

AUDITED FINANCIAL STATEMENTS



CONSOLIDATED PROFIT AND LOSS ACCOUNT

Year ended 31 December 2004

	Notes	2004 HK\$'000	2003 HK\$'000
Turnover	3	1,374,673	1,279,996
Other revenue	3	5,789	4,091
Staff costs	5	(369,152)	(368,799)
Cost of production materials/sales		(413,604)	(410,416)
Rental and utilities		(74,345)	(83,456)
Depreciation and amortisation		(83,861)	(83,261)
Advertising and promotion		(23,933)	(15,259)
Other operating expenses		(151,391)	(153,117)
		(1,110,497)	(1,110,217)
Gain on disposal of a discontinued operation	4	76,760	–
Surplus/(deficit) on revaluation of investment properties		18,062	(112,046)
Gain/(loss) on disposal of long-term investment shares		7,326	(2,267)
Loss on termination of a jointly controlled entity		(1,076)	–
Loss on disposal of investments in associates		–	(2,612)
Provision for asset impairment		–	(780)
Gain on disposal of a subsidiary		–	600
		101,072	(117,105)
Profit from Operating Activities	5	365,248	52,674
Finance costs	6	(1,911)	(5,194)
Operating Profit		363,337	47,480
Share of profits less losses of associates		10,299	3,981
Share of loss of a jointly controlled entity		(361)	(4,048)
Profit before Taxation		373,275	47,413
Taxation	8	(50,461)	(41,674)
Profit after Taxation		322,814	5,739
Minority interests		(5,668)	(3,977)
Profit Attributable to Shareholders	9 & 25	317,146	1,762
Dividend Distributions	10	234,142	93,657
Earnings per share	11		
Basic		20.32 cents	0.11 cents
Diluted		N/A	N/A

Audited Financial Statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2004

	Notes	2004 HK\$'000	2003 HK\$'000
At 1 January			
As previously stated		1,470,024	1,537,245
Changes in accounting policies	25	–	(8,491)
As restated		1,470,024	1,528,754
Surplus on revaluation of long-term investment shares	25	43,307	29,796
Exchange differences on consolidation	25	240	2,416
Net gains not recognised in the profit and loss account		43,547	32,212
Profit for the year	25	317,146	1,762
Investment revaluation reserve released on disposal	25	(5,535)	(1,212)
Translation reserve released on disposal	25	243	2,165
Dividends			
2004 interim dividend distribution	25	(78,047)	–
2003 final dividend distribution	25	(62,438)	–
2003 interim dividend distribution	25	–	(31,219)
2002 final dividend distribution	25	–	(62,438)
		171,369	(90,942)
At 31 December		1,684,940	1,470,024



CONSOLIDATED BALANCE SHEET

As at 31 December 2004

	Notes	2004 HK\$'000	2003 HK\$'000
Non-Current Assets			
Intangible assets	13	41,880	33,172
Fixed assets	14	1,301,689	1,347,348
Defined benefit plan's assets	23(a)	30,415	27,070
Interests in associates	16	41,543	37,425
Interest in a jointly controlled entity	16	–	7,527
Long-term investment shares	17	156,660	128,320
		1,572,187	1,580,862
Current Assets			
Inventories	18	37,774	40,618
Accounts receivable	19	191,613	162,182
Prepayments, deposits and other receivables		42,133	42,994
Bank balances and deposits		363,095	159,804
		634,615	405,598
Current Liabilities			
Accounts payable and accrued liabilities	20	116,709	148,292
Taxation payable		30,087	5,817
Subscriptions in advance		22,848	22,931
Bank overdraft, secured	21	2,358	2,814
Current portion of long-term bank loan, unsecured	21	230,000	–
		402,002	179,854
Net Current Assets		232,613	225,744
Total Assets Less Current Liabilities		1,804,800	1,806,606
Non-Current Liabilities			
Minority interests		12,320	9,677
Long-term bank loan, unsecured	21	17,000	230,000
Deferred taxation	22	90,540	96,905
		119,860	336,582
		1,684,940	1,470,024
Capital and Reserves			
Share capital	24	156,095	156,095
Reserves		1,372,750	1,251,491
Proposed dividend distributions		156,095	62,438
	25	1,528,845	1,313,929
		1,684,940	1,470,024

Kuok Khoon Ean
Chairman

Peter Lee Ting Chang
Director

Audited Financial Statements

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2004

	Notes	2004 HK\$'000	2003 HK\$'000
Net cash inflow from operations	29(a)	285,415	249,944
Interest paid		(1,911)	(5,194)
Hong Kong profits tax paid		(30,280)	(29,927)
Overseas tax paid		(472)	(231)
Net cash inflow from operating activities		252,752	214,592
Investing Activities			
Additions to fixed and intangible assets		(37,893)	(58,483)
Interest received		815	1,543
Dividends received from:			
Listed investments		1,225	1,231
Associates		5,193	2,306
Termination of a jointly controlled entity		(633)	–
Proceeds from disposal of a discontinued operation	29(d)	90,441	–
Proceeds from disposals of long-term investment shares		17,633	25,936
Proceeds from disposals of fixed assets		699	602
Proceeds from disposals of interests in associates		–	5,564
Proceeds from disposal of a subsidiary	29(c)	–	3,051
Purchase of a subsidiary		–	(1,687)
Net cash inflow/(outflow) from investing activities		77,480	(19,937)
Net cash inflow before financing activities		330,232	194,655
Financing Activities	29(b)		
Drawdown/(repayment) of bank loan		17,000	(80,000)
Dividends paid to minority shareholder in a subsidiary		(3,000)	(3,000)
Dividends paid		(140,485)	(93,657)
Net cash outflow from financing activities		(126,485)	(176,657)
Increase in cash and cash equivalents		203,747	17,998
Cash and cash equivalents at 1 January		156,990	138,992
Cash and cash equivalents at 31 December		360,737	156,990
Analysis of cash and cash equivalents			
Bank balances and deposits		363,095	159,804
Bank overdraft		(2,358)	(2,814)
		360,737	156,990



BALANCE SHEET
As at 31 December 2004

	Notes	2004 HK\$'000	2003 HK\$'000
Non-Current Assets			
Interests in subsidiaries	15	1,515,780	1,656,265
Current Assets			
Bank balances and deposits		252	254
Total Assets		1,516,032	1,656,519
Capital and Reserves			
Share capital	24	156,095	156,095
Reserves		1,203,842	1,437,986
Proposed dividend distributions		156,095	62,438
	25	1,359,937	1,500,424
		1,516,032	1,656,519

Kuok Khoon Ean
Chairman

Peter Lee Ting Chang
Director

Audited Financial Statements

NOTES TO FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The registered office of SCMP Group Limited is located at Canon's Court, 22 Victoria Street, 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 digital publications, retailing, video and film post-production and properties investment. During the year, the Group disposed its retailing business.

2. 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 Hong Kong Institute of Certified Public Accountants ("HKICPA"). 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.

HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 December 2004. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

(b) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2004. 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 unamortised 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 retains 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 amounts 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 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 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) Jointly controlled entity

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.

A joint venture arrangement which involves the establishment of a separate entity in which the Group and other parties have an interest is referred to as a jointly controlled entity. 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.

(g) 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.

(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.

Audited Financial Statements

(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 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.

(n) Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts.

Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

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

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

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

(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 leave are not recognised until the time of leave.

Audited Financial Statements

- (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. Pension cost 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.

- (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 probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

A contingent liabilities 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, defined benefit plan's assets, intangible assets, fixed assets, inventories, receivables and operating cash. Segment liabilities comprise operating liabilities and exclude items such as taxation, minority interests and corporate 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.

3. 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 is as follows:

	2004 HK\$'000	2003 HK\$'000
Turnover		
Newspapers, magazines and other publications	972,537	773,830
Retailing	351,971	398,620
Investment properties	13,885	81,401
Video and film post-production	22,499	20,208
Music publishing	13,781	5,937
	1,374,673	1,279,996
Other revenue		
Dividend income from listed investments	2,100	1,427
Interest income	815	1,543
Others	2,874	1,121
	5,789	4,091
Total revenue	1,380,462	1,284,087

Audited Financial Statements

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 2004

	Continuing Operation				Discontinued Operation	
	Newspapers, magazines and other publications HK\$'000	Investment properties HK\$'000	Video and film post-production HK\$'000	Music publishing HK\$'000	Retailing HK\$'000	Total HK\$'000
Turnover	972,537	13,885	22,499	13,781	351,971	1,374,673
Segment results and operating profit/(loss)	252,123	28,296	(3,940)	9,394	77,464	363,337
Share of profits less losses of						
– associates	10,299					10,299
– a jointly controlled entity	(361)					(361)
Profit before taxation						373,275
Taxation						(50,461)
Profit after taxation						322,814
Minority interests						(5,668)
Profit attributable to shareholders						317,146
Segment assets	1,428,614	677,354	34,107	5,191	19,993	2,165,259
Interests in associates	41,543	–	–	–	–	41,543
Total assets						2,206,802
Segment liabilities	(113,221)	(9,352)	(21,572)	(1,488)	(13,282)	(158,915)
Unallocated liabilities						(362,947)
Total liabilities						(521,862)
Capital expenditure	25,081	1,538	8,506	–	2,768	37,893
Depreciation	74,939	–	1,983	24	2,591	79,537
Amortisation	4,324	–	–	–	–	4,324



Year ended 31 December 2003

	Continuing Operation				Discontinued Operation	
	Newspapers, magazines and other publications HK\$'000	Investment properties HK\$'000	Video and film post-production HK\$'000	Music publishing HK\$'000	Retailing HK\$'000	Total HK\$'000
Turnover	773,830	81,401	20,208	5,937	398,620	1,279,996
Segment results and operating profit/(loss)	79,116	(32,965)	(2,301)	4,298	(668)	47,480
Share of profits less losses of						
– associates	3,524		457			3,981
– a joint controlled entity	(4,048)					(4,048)
Profit before taxation						47,413
Taxation						(41,674)
Profit after taxation						5,739
Minority interests						(3,977)
Profit attributable to shareholders						1,762
Segment assets	1,195,582	647,923	29,613	2,437	65,953	1,941,508
Interests in associates	35,009	–	–	–	2,416	37,425
Interest in a joint controlled entity	7,527	–	–	–	–	7,527
Total assets						1,986,460
Segment liabilities	(98,677)	(4,584)	(2,480)	(775)	(64,707)	(171,223)
Unallocated liabilities						(345,213)
Total liabilities						(516,436)
Capital expenditure	35,043	1,046	16,464	22	6,054	58,629
Depreciation	75,666	5	1,009	106	3,437	80,223
Amortisation	3,038	–	–	–	–	3,038
Impairment charge	780	–	–	–	–	780

Audited Financial Statements

4. DISCONTINUED OPERATION

On 15 September 2004, the Group announced that SCMP Retailing (HK) Limited (“SCMP Retailing”), a wholly owned subsidiary of the Company, entered into an agreement with The Dairy Farm Company, Limited (the “Purchaser”) on 13 September 2004, pursuant to which SCMP Retailing disposed certain assets relating to the convenience store retail business carried under the name of “Daily Stop” to the Purchaser (the “Disposal”). Upon the completion of the Disposal on 9 November 2004, the Group discontinued its business of the operation of convenience retail stores.

The turnover, results, cash flows and net assets of the discontinued operation were as follows:

	2004 HK\$'000	2003 HK\$'000
Turnover	351,971	398,620
Other revenue	12	11
Operating costs	(351,279)	(399,299)
Operating profit/(loss)	704	(668)
Taxation	–	–
Profit/(loss) for the year	704	(668)
Net operating cash (outflow)/inflow	(31,431)	2,291
Net investing cash outflow	(2,755)	(5,837)
Total net cash outflow	(34,186)	(3,546)
	At 31 December 2004 HK\$'000	At 31 December 2003 HK\$'000
Fixed assets	–	7,495
Intangible assets	–	823
Current assets	19,993	57,635
Total assets	19,993	65,953
Total liabilities	(13,282)	(64,707)
Net assets	6,711	1,246
Net assets sold	(17,772)	
Proceeds from sale, net of expenses	94,532	
Gain on disposal of a discontinued operation	76,760	



5. PROFIT FROM OPERATING ACTIVITIES

Profit from operating activities is stated after charging and crediting:

	Group	
	2004	2003
	HK\$'000	HK\$'000
Charging		
Operating lease rentals on land and building	47,933	61,007
Loss on disposal of fixed assets	736	5,438
Deficit on revaluation of investment properties	–	112,046
Auditors' remuneration	1,796	1,524
Depreciation on owned assets	79,537	80,223
Amortisation of intangible assets	4,324	3,038
Office relocation expenses	–	10,916
Staff costs (including directors' remuneration, as set out in note 7):		
Wages and salaries	358,881	345,165
Pension costs – defined contribution plans	17,156	17,967
Less: Forfeited contributions	(3,540)	(4,975)
Net pension costs – defined contribution plans	13,616	12,992
Pension (income)/costs – defined benefit plan	(3,345)	10,642
	369,152	368,799
Crediting		
Net rental income from investment properties	11,820	80,802
Net rental income from leasehold land and buildings	1,566	1,435
Surplus on revaluation of investment properties	18,062	–

6. FINANCE COSTS

	Group	
	2004	2003
	HK\$'000	HK\$'000
Interest on bank loans and overdraft		
Wholly repayable within five years	1,887	5,194
Not wholly repayable within five years	24	–
	1,911	5,194

Audited Financial Statements

7. DIRECTORS' REMUNERATION

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

	2004 HK\$'000	2003 HK\$'000
Fees:		
Executive	–	–
Non-executive	933	400
Other emoluments:		
Salaries, allowances and benefits in kind	488	5,375
Retirement scheme contributions	42	75
Bonuses paid and payable	67	–
	1,530	5,850

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

	2004	2003
HK\$Nil – HK\$1,000,000	9	5
HK\$1,000,001 – HK\$1,500,000	–	1
HK\$4,000,001 – HK\$4,500,000	–	1
	9	7

Mr. Kuok Khoon Ean informed the Company that, with effect from 1 April 2003, he would waive his entitlements to basic salary and housing allowances until he informs the Company otherwise. No discretionary bonus was paid to Mr. Kuok in the years 2003 and 2004. As at the date of this Annual Report, Mr. Kuok was still waiving his said entitlements. Save from the aforesaid, there was no arrangement under which a Director waived or agreed to waive any remuneration in respect of the year.

Directors' fees paid or payable to Independent Non-executive Directors during the year were approximately HK\$632,000 (2003: HK\$300,000). Directors' fees received or receivable by other Non-executive Directors during the year amounted to approximately HK\$301,000 (2003: HK\$100,000). Benefits in kind received or receivable by other Non-executive Directors during the year amounted to approximately HK\$7,000 (2003: Nil). In 2003, Non-executive Directors waived half of their annual directors' fees for that year in support of the Company's business which was affected by the Sars outbreak. Save from the aforesaid, there were no other emoluments paid to Non-executive Directors in 2004.

On 23 September 2003, options were granted to a Director of the Company to acquire 350,000 shares of par value HK\$0.10 each in the share capital of the Company at an exercise price of HK\$3.90 per share under the Company's share option scheme. The options are exercisable from 23 September 2004 to 27 October 2007. The market value per share at the date of grant was HK\$3.90. No options were granted to Directors of the Company in 2004.



The details of the remuneration of each of the Directors for the year ended 31 December 2004 are set out below:

Name of Director	Directors' fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Retirement scheme contributions HK\$'000	Bonuses paid and payable HK\$'000	Total HK\$'000
Kuok Khoon Ean	–	30	–	–	30
Roberto V. Ongpin	100	–	–	–	100
Ronald J. Arculli	250	–	–	–	250
Khoo Kay Peng	100	–	–	–	100
Kuok Hui Kwong	–	451	42	67	560
Peter Lee Ting Chang	250	–	–	–	250
David Li Kwok Po	132	–	–	–	132
Robert Ng Chee Siong	61	–	–	–	61
Thaddeus Thomas Beczak*	40	7	–	–	47
	933	488	42	67	1,530

* Mr. Thaddeus Thomas Beczak retired as a Director of the Company at the annual general meeting held on 24 May 2004.

Five highest paid individuals

The five highest paid individuals during the year include none (2003: one) of the Directors. The details of the remuneration of the five (2003: four) highest paid individuals are set out below:

	2004 HK\$'000	2003 HK\$'000
Salaries, allowances and benefits in kind	9,171	7,403
Retirement scheme contributions	300	204
Bonuses paid and payable	2,031	772
Compensation for loss of office	830	–
	12,332	8,379

The remuneration of the five (2003: four) highest paid individuals fell within the following bands:

	2004	2003
HK\$2,000,001 – HK\$2,500,000	3	4
HK\$2,500,001 – HK\$3,000,000	1	–
HK\$3,000,001 – HK\$3,500,000	1	–
	5	4

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

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

Audited Financial Statements

Executive Directors serving on the Board and Board Committees have not drawn any directors' fee in the year. The director's fee of each of the Non-executive Directors (2004: HK\$100,000; 2003: HK\$50,000) is fixed by the Board of Directors pursuant to the authority granted by the shareholders at the Company's annual general meeting. Each Non-executive Director serving on the Audit Committee and the Remuneration Committee receives an additional fee (Audit Committee: 2004: HK\$100,000; 2003: HK\$50,000; Remuneration Committee: 2004: HK\$50,000; 2003: HK\$25,000). The directors' remunerations are determined with reference to directors' remunerations paid by other companies in Hong Kong which are of comparable size and business nature.

8. TAXATION

Hong Kong profits tax has been provided for at the rate of 17.5% (2003: 17.5%) on the estimated assessable profits for the year.

	Group	
	2004 HK\$'000	2003 HK\$'000
Company and subsidiaries:		
Hong Kong profits tax	54,075	34,427
Overseas taxation	472	231
Deferred taxation relating to the origination and reversal of temporary differences	(6,365)	(2,881)
Deferred taxation resulting from an increase in tax rate	–	8,538
	48,182	40,315
Share of taxation attributable to:		
Associates	2,279	1,337
Jointly controlled entity	–	22
Taxation charges	50,461	41,674

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

	Group	
	2004 HK\$'000	2003 HK\$'000
Profit before taxation	373,275	47,413
Calculated at a taxation rate of 17.5% (2003: 17.5%)	65,323	8,297
Income not subject to taxation	(19,197)	(2,337)
Utilisation of previously unrecognised tax losses	(3,156)	(1,251)
Effect of different taxation rates in other countries	(2,454)	(1,195)
Temporary difference not recognised	(1,521)	1,643
Over provision in prior year	(1,480)	(2,918)
Tax losses not recognised	6,856	5,600
Expenses not deductible for taxation purposes	5,356	24,516
Withholding tax	472	231
Temporary difference recognised on undistributed profit in associates	256	248
Others	6	302
Increase in opening net deferred tax liabilities resulting from an increase in tax rate	–	8,538
Taxation charges	50,461	41,674



9. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit of HK\$317,146,000 (2003: HK\$1,762,000) attributable to shareholders included loss of HK\$2,000 (2003: nil) dealt with in the Company's own accounts.

10. DIVIDEND DISTRIBUTIONS

	Group and Company	
	2004 HK\$'000	2003 HK\$'000
Interim dividend distribution, HK5 cents per share (2003: HK2 cents)	78,047	31,219
Proposed final dividend distribution, HK7 cents per share (2003: HK4 cents)	109,266	62,438
Proposed special dividend distribution, HK3 cents per share (2003: nil)	46,829	–
	234,142	93,657

11. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the year attributable to shareholders of HK\$317,146,000 (2003: HK\$1,762,000) and 1,560,945,596 (2003: 1,560,945,596) shares in issue during the year.

The diluted earnings per share for the year is not shown as there was no dilution effect.

12. GOODWILL

	HK\$'000
Cost	
At 1 January 2004 and 31 December 2004	611,703
Accumulated amortisation and provision for impairment	
At 1 January 2004 and 31 December 2004	611,703
Net book value	
At 31 December 2004 and 31 December 2003	–

13. INTANGIBLE ASSETS

	Publishing titles HK\$'000	Software costs HK\$'000	Assets in progress HK\$'000	Total HK\$'000
Cost				
At 1 January 2004	1,820,000	24,028	10,583	1,854,611
Additions	–	1,362	13,497	14,859
Disposal of a discontinued operation	–	–	(1,827)	(1,827)
Reclassification	–	22,253	(22,253)	–
At 31 December 2004	1,820,000	47,643	–	1,867,643
Accumulated amortisation				
At 1 January 2004	1,820,000	1,439	–	1,821,439
Provided during the year	–	4,324	–	4,324
At 31 December 2004	1,820,000	5,763	–	1,825,763
Net book value				
At 31 December 2004	–	41,880	–	41,880
At 31 December 2003	–	22,589	10,583	33,172

Audited Financial Statements

14. FIXED ASSETS

	Investment properties HK\$'000	Leasehold land and buildings HK\$'000	Other fixed assets HK\$'000	Assets in progress HK\$'000	Total HK\$'000
Cost or valuation:					
At 1 January 2004	645,000	376,975	909,217	19,900	1,951,092
Additions	–	–	14,601	8,433	23,034
Reclassification	1,538	–	12,121	(13,659)	–
Termination of a jointly controlled entity	–	–	1,721	–	1,721
Disposals	–	–	(14,999)	–	(14,999)
Disposal of a discontinued operation	–	–	(20,785)	(2,380)	(23,165)
Revaluation surplus	18,062	–	–	–	18,062
Translation difference	–	–	51	57	108
At 31 December 2004	664,600	376,975	901,927	12,351	1,955,853
Accumulated depreciation:					
At 1 January 2004	–	74,788	528,956	–	603,744
Provided during the year	–	7,832	71,705	–	79,537
Termination of a jointly controlled entity	–	–	1,098	–	1,098
Disposals	–	–	(13,564)	–	(13,564)
Disposal of a discontinued operation	–	–	(16,691)	–	(16,691)
Translation difference	–	–	40	–	40
At 31 December 2004	–	82,620	571,544	–	654,164
Net book value					
At 31 December 2004	664,600	294,355	330,383	12,351	1,301,689
At 31 December 2003	645,000	302,187	380,261	19,900	1,347,348
Analysis of cost and valuation					
At cost – 2004	–	343,975	901,927	12,351	1,258,253
At valuation – 1990	–	33,000	–	–	33,000
– 2004	664,600	–	–	–	664,600
	664,600	376,975	901,927	12,351	1,955,853

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 open market value based on their existing use. No subsequent revaluation was carried out as the Group has adopted the exemption provision of paragraph 80 of Statements of Standard Accounting Practice No. 17 "Property, plant and equipment" issued by the HKICPA in 2001, 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\$22,465,000 (2003: HK\$23,246,000).

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 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 2004.

15. INTERESTS IN SUBSIDIARIES

	Company	
	2004	2003
	HK\$'000	HK\$'000
Unlisted shares, at costs	–	–
Amounts due from subsidiaries	1,515,780	1,656,265
	1,515,780	1,656,265

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

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

16. INTERESTS IN ASSOCIATES AND A JOINTLY CONTROLLED ENTITY

	Group	
	2004	2003
	HK\$'000	HK\$'000
Associates		
Share of net assets other than goodwill:		
Shares listed overseas	39,239	35,879
Unlisted shares	3,120	2,725
	42,359	38,604
Amounts due to associates	(816)	(1,179)
	41,543	37,425
Market value of listed shares at the balance sheet date	104,376	92,911

Audited Financial Statements

	Group	
	2004	2003
	HK\$'000	HK\$'000
Jointly controlled entity		
Share of net liabilities other than goodwill	–	(24,966)
Loans advanced	–	32,493
	–	7,527

On 2 March 2004, the Group and SCMP Haymarket Publishing Limited (the jointly controlled entity of the Group) entered into a termination and release agreement with Haymarket Group Limited, Haymarket Publishing Services Limited, Haymarket Publishing (Hong Kong) Limited and Media & Marketing Limited (collectively "Haymarