	830,000	374,148	36,128	865,345	2,105,621
Accumulated depreciation:					
At 1 July 2000	–	56,940	–	392,004	448,944
Provided during the period	–	18,254	–	112,204	130,458
Impairment charge (note 6)	–	3,530	–	–	3,530
Reclassification	–	(15,213)	–	(2,708)	(17,921)
Disposal of subsidiaries	–	–	–	(55,191)	(55,191)
Disposals	–	(4,797)	–	(20,896)	(25,693)
At 31 December 2001	–	58,714	–	425,413	484,127
Net book value:					
At 31 December 2001	830,000	315,434	36,128	439,932	1,621,494
At 30 June 2000	752,000	495,736	14,690	445,137	1,707,563
Analysis of cost and valuation:					
At cost – 2001	–	341,148	36,128	865,345	1,242,621
At valuation – 1990	–	33,000	–	–	33,000
– 2001	830,000	–	–	–	830,000
	830,000	374,148	36,128	865,345	2,105,621

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

As at 31 December 2001, there was no fixed asset pledged to secure the bank loans. As at 30 June 2000, leasehold land and buildings with a net book value of HK$7,600,000 were pledged to secure bank loans of HK$5,367,000 granted to the Group.

Certain of the Group's leasehold land and buildings were revalued in 1990 by Knight Frank Kan & Baillieu, an independent professional valuer, at HK$33,000,000, being their then open market value based on their existing use. No subsequent revaluation was carried out as the Group has adopted the exemption provisions of SSAP17 "Property, plant and equipment" issued by the HKSA in 1995, of not making regular revaluations by class of those assets stated at revalued amounts based on revaluations which were reflected in prior year financial statements. Had such leasehold land and buildings been carried at cost less accumulated depreciation, the carrying value of such leasehold land and buildings would have been stated at approximately HK$24,794,000 (2000: HK$25,945,000).

The Group's investment properties and leasehold land and buildings are held under medium term leases in Hong Kong.

The investment properties comprise offices, a studio and car parking spaces. The offices situated at (i) 20/F and 21/F and car parking spaces Nos. 21, 22 and 23 on 4th floor of Bank of America Tower at 12 Harcourt Road, Hong Kong; (ii) the lobby on the Ground Floor, a portion of the canopy on the 1st Floor level and the front portions of the 1st, 2nd and 3rd Floors of No. 1 Leighton Road and 5 advertising board spaces on the external wall, Yue King Building, 26 - 30 Canal Road West, 1 - 7 Leighton Road and 41 - 47 Morrison Hill Road, Wanchai, Hong Kong and (iii) the Clear Water Bay TV Studio situated at Clear Water Bay Road, A Kung Wan, Hang Hau, New Territories, were valued by Debenham Tie Leung Limited, an independent professional valuer, on an open market value basis based on their existing use as at 31 December 2001.

16. Interests in Subsidiaries

	Company	
	31 December 2001	**30 June 2000**
	HK$'000	**HK$'000**
Unlisted shares, at cost	–	2,491,910
Due from subsidiaries	**3,285,211**	1,167,515
Due to subsidiaries	**(864,636)**	–
	2,420,575	3,659,425

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

Details of the principal subsidiaries are set out in note 30 to the financial statements.

17. Interests in Associates and a Jointly Controlled Entity

	Group	
	31 December 2001 HK$'000	30 June 2000 HK$'000
Associates		
Share of net assets other than goodwill		
Shares listed overseas	**35,054**	39,943
Unlisted shares	**3,489**	2,656
	38,543	42,599
Loans advanced	**7,357**	13,738
	45,900	56,337
Market value of listed shares at the balance sheet date	**75,576**	58,739

	Company	
	31 December 2001 HK$'000	30 June 2000 HK$'000
Associates		
Unlisted shares, at cost	**–**	–

	Group	
	31 December 2001 HK$'000	30 June 2000 HK$'000
Jointly controlled entity		
Share of net liabilities other than goodwill	**(15,044)**	(1,393)
Loans advanced	**26,257**	4,641
	11,213	3,248

The loans advanced to associates and the jointly controlled entity are unsecured, interest-free and are not repayable within 12 months.

Details of the principal associates and the jointly controlled entity are set out in note 30 to the financial statements.

