

# NOTES OF 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 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 on-line publications, retailing, video and film post-production, education and holding of properties for rental income purposes.

## 2. Restatement of the Group's Consolidation Balance Sheet and Profit and Loss Account for the 18-month Period Ended 31 December 2001

Due to the adoption of a new Statement of Standard Accounting Practice ("SSAP") issued by the Hong Kong Society of Accountants ("HKSA") in the current reporting period as stated in note 3(a), certain figures have been restated. The changes are set out below.

### (a) Defined benefit plan's assets

The Group's contributions to the defined benefit scheme are made based on the periodic recommendations of independent qualified actuaries. Prior to the adoption of SSAP34, they are charged to the profit and loss account.

With effect from 1 January 2002, the Group has adopted SSAP 34 "Employee Benefits" whereby pension costs are assessed using the projected unit credit method: the cost of providing pensions is charged to the profit and loss account 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 plan.

The adoption of SSAP34 represents a change in accounting policy, which has retrospective effect and the changes are set out below.

There is a defined benefit plan's assets of HK\$42,355,000 as at 31 December 2001 which resulted from the fair value of plan assets exceeding the present value of funded obligations.

### Changes to the consolidated balance sheet are:

- (i) Net assets were increased by HK\$42,355,000.
- (ii) Retained loss was decreased by HK\$42,355,000.

### Changes to the consolidated profit and loss account are:

- (iii) Staff costs were decreased by HK\$3,421,000 being the difference in defined benefit pension costs recognised in the 18-month period ended 31 December 2001 following the change of the above accounting policy.
- (iv) Profit attributable to shareholders was increased by HK\$3,421,000.

- (b) Summary of restatements to the Group's consolidated balance sheet and profit and loss account for the 18-month period ended 31 December 2001

(i) Retained losses as at 31 December 2001

	Note	HK\$'000
As previously reported		(1,132,233)
Less:		
Defined benefit plan's assets	2(a)(ii)	42,355
As restated		(1,089,878)

(ii) Net assets as at 31 December 2001

	Note	HK\$'000
As previously reported		2,107,720
Defined benefit plan's assets	2(a)(i)	42,355
As restated		2,150,075

(iii) Profit attributable to shareholders for the 18-month period ended 31 December 2001

	Note	Staff costs HK\$'000	Profit attributable to shareholders HK\$'000
As previously reported		725,114	482,793
Decrease in pension costs	2(a)(iii) & (iv)	(3,421)	3,421
As restated		721,693	486,214

### 3. Summary of Significant Accounting Policies

(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 year, the Group adopted the following SSAPs issued by HKSA which are effective for accounting periods commencing on or after 1 January 2002.

SSAP 1(revised)	Presentation of financial statements
SSAP 11(revised)	Foreign currency translation
SSAP 15(revised)	Cash flow statements
SSAP 33	Discontinuing operations
SSAP 34	Employee benefits

The comparatives have been adjusted or extended to take into account the requirements of the new accounting standards. The effect of adopting SSAP 11 (revised) and SSAP 34 is 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 year ended 31 December 2002. The results of subsidiaries acquired or disposed of during the year 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.

Goodwill is included in intangible assets and is stated 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 life, but not exceeding 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.

(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 accounts outstanding and the effective interest rates applicable; and
- (v) dividends, when the shareholder's right to receive payment is established.

(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 holds more than half of the issued share capital or controls the composition of its board of directors or has the power to govern its 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 less provision for impairment losses which are deemed necessary 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 in its management. 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 impairment in value which are 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 the 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 impairment in value which are deemed necessary by the Directors.

(h) Intangible assets

(i) Publishing titles

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.

(ii) Software cost

Software costs are stated at cost less accumulated amortisation. Software cost comprises purchase price and any costs incurred to bring the asset in use. Software costs are amortised on a straight-line basis over their estimated useful lives. Other software costs that do not meet the above criteria are accounted for in the profit and loss account in the period incurred.

(i) 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.

(j) Fixed assets and depreciation

Fixed assets, other than investment properties and 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 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.

(k) 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 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 are 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.

(l) 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.

(m) 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 are stated at weighted average cost, 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.

(n) 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.

(o) 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, jointly controlled entities and associates denominated in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss is translated at an average rate. The resulting translation differences are included in the translation reserve.

Prior to the year ended 31 December 2002, the profit and loss of foreign enterprises was translated at closing rate. With effect from 1 January 2002, the Group has adopted SSAP11 (revised) whereby the profit and loss is translated at an average rate. This is a change of accounting policy. The translation of the profit and loss of foreign enterprises in prior years has not been restated as the effect of this change is not material to prior years.

(p) 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.

(q) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity or paternity leave are not recognised until the time of leave.

(ii) 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 profit and loss account as incurred and the DC and Top-up schemes 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. Prior to the adoption of SSAP 34, they are charged to the profit and loss account.

With effect from 1 January 2002, the Group has adopted SSAP 34 "Employee Benefits" whereby pension costs are assessed using the projected unit credit method: the cost of providing pensions is charged to the profit and loss account 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 has similar terms as the related liabilities. Actuarial gains and losses are recognised 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.

The adoption of SSAP 34 represents a change in accounting policy, which has retrospective effect. The comparative presented in the financial statements have been restated to conform to the changed policy. The details of effect of adoption of SSAP 34 are set out in note 2 to the financial statements.

(iii) Equity compensation benefits

The Company has a share option scheme which is a part of remuneration policy with rewards determined based upon the performance of the Group and individual employees. When options are granted, no compensation cost is recognised. When the options are exercised, the proceeds received net of any transaction costs are credit to share capital (nominal value) and share premium.

(r) Accounts receivable

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.

(s) 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.

(t) 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 possible 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 accounts. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

(u) 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 and bank borrowing. Capital expenditure mainly comprises additions to intangible assets (note 13) and fixed assets (note 14).

(v) 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.

#### 4. 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 year/period is as follows:

	Year ended 31 December 2002 HK\$'000	18-month period ended 31 December 2001 HK\$'000
<b>Turnover</b>		
Newspapers, magazines and other publications	831,775	1,722,925
Retailing	418,641	610,408
Investment properties	79,747	116,856
Video and film post-production	19,493	47,803
Entertainment, recreation and education services	15,269	247,091
	<u>1,364,925</u>	<u>2,745,083</u>
<b>Other revenue</b>		
Dividend income from listed investments	2,462	4,449
Interest income	4,958	36,488
Others	1,319	3,391
	<u>8,739</u>	<u>44,328</u>
<b>Total revenue</b>	<u>1,373,664</u>	<u>2,789,411</u>



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

Year ended 31 December 2002

	Newspapers, magazines and other publications HK\$'000	Retailing HK\$'000	Investment properties HK\$'000 note (a)	Video and film post- production HK\$'000	Entertainment, recreation and education services HK\$'000 note(b)	Total HK\$'000
<b>Turnover</b>	831,775	418,641	79,747	19,493	15,269	1,364,925
Segment results and operating profit	109,750	(1,609)	17,197	(3,761)	13,893	135,470
Share of profits less losses of						
– associates	5,077	-	-	(125)	-	4,952
– a jointly controlled entity	(5,624)	-	-	-	-	(5,624)
Profit before taxation						134,798
Taxation						(28,884)
Profit after taxation						105,914
Minority interests						(3,367)
Profit attributable to shareholders						102,547
Segment assets	1,193,003	74,044	793,866	12,246	1,463	2,074,622
Investment in a jointly controlled entity	9,375	-	-	-	-	9,375
Investments in associates	35,053	-	-	6,822	-	41,875
Total assets						2,125,872
Segment liabilities	(109,414)	(69,526)	(3,473)	(2,387)	(1,019)	(185,819)
Unallocated liabilities						(402,808)
Total liabilities						(588,627)
Capital expenditure	56,371	3,676	1,060	624	9	61,740
Depreciation	71,444	3,324	1,333	2,053	771	78,925
Amortisation	71	-	-	-	-	71

Notes:

- (a) Included in operating profit is a receipt of HK\$15.9 million from an investment which was written off in prior years and a provision of HK\$ 75 million for deficit in revaluation of the investment properties as at 31 December 2002.
- (b) The Group disposed of its recreation club and education businesses in December 2001 and March 2002, respectively, and suspended the production operation of the entertainment business in October 2001. Included in operating profit is a gain of HK\$ 11.2 million from the sale of the education business.

18-month period ended 31 December 2001

	(Restated) Newspapers, magazines and other publications HK\$'000	Retailing HK\$'000	Investment properties HK\$'000	Video and film post- production HK\$'000	Entertainment, recreation and education services HK\$'000	(Restated) Total HK\$'000
<b>Turnover</b>	1,722,925	610,408	116,856	47,803	247,091	2,745,083
Segment results and operating profit	535,894	(1,272)	62,081	4,250	16,298	617,251
Share of profits less losses of						
– associates	9,930	-	-	1,065	(795)	10,200
– a joint controlled entity	(15,857)	-	-	-	-	(15,857)
Profit before taxation						611,594
Taxation						(118,363)
Profit after taxation						493,231
Minority interests						(7,017)
Profit attributable to shareholders						486,214
Segment assets	1,381,204	69,409	876,283	18,122	27,032	2,372,050
Investment in a joint controlled entity	11,213	-	-	-	-	11,213
Investments in associates	39,156	-	-	6,744	-	45,900
Unallocated assets						2,259
Total assets						2,431,422
Segment liabilities	(98,885)	(64,624)	(8,229)	(2,948)	(4,739)	(179,425)
Unallocated liabilities						(101,922)
Total liabilities						(281,347)
Capital expenditure	102,665	5,734	-	2,260	6,704	117,363
Depreciation	96,241	6,068	8,563	2,568	17,018	130,458
Impairment charge	92,403	-	3,530	-	-	95,933

## 5. Profit from Operating Activities

Profit from operating activities is stated after charging and crediting:

	Group	
	Year ended 31 December 2002	(Restated) 18-month period ended 31 December 2001
<b>Charging</b>	HK\$'000	HK\$'000
Operating lease rentals on land and buildings	75,846	154,329
Loss on disposal of fixed assets	646	4,839
Deficit on revaluation of investment properties	75,061	40,678
Auditors' remuneration	1,549	1,798
Depreciation on owned assets	78,925	130,458
Amortisation of intangible assets	71	-
Staff costs (including directors' remuneration, as set out in note 7):		
Wages and salaries	401,871	687,430
Unutilised annual leave	3,846	-
Pension contributions - defined contribution plan	11,027	36,408
Less: Forfeited contributions	(4,064)	(6,144)
Net pension contributions	6,963	30,264
Pension costs - defined benefit plan	4,497	3,999
	<b>417,177</b>	<b>721,693</b>
Provision for impairment in value of long-term investment shares	-	92,403
Provision for impairment in leasehold land and buildings	-	3,530
<b>Crediting</b>		
Net rental income from investment properties	78,200	111,403
Net rental income from leasehold land and buildings	1,435	3,624

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

## 6. Finance Costs

	Group	
	Year ended 31 December 2002	18-month period ended 31 December 2001
	HK\$'000	HK\$'000
Interest on bank loans wholly repayable within three years	1,097	1,020

## 7. Directors' Remuneration

	Group	
	Year ended 31 December 2002 HK\$'000	18-month period ended 31 December 2001 HK\$'000
Fees:		
Executive	-	-
Non-executive	992	1,783
Other emoluments:		
Salaries, allowances and benefits in kind	6,531	10,738
Retirement scheme contributions	85	2,570
Bonuses paid and payable	320	96
	<u>7,928</u>	<u>15,187</u>

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

	Year ended 31 December 2002 Number of Directors	18-month period ended 31 December 2001 Number of Directors
HK\$Nil - HK\$1,000,000	6	8
HK\$1,500,001 - HK\$2,000,000	-	2
HK\$2,000,001 - HK\$2,500,000	1	-
HK\$4,500,001 - HK\$5,000,000	1	-
HK\$9,500,001 - HK\$10,000,000	-	1
	<u>8</u>	<u>11</u>

There was no arrangement under which a Director 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 totalled HK\$600,000. There were no other emoluments paid to Non-executive Directors during the year.

### Five highest paid individuals

The five highest paid individuals during the year include two (2001: one) Directors, details of whose remuneration is set out above. The details of the remuneration of the remaining three (2001: four) highest paid individuals are set out below:

	Group	
	Year ended 31 December 2002 HK\$'000	18-month period ended 31 December 2001 HK\$'000
Salaries, allowances and benefits in kind	6,582	14,752
Retirement scheme contributions	472	1,052
Bonuses paid and payable	995	2,825
	<u>8,049</u>	<u>18,629</u>

The remuneration of the three (2001: four) highest paid individuals fell within the following bands:

	Year ended 31 December 2002	18-month period ended 31 December 2001
	Number of individuals	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
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
	3	4

## 8. Tax

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

	Year ended 31 December 2002	18-month period ended 31 December 2001
	HK\$'000	HK\$'000
<b>Group</b>		
Company and subsidiaries:		
Provision for the year/period	26,235	109,085
Deferred tax (note 22)	1,664	5,718
	27,899	114,803
Associates:		
Hong Kong	-	-
Elsewhere	985	3,560
	985	3,560
Tax charge for the year	28,884	118,363

Hong Kong profits tax has been calculated at 16% (2001: 16%) on the assessable profits generated during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

## 9. Profit Attributable to Shareholders

The profit of HK\$102,547,000 (2001: HK\$486,214,000) attributable to shareholders included a profit of HK\$19,323,000 (2001: loss of HK\$411,984,000) dealt with in the Company's own accounts.

## 10. Dividends

	Year ended 31 December 2002	18-month period ended 31 December 2001
	HK\$'000	HK\$'000
First interim dividend distribution, HK 4 cents per share (2001: HK 15 cents)	62,438	260,178
Second interim dividend distribution, Nil per share (2001: HK 8 cents)	n/a	138,751
Special dividend, Nil per share (2001: HK 10 cents)	-	173,438
Proposed final dividend distribution, HK 4 cents per share (2001: Nil)	62,438	-
	124,876	572,367

## 11. Earnings per share

The calculation of basic earnings per share is based on the profit for the year attributable to shareholders of HK\$102,547,000 (2001: HK\$486,214,000) and the weighted average of 1,704,448,053 (2001: 1,733,784,078) shares in issue during the year. As at 31 December 2002, there were 1,560,945,596 shares in issue, following the completion of the share repurchase offer in October 2002.

The diluted earnings per share for the year is not shown as there was no dilution effect. The diluted earnings per share for the 18-month period ended 31 December 2001 is based on the profit attributable to shareholders of HK\$486,214,000 and the weighted average of 1,733,784,078 shares in issue during the period plus 136,447 dilutive shares deemed to have been issued for no consideration in respect of share options outstanding during the period.

## 12. Goodwill

	HK\$'000
Cost	
At 1 January 2002 and 31 December 2002	610,033
Accumulated amortisation and provision for impairment	
At 1 January 2002 and 31 December 2002	610,033
Net book value	
At 31 December 2002	-
At 31 December 2001	-

## 13. Intangible Assets

	Publishing titles HK\$'000	Software costs HK\$'000	Assets in progress HK\$'000	Total HK\$'000
Cost				
At 1 January 2002	1,820,000	-	-	1,820,000
Additions	-	4,250	9,951	14,201
At 31 December 2002	1,820,000	4,250	9,951	1,834,201
Accumulated amortisation				
At 1 January 2002	1,820,000	-	-	1,820,000
Provided for during the year	-	71	-	71
At 31 December 2002	1,820,000	71	-	1,820,071
Net book value				
At 31 December 2002	-	4,179	9,951	14,130
At 31 December 2001	-	-	-	-

## 14. 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 January 2002	830,000	374,148	36,128	865,345	2,105,621
Additions	1,061	-	35,599	10,879	47,539
Reclassification	-	-	(61,940)	61,940	-
Disposals	-	-	(2,141)	(30,463)	(32,604)
Revaluation deficit	(75,061)	-	-	-	(75,061)
At 31 December 2002	756,000	374,148	7,646	907,701	2,045,495
Accumulated depreciation:					
At 1 January 2002	-	58,714	-	425,413	484,127
Provided during the year	-	8,125	-	70,800	78,925
Disposals	-	-	-	(25,032)	(25,032)
At 31 December 2002	-	66,839	-	471,181	538,020
Net book value:					
At 31 December 2002	756,000	307,309	7,646	436,520	1,507,475
At 31 December 2001	830,000	315,434	36,128	439,932	1,621,494
Analysis of cost and valuation:					
At cost - 2002	-	341,148	7,646	907,701	1,256,495
At valuation - 1990	-	33,000	-	-	33,000
- 2002	756,000	-	-	-	756,000
	756,000	374,148	7,646	907,701	2,045,495

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

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 Statement of Standard Accounting Practice No. 17 "Property, plant and equipment" issued by the Hong Kong Society of Accountants 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\$24,028,000 (2001: HK\$24,794,000).

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 and 9 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 DTZ Debenham Tie Leung Limited, an independent professional valuer, on an open market value basis based on their existing use as at 31 December 2002.

## 15. Interests in Subsidiaries

	Company	
	31 December 2002	31 December 2001
	HK\$'000	HK\$'000
Unlisted shares, at cost	-	-
Due from subsidiaries	3,187,703	3,285,211
Due to subsidiaries	(1,437,781)	(864,636)
	<u>1,749,922</u>	<u>2,420,575</u>

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.

## 16. Interests in Associates and a Jointly Controlled Entity

	Group	
	31 December 2002	31 December 2001
	HK\$'000	HK\$'000
<b>Associates</b>		
Share of net assets other than goodwill:		
Shares listed overseas	31,485	35,054
Unlisted shares	3,732	3,489
	<u>35,217</u>	<u>38,543</u>
Loans advanced	6,658	7,357
	<u>41,875</u>	<u>45,900</u>
Market value of listed shares at the balance sheet date	<u>71,166</u>	<u>75,576</u>

	Group	
	31 December 2002	31 December 2001
	HK\$'000	HK\$'000
<b>Jointly controlled entity</b>		
Share of net liabilities other than goodwill	(20,885)	(15,044)
Loans advanced	30,260	26,257
	<u>9,375</u>	<u>11,213</u>

The loans advanced to associates and the jointly controlled entity are unsecured, interest-free and have no fixed terms of repayment.

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



## 17. Long-Term Investment Shares

	Group	
	31 December 2002 HK\$'000	31 December 2001 HK\$'000
Listed equity shares, at fair value:		
Hong Kong	74,913	96,006
Philippines	2,130	4,000
	77,043	100,006
Unlisted equity shares, at fair value	51,480	51,480
	128,523	151,486
Market value of listed equity shares	77,043	100,006

## 18. Inventories

	Group	
	31 December 2002 HK\$'000	31 December 2001 HK\$'000
Raw materials	16,321	23,807
Work in progress	208	192
Finished goods	26,643	32,982
	43,172	56,981

At the balance sheet date, there was no inventory carried at its net realisable value (2001: Nil).

## 19. 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			
	31 December 2002		31 December 2001	
	Balance HK\$'000	Percentage %	Balance HK\$'000	Percentage %
0 to 30 days	66,307	38.8	65,746	37.7
31 to 60 days	53,657	31.4	62,700	36.0
61 to 90 days	36,889	21.6	27,884	16.0
Over 90 days	14,246	8.2	17,987	10.3
Total	171,099	100.0	174,317	100.0
Less: Provision for bad and doubtful debts	(15,773)		(16,079)	
	155,326		158,238	

## 20. Accounts Payable and Accrued Liabilities

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

	31 December 2002		Group 31 December 2001	
	Balance HK\$'000	Percentage %	Balance HK\$'000	Percentage %
0 to 30 days	94,412	77.5	66,192	59.2
31 to 60 days	5,767	4.7	25,819	23.1
61 to 90 days	9,611	7.9	9,175	8.2
Over 90 days	12,089	9.9	10,576	9.5
Total	121,879	100.0	111,762	100.0

## 21. Interest-Bearing Bank Loan, unsecured

The bank loan will be wholly repayable in the third to fifth years inclusive.

## 22. Deferred Tax

	Group	
	2002 HK\$'000	2001 HK\$'000
At beginning of year/period	81,206	75,808
Charge for the year/period (note 8)	1,664	5,718
Disposal of subsidiaries	(100)	(320)
At end of year/period	82,770	81,206

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.

## 23. Employee Retirement Schemes

The Group continues to operate a defined benefit scheme and a defined contribution scheme and a Top-up scheme. These schemes are exempted recognised occupational retirement schemes under the Mandatory Provident Fund (“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 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.

With effect from 1 January 2002, the Group has adopted SSAP34 whereby pension costs are assessed using the projected unit credit method. The pension costs are charged to the profit and loss account 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 profit and loss account in accordance with their advice.

	Group	
	31 December 2002	31 December 2001
	HK\$'000	HK\$'000
Defined benefit plan's assets	37,858	42,355

The amounts recognised in the balance sheet are determined as follows:

	Group	
	31 December 2002	31 December 2001
	HK\$'000	HK\$'000
Fair value of plan assets	243,711	292,856
Present value of funded obligations	(221,246)	(250,501)
	22,465	42,355
Unrecognised actuarial losses	15,393	-
Asset in the balance sheet	37,858	42,355

The limit of net asset to be recognised is disclosed as follows:

	Year ended	18-month
	31 December 2002	Period ended 31 December 2001
	HK\$'000	HK\$'000
Cumulative unrecognised net actuarial losses	15,393	-
Present value of available future refunds and reductions in future contributions	22,465	42,355
	37,858	42,355

The amounts recognised in the profit and loss account were as follows:

	Year ended 31 December 2002 HK\$'000	18-month Period ended 31 December 2001 HK\$'000
Current service cost	13,813	26,755
Interest cost	9,412	24,365
Expected return on plan assets	(18,728)	(47,121)
<b>Total, included in staff costs (note (5))</b>	<b>4,497</b>	<b>3,999</b>

The actual return on plan assets were a loss of HK\$ 27,161,000 (2001 : loss of HK\$82,427,000).

Movement in the asset recognised in the balance sheet:

	HK\$'000
At 1 July 2000	38,934
Total expenses – as shown above	(3,999)
Contributions paid	7,420
At 31 December 2001 and 1 January 2002	42,355
Total expenses – as shown above	(4,497)
Contributions paid	-
At 31 December 2002	37,858

The principal actuarial assumptions used were as follows:

	2002 %	2001 %
Discount rate	4.25	6.25
Expected rate of return on plan assets	7.00	8.00
Expected rate of future salary increases	2.00	5.00

(b) Top-up scheme and MPF

The Group makes regular contributions of 10% of the employees' monthly basic salaries (subject to a cap of HK\$50,000) to the MPF and Top-up Scheme. 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.

(c) Defined contribution scheme

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

## 24. Share Capital

	Company	
	31 December 2002 HK\$'000	31 December 2001 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 (2001: 1,734,383,996) shares of HK\$0.10 each	156,095	173,438

On 3 September 2002, the Company announced a conditional voluntary cash offer to repurchase up to 173,438,400 shares at an offer price of HK\$3.6 in cash per share. The proposed offer was approved by an ordinary resolution passed at the Special General Meeting of the Company held on 11 October 2002. On 28 October 2002, the Company announced its acceptance of a total of 173,438,400 shares at HK\$3.6 per share under the offer for a total consideration of approximately HK\$624,378,000 before expenses.

The Company has a share option scheme (the "Scheme") which was approved by shareholders on 27 October 1997 (the "Effective Date") and with amendments to the rules of the Scheme in conformity with the amended Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited approved by shareholders at the annual general meeting held on 29 May 2002.

Under the Scheme, the Board of Directors of the Company may grant options to subscribe for shares of the Company to any full-time employees or executive directors of the Company or any of its subsidiaries (the "Executives"). No consideration is required to be paid by the Executives upon acceptance of the options. No option may be exercised earlier than one year after it has been granted or later than ten years after the Effective Date of the Scheme, i.e. 27 October 2007.

Movements in the number of share options outstanding during the year and the previous financial period are as follows:

	No. of shares in respect of options granted
Outstanding at 1 July 2000	18,333,500
Granted during the period	1,045,000
Exercised during the period	(1,435,000)
Lapsed during the period	(6,063,000)
Outstanding at 31 December 2001 and at 1 January 2002 (note(a))	11,880,500
Granted during the year	-
Exercised during the year	-
Lapsed during the year	(1,772,000)
Outstanding at 31 December 2002 (note(a))	10,108,500

Note (a)

Share options granted to employees outstanding at the end of the year and the end of the previous financial period have the following terms:

<b>Date of grant</b>	<b>Exercisable period</b>	<b>Exercise price per share HK\$</b>	<b>2002</b>	<b>2001</b>
02/08/1999	02/08/2000 – 27/10/2007	5.00	1,752,000	2,206,000
11/01/2000	11/01/2001 – 27/10/2007	5.51	1,991,500	2,424,500
20/04/2000	20/04/2001 – 27/10/2007	6.05	5,320,000	6,205,000
28/06/2001	28/06/2002 – 27/10/2007	4.95	1,045,000	1,045,000
			10,108,500	11,880,500

No options were granted to Directors of the Company pursuant to the Scheme as at 31 December 2002.

## 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 2000							
As previously stated	1,144,120	1,454,099	93,541	1,503	(30,728)	1,248,623	3,911,158
<b>Effects of adopting SSAP 30 :</b>							
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)
<b>Effects of adopting SSAP 29 :</b>							
Accumulated amortisation of publishing titles	-	-	-	-	-	(1,820,000)	(1,820,000)
<b>Effects of adopting SSAP 9 (revised) :</b>							
Proposed final dividend for the twelve month period ended 30 June 2000 declared after the year end	-	-	-	-	-	259,942	259,942
<b>Effects of adopting SSAP 34 :</b>							
Defined benefit plan's assets	-	-	-	-	-	38,934	38,934
As restated	1,144,120	2,064,132	93,541	1,503	(30,728)	(882,534)	2,390,034
Issue of shares	7,155	-	-	-	-	-	7,155
Change in fair values of long-term investment shares	-	-	(31,497)	-	-	-	(31,497)
Revaluation reserve realised on disposal	-	-	(34,707)	-	-	-	(34,707)
Exchange differences on consolidation	-	-	-	-	(8,253)	-	(8,253)
Profit for the period (note 2(b)(iii))	-	-	-	-	-	486,214	486,214
2000 final dividend	-	-	-	-	-	(259,942)	(259,942)
2001 first interim dividend	-	-	-	-	-	(260,178)	(260,178)
2001 second interim dividend distribution	-	(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)	(1,089,878)	1,976,637

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 January 2002	1,151,275	1,925,381	27,337	1,503	(38,981)	(note (2)(a)(ii)) (1,132,233)	1,934,282
<b>Effects of adopting SSAP 34 :</b>							
Defined benefit plan's assets (note 3(q)(ii))	-	-	-	-	-	42,355	42,355
As restated	1,151,275	1,925,381	27,337	1,503	(38,981)	(1,089,878)	1,976,637
Share premium reduction (note (a))	(1,105,290)	-	-	-	-	1,105,290	-
Repurchase of shares	(5,014)	(607,034)	-	-	-	-	(612,048)
Change in fair values of long- term investment shares	-	-	(23,091)	-	-	-	(23,091)
Revaluation reserve released on disposal	-	-	6	-	-	-	6
Exchange differences on consolidation	-	-	-	-	(463)	-	(463)
Profit for the year	-	-	-	-	-	102,547	102,547
2002 interim dividend distribution	-	(62,438)	-	-	-	-	(62,438)
At 31 December 2002 (Note (b))	40,971	1,255,909	4,252	1,503	(39,444)	117,959	1,381,150

Notes:

- (a) During the year, share premium account was reduced by an amount of HK\$1,105,290,000 to enable the Company to eliminate the accumulated losses which resulted from the amortisation of intangible assets and goodwill on acquisition following the adoption of certain new SSAPs.
- (b) The proposed final dividend distribution of HK\$62,438,000 for the year ended 31 December 2002 is to be paid out of the Company's contributed surplus.



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 12 month period ended 30 June 2000	-	-	259,942	259,942
Dividend income from a subsidiary	-	-	(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 distribution	-	(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

Company	Share premium HK\$'000	Contributed surplus HK\$'000	Retained profits/ (losses) HK\$'000	Total HK\$'000
At 1 January 2002	1,151,275	2,203,259	(1,105,290)	2,249,244
Share premium reduction	(1,105,290)	-	1,105,290	-
Repurchase of shares	(5,014)	(607,034)	-	(612,048)
Profit for the year	-	-	19,323	19,323
2002 interim dividend distribution	-	(62,438)	-	(62,438)
At 31 December 2002	40,971	1,533,787	19,323	1,594,081

	Group	
	31 December 2002 HK\$'000	(Restated) 31 December 2001 HK\$'000
Retained profits/(losses) attributable to:		
Company and subsidiaries	150,937	(1,065,728)
Associates	(7,450)	(4,246)
Jointly controlled entity	(25,528)	(19,904)
	117,959	(1,089,878)

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\$40,971,000 (2001: HK\$1,151,275,000) 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	
	31 December 2002 HK\$'000	31 December 2001 HK\$'000
Expiring within one year	59,659	77,711
Expiring in the second to fifth years, inclusive	70,694	126,041
After the fifth year	-	111
	130,353	203,863

## 27. Capital Commitments

	Group	
	31 December 2002 HK\$'000	31 December 2001 HK\$'000
Capital commitments for property, plant and equipment:		
Contracted, but not provided for	16,598	33,661
Authorised, but not contracted for	62,415	66,084
	79,013	99,745

## 28. Future Operating Lease Arrangements

As at 31 December 2002, the Group had future aggregate minimum lease receipts under non-cancellable operating leases in respect of land and buildings as follows:

	Group	
	31 December 2002 HK\$'000	31 December 2001 HK\$'000
Not later than one year	78,692	75,589
Later than one year but not later than five years	18,454	88,472
	97,146	164,061

## 29. Notes to the Consolidated Cash Flow Statement

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

	Year ended 31 December 2002 HK\$'000	(Restated) 18-month period ended 31 December 2001 HK\$'000
Profit from operating activities	135,470	617,251
Gain on disposal of long term investment shares	-	(51,928)
Deficit on revaluation of investment properties	75,061	40,678
Depreciation and amortisation	78,996	130,458
Interest income	(4,958)	(36,488)
Interest expenses	1,097	1,020
Dividend income from listed investments	(2,462)	(4,449)
Loss on disposal of fixed assets	646	4,839
Provision for asset impairment	-	95,933
Pension costs	4,497	(3,421)
Gain on disposal of investments in associates	-	(3,216)
Gain on disposal of businesses	(25,136)	-
Decrease/ (increase) in loans advanced to associates	699	(378)
Increase in loans advanced to jointly controlled entity	(4,003)	(21,616)
Decrease/ (increase) in inventories	15,916	(1,560)
Decrease in accounts receivable	2,802	100,151
Decrease/ (increase) in prepayments, deposits and other receivables	4,025	(6,680)
Increase/(decrease) in accounts payable and accrued liabilities	4,742	(66,176)
Increase/(decrease) in subscriptions in advance	3,410	(927)
Net cash inflow from operations	290,802	793,491

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

	Interest-bearing bank loans HK\$'000	Share capital (including share premium) HK\$'000	Contributed surplus HK\$'000
Balance at 1 July 2000	5,367	1,317,415	2,064,132
Net cash inflow/(outflow) from financing	(5,367)	7,298	-
2001 Second interim dividend distribution	-	-	(138,751)
Balance at 31 December 2001 and 1 January 2002	-	1,324,713	1,925,381
Net cash inflow from financing	310,000	-	-
Repurchase of shares	-	(22,357)	(607,034)
2002 Interim dividend distribution	-	-	(62,438)
Share premium reduction	-	(1,105,290)	-
Balance at 31 December 2002	310,000	197,066	1,255,909

(c) Disposal of businesses:

	Year ended 31 December 2002 HK\$'000	18-month period ended 31 December 2001 HK\$'000
Net assets disposed of:		
Fixed assets	4,620	15,208
Accounts receivable	110	6,211
Inventories	83	102
Prepayment, deposit and other receivables	4,902	4,677
Bank balances and deposits	1,660	9,154
Accounts and other payable	(2,900)	(6,297)
Taxation	(22)	(880)
Deferred tax	(100)	(320)
Minority interest	(2,113)	-
	<u>6,240</u>	<u>27,855</u>
Satisfied by cash	<u>33,384</u>	<u>27,855</u>

Analysis of the net cash inflow in respect of the disposal of businesses

	Year ended 31 December 2002 HK\$'000	18-month period ended 31 December 2001 HK\$'000
Cash consideration	33,384	27,855
Cash and bank balances disposed of	(1,660)	(9,154)
Net cash inflow in respect of disposal of businesses	<u>31,724</u>	<u>18,701</u>

### 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 2002 are as follows:

#### Subsidiaries

Company	Place of incorporation/ registration and operations (Kind of legal entity)	Nominal value of issued/ registered share capital	Proportion held		Nature of business
			Direct	Indirect	
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
Highlight Trading (HK) Limited	Hong Kong	Ordinary HK\$100,000	-	100%	Trading of health products
Lytton 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
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 Magazines 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 (Kind of legal entity)	Nominal value of issued/ registered share capital	Proportion held		Nature of business
			Direct	Indirect	
SCMP.com Holdings Limited	British Virgin Islands	Ordinary US\$1	100%	-	Investment holding
Shanghai Strongnet Co., Ltd. #	The People's Republic of China (Equity joint-venture)	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
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	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

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

The above table lists the subsidiaries of the Company, associates and a 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 and associates 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. Approval of the Financial Statements

The financial statements were approved by the Board of Directors on 24 March 2003.