18. Long-Term Investment Shares

	Group	
	31 December 2001 HK$'000	30 June 2000 HK$'000
Listed equity shares, at fair value:		
Hong Kong	**96,006**	204,060
Philippines	**4,000**	2,590
	100,006	206,650
Unlisted equity shares, at fair value	**51,480**	163,896
	151,486	370,546
Market value of listed equity shares	**100,006**	212,694

19. Inventories

	Group	
	31 December 2001 HK$'000	30 June 2000 HK$'000
Raw materials	**23,807**	18,690
Work in progress	**192**	2,053
Finished goods	**32,982**	34,780
	56,981	55,523

At the balance sheet date, there was no inventory carried at its net realisable value (2000: Nil).

20. Accounts Receivable

Included in accounts receivable are the following trade receivables. The Group allows an average credit period of 7 to 90 days to its trade customers. Professional staff monitor trade receivables and follow up collections. The following is an aging analysis of trade receivables at the reporting date:

	Group			
	31 December 2001		30 June 2000	
	Balance HK$'000	Percentage %	Balance HK$'000	Percentage %
0 to 30 days	**65,746**	**37.7**	128,626	44.9
31 to 60 days	**62,700**	**36.0**	85,785	30.0
61 to 90 days	**27,884**	**16.0**	47,797	16.7
Over 90 days	**17,987**	**10.3**	24,017	8.4
Total	**174,317**	**100.0**	286,225	100.0
Less: Provision for bad and doubtful debts	**(16,079)**		(23,041)	
	158,238		263,184	

21. Accounts Payable and Accrued Liabilities

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

	Group			
	31 December 2001		30 June 2000	
	Balance HK$'000	Percentage %	Balance HK$'000	Percentage %
0 to 30 days	**66,192**	**59.2**	143,010	60.4
31 to 60 days	**25,819**	**23.1**	43,920	18.6
61 to 90 days	**9,175**	**8.2**	14,093	6.0
Over 90 days	**10,576**	**9.5**	35,578	15.0
Total	**111,762**	**100.0**	236,601	100.0

22. Interest-Bearing Bank Loans, Secured

	Group	
	31 December 2001 HK$'000	30 June 2000 HK$'000
Bank loans, secured	–	5,367
Portion classified as current liabilities	–	(805)
Long-term portion	–	4,562
Repayable:		
within one year	–	805
in the second year	–	805
in the third to fifth years inclusive	–	3,757
	–	5,367

The loans were fully repaid during the period.

23. Deferred Tax

	Group	
	2001	2000
	HK$'000	HK$'000
At beginning of period	**75,808**	79,245
Charge/(credit) for the period (note 9)	**5,718**	(3,437)
Disposal of subsidiaries	**(320)**	–
At end of period	**81,206**	75,808

The principal component of the Group's deferred tax liability comprises accelerated depreciation allowances.

The revaluation of the Group's investment properties and the leasehold land and buildings does not constitute a timing difference and, consequently, the amount of potential deferred tax thereon has not been quantified.

There are no significant potential deferred tax liabilities for which provision has not been made.

24. Share Capital

	Company	
	31 December 2001	30 June 2000
	HK$'000	HK$'000
Authorised:		
5,000,000,000 shares of HK$0.10 each	**500,000**	500,000
Issued and fully paid:		
1,734,383,996(2000: 1,732,948,996) shares of HK$0.10 each	**173,438**	173,295

During the period, the subscription rights attaching to 1,193,000 and 242,000 share options granted pursuant to the Share Option Scheme of the Company were exercised at the subscription price of HK$5 and HK$5.51 per share respectively, resulting in the issue of 1,435,000 shares of HK$0.10 each for a total cash consideration before expenses of HK$7,298,420.

A summary of the transactions during the period with reference to the above movements of the Company's ordinary share capital is as follows:

	Carrying amount		Shares issued	
	2001	2000	2001	2000
	HK$'000	HK$'000		
At beginning of period	**173,295**	173,100	**1,732,948,996**	1,730,999,996
Share options exercised	**143**	195	**1,435,000**	1,949,000
At end of period	**173,438**	173,295	**1,734,383,996**	1,732,948,996

25. Reserves

Group	Share premium HK$'000	Contributed surplus HK$'000	Investment revaluation reserve HK$'000	Asset revaluation reserve HK$'000	Translation reserve HK$'000	Retained profits/ (losses) HK$'000	Total HK$'000
At 1 July 1999							
As previously stated	1,131,900	1,482,099	178,659	1,503	(27,883)	1,174,477	3,940,755
Effects of adopting SSAP 30: (note 4(c))							
Goodwill re-capitalised	–	582,033	–	–	–	–	582,033
Accumulated amortisation of goodwill	–	–	–	–	–	(431,261)	(431,261)
Accumulated provision for impairment in goodwill	–	–	–	–	–	(147,458)	(147,458)
Effects of adopting SSAP 29: (note 4(h))							
Accumulated amortisation of publishing titles	–	–	–	–	–	(1,820,000)	(1,820,000)
Effects of adopting SSAP 9 (revised): (note4(i))							
Proposed final dividend for the 12-month period ended 30 June 1999 declared after the year end	–	–	–	–	–	259,650	259,650
As restated	1,131,900	2,064,132	178,659	1,503	(27,883)	(964,592)	2,383,719
Issue of shares	12,220	–	–	–	–	–	12,220
Change in fair values of long - term investment shares	–	–	(45,314)	–	–	–	(45,314)
Revaluation reserve released on disposal	–	–	(39,804)	–	–	–	(39,804)
Exchange differences on consolidation	–	–	–	–	(2,845)	–	(2,845)
Profit for the year	–	–	–	–	–	562,574	562,574
1999 final dividend	–	–	–	–	–	(259,650)	(259,650)
2000 interim dividend	–	–	–	–	–	(259,800)	(259,800)
At 30 June 2000	1,144,120	2,064,132	93,541	1,503	(30,728)	(921,468)	2,351,100

Group	Share premium HK$'000	Contributed surplus HK$'000	Investment revaluation reserve HK$'000	Asset revaluation reserve HK$'000	Translation reserve HK$'000	Retained profits/ (losses) HK$'000	Total HK$'000
		(note 3(e)(iii))				(note 3(e)(i))	
At 1 July 2000							
As previously stated	1,144,120	1,454,099	93,541	1,503	(30,728)	1,248,623	3,911,158
Effects of adopting SSAP 30: (note 4(c))							
Goodwill re-capitalised	–	610,033	–	–	–	–	610,033
Accumulated amortisation of goodwill	–	–	–	–	–	(439,918)	(439,918)
Accumulated provision for impairment in goodwill	–	–	–	–	–	(170,115)	(170,115)
Effects of adopting SSAP 29: (note 4(h))							
Accumulated amortisation of publishing titles	–	–	–	–	–	(1,820,000)	(1,820,000)
Effects of adopting SSAP 9 (revised): (note4(i))							
Proposed final dividend for the 12-month peiod ended 30 June 2000 declared after the year end	–	–	–	–	–	259,942	259,942
As restated	1,144,120	2,064,132	93,541	1,503	(30,728)	(921,468)	2,351,100
Issue of shares	7,155	–	–	–	–	–	7,155
Change in fair values of long - term investment shares	–	–	(31,497)	–	–	–	(31,497)
Revaluation reserve released on disposal	–	–	(34,707)	–	–	–	(34,707)
Exchange differences on consolidation	–	–	–	–	(8,253)	–	(8,253)
Profit for the period	–	–	–	–	–	482,793	482,793
2000 final dividend	–	–	–	–	–	(259,942)	(259,942)
2001 first interim dividend	–	–	–	–	–	(260,178)	(260,178)
2001 second interim dividend	–	(138,751)	–	–	–	–	(138,751)
2001 special dividend	–	–	–	–	–	(173,438)	(173,438)
At 31 December 2001	1,151,275	1,925,381	27,337	1,503	(38,981)	(1,132,233)	1,934,282

Company	Share premium HK$'000	Contributed surplus HK$'000	Retained profits/ (losses) HK$'000	Total HK$'000
At 1 July 1999				
As previously stated	1,131,900	2,342,010	113	3,474,023
Effects of adopting SSAP 9 (revised):				
Proposed dividend for the 12-month period ended 30 June 1999 (note 4(i))	–	–	259,650	259,650
Dividend income from a subsidiary (note 4(d)(v))	–	–	(259,650)	(259,650)
As restated	1,131,900	2,342,010	113	3,474,023
Issue of shares	12,220	–	–	12,220
Profit for the year	–	–	519,589	519,589
1999 final dividend	–	–	(259,650)	(259,650)
2000 interim dividend	–	–	(259,800)	(259,800)
At 30 June 2000	1,144,120	2,342,010	252	3,486,382

Company	Share premium HK$'000	Contributed surplus HK$'000	Retained profits/ (losses) HK$'000	Total HK$'000
At 1 July 2000				
As previously stated	1,144,120	2,342,010	252	3,486,382
Effects of adopting SSAP 9 (revised):				
Proposed dividend for the 12-month period ended 30 June 2000 (note 4(i))	–	–	259,942	259,942
Dividend income from a subsidiary (note 4(d)(v))	–	–	(259,942)	(259,942)
As restated	1,144,120	2,342,010	252	3,486,382
Issue of shares	7,155	–	–	7,155
Loss for the period	–	–	(411,984)	(411,984)
2000 final dividend	–	–	(259,942)	(259,942)
2001 first interim dividend	–	–	(260,178)	(260,178)
2001 second interim dividend	–	(138,751)	–	(138,751)
2001 special dividend	–	–	(173,438)	(173,438)
At 31 December 2001	1,151,275	2,203,259	(1,105,290)	2,249,244

	Group	
		(Restated)
	31 December 2001	30 June 2000
	HK$'000	HK$'000
Accumulated losses attributable to:		
Company and subsidiaries	**(1,108,083)**	(907,008)
Associates	**(4,246)**	(10,413)
Jointly controlled entity	**(19,904)**	(4,047)
	(1,132,233)	(921,468)

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.

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 then consolidated net asset value of the acquired subsidiaries and associate. Under Bermudan law, the contributed surplus is distributable to shareholders under certain circumstances.

In addition, the Company's share premium of HK$1,151,275,000 (2000: HK$1,144,120,000) can be distributed as fully paid-up bonus shares or applied towards eliminating the retained losses of the Company.

26. Operating Lease Commitments

Future aggregate commitments for the forthcoming years under non-cancelable operating leases in respect of land and buildings at the balance sheet date are set out below:

	Group	
		(Restated)
	31 December 2001	30 June 2000
	HK$'000	HK$'000
Expiring within one year	**77,711**	61,258
Expiring in the second to fifth years, inclusive	**126,041**	55,524
After the fifth year	**111**	–
	203,863	116,782

27. Capital Commitments

	Group	
	31 December 2001	30 June 2000
	HK$'000	HK$'000
Capital commitments for property, plant and equipment:		
Contracted, but not provided for	**33,661**	56,115
Authorised, but not contracted for	**66,084**	185,513
	99,745	241,628

28. Notes to the Consolidated Cash Flow Statement

(a) Reconciliation of profit from operating activities to net cash inflow from operating activities:

	18-month period ended 31 December 2001 HK$'000	(Restated) 12-month period ended 30 June 2000 HK$'000
Profit from operating activities	614,850	659,417
Gain on disposal of long-term investment shares	(51,928)	(45,569)
Deficit on revaluation of investment properties	40,678	–
Depreciation and amortisation	130,458	90,183
Interest income	(36,488)	(25,658)
Dividend income from listed investments	(4,449)	(6,331)
Loss on disposal of fixed assets	4,839	891
Provision for asset impairment	95,933	22,657
Gain on disposal of investments in associates	(3,216)	–
Increase in loans advanced to associates	(378)	(1,172)
Increase in loans advanced to the jointly controlled entity	(21,616)	(2,805)
Increase in inventories	(1,560)	(5,799)
Decrease/(increase) in accounts receivable	100,151	(59,175)
(Increase)/decrease in prepayments, deposits and other receivables	(6,680)	2,080
(Decrease)/increase in accounts payable and accrued liabilities	(66,176)	38,155
(Decrease)/increase in subscriptions in advance	(927)	1,869
Net cash inflow from operating activities	793,491	668,743

(b) Analysis of changes in financing during the period:

	Interest-bearing bank loans HK$'000	Share capital (including share premium) HK$'000
Balance at 1 July 1999	49,172	1,305,000
Net cash (outflow)/inflow from financing	(43,805)	12,415
Balance at 30 June 2000 and 1 July 2000	5,367	1,317,415
Net cash (outflow)/inflow from financing	(5,367)	7,298
Balance at 31 December 2001	–	1,324,713

(c) Disposal of subsidiaries:

	18-month period ended 31 December 2001 HK$'000	12-month period ended 30 June 2000 HK$'000
Net assets disposed of:		
Fixed assets	15,208	–
Accounts receivable	6,211	–
Inventories	102	–
Prepayment, deposit and other receivables	4,677	–
Bank balances and deposits	9,154	
Accounts and other payable	(6,297)	–
Taxation	(880)	–
Deferred tax	(320)	–
	27,855	–
Satisfied by cash	27,855	–

Analysis of the net cash inflow in respect of the disposals of subsidiaries

	18-month period ended 31 December 2001 HK$'000	12-month period ended 30 June 2000 HK$'000
Cash consideration	27,855	–
Cash and bank balances disposed of	(9,154)	–
Net cash inflow in respect of disposal of subsidiaries	18,701	–

29. Pension Costs

The Group continues to operate a defined benefit scheme and a defined contribution scheme. These schemes are exempted recognised occupational retirement schemes under the Mandatory Provident Fund Ordinance ("MPF Ordinance"). The assets of both schemes are held separately from those of the Group in administered trust funds. Schemes assets are managed by independent professional investment managers.

During the period from 1 July 2000 to 30 June 2001, the contributions to the defined benefit pension scheme were at 5% of the monthly salary of eligible employees. Commencing from 1 July 2001, the Group suspends the contributions for two years which is determined with the advice of Watson Wyatt Hong Kong Limited, an independent actuary, on the basis of triennial valuation using the aggregate cost method. Based on the most recent actuarial valuation as at 1 July 2001 performed on 10 December 2001, the assets of the scheme exceeded the actuarially calculated pension liabilities.

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

Effective from 1 December 2001, the Group also operates a Mandatory Provident Fund ("MPF") Scheme and Top-up Scheme. The MPF Scheme is a master trust scheme established under trust arrangement while the Top-up Scheme is an occupational retirement scheme recognised under the MPF Ordinance. The Group makes regular contributions of 10% of the employees' monthly basic salary (which is subject to a cap of HK$50,000) to the MPF and Top-up Schemes. Out of the 10% contribution, 5% of the employees' relevant income (which is capped at HK$20,000) is made to the MPF Scheme and the balance to the Top-up Scheme.

30. Subsidiaries, Associates and Jointly Controlled Entity

Particulars of the Company's principal subsidiaries and the Group's principal associates and a jointly controlled entity at 31 December 2001 are as follows:

Subsidiaries

Company	Place of incorporation / registration and operations	Nominal value of issued / registered share capital	Proportion held Direct	Proportion held Indirect	Nature of business
Capital Artists Limited	Hong Kong	Ordinary HK$44,394,500	–	99.7%	Music publishing
Coastline International Limited	The Commonwealth of The Bahamas	Ordinary US$2	–	100%	Property holding
Highlight Trading (HK) Limited	Hong Kong	Ordinary HK$100,000	–	100%	Trading of health products
Lyton Investment Limited	The Commonwealth of The Bahamas	Ordinary US$2	–	100%	Property holding
Macheer Properties Limited	British Virgin Islands	Ordinary US$1	–	100%	Property holding
Markland Investments Limited	Hong Kong	Ordinary HK$2	–	100%	Investment holding
Praise Onward Development Limited	Hong Kong	Ordinary HK$10,000	–	88.9%	Operation and management of kindergartens
Retailcorp Limited	Hong Kong	Ordinary HK$2	–	100%	Operation of retail shops
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 Magazine Publishing Limited	Hong Kong	Ordinary HK$10,000	–	100%	Provision of pre-press services
SCMP Retailing (HK) Limited	Hong Kong	Ordinary HK$500,000	–	100%	Operation of retail outlets
SCMP.com Limited	Hong Kong	Ordinary HK$2	100%	–	Internet-related businesses

Company	Place of incorporation / registration and operations	Nominal value of issued / registered share capital	Proportion held Direct	Proportion held Indirect	Nature of business
SCMP.com Holdings Limited	British Virgin Islands	Ordinary US$1	100%	–	Investment holding
Shanghai Strongnet Co., Ltd. #	The People's Republic of China	Registered capital US$200,000	–	97%	Recruiting and human resources Internet services
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
Sun Island English Kindergarten Limited	Hong Kong	Ordinary HK$3,000,000	–	88.9%	Operation and management of kindergartens
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$12,250	–	81.6%	Video and film post-production
West Side Assets Limited	British Virgin Islands	Ordinary US$1	–	100%	Investment holding

Associates

Company	Place of incorporation and operations	Percentage of equity attributable to the Group	Nature of business
Dymocks Franchise Systems (China) Limited #	Hong Kong	45%	Bookshop operation
The Post Publishing Public Company Limited #	Thailand	20.3%	Newspaper and magazine publishing

 # not audited by PricewaterhouseCoopers Hong Kong or other PricewaterhouseCoopers International member firms

Jointly controlled entity

Company	Place of incorporation and operations	Percentage of equity attributable to the Group	Nature of business
SCMP Haymarket Publishing Limited	Hong Kong	51%	Magazine publishing

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

31. Related Party Transactions

Neither the Group nor the Company had any significant related party transactions. Details of the Group's related party transactions are disclosed in the Directors' Report.

32. Subsequent Event

On 11 March 2002, the Company entered into a sale and purchase agreement for the disposal of its entire interest in Quality Education Limited, which, through its subsidiaries, engaged in kindergarten and child care business, for a total consideration of appropriately HK$28,200,000. The transaction is expected to be completed on 26 March 2002.

33. Approval of the Financial Statements

The financial statements were approved by the Board of Directors on 25 March 2002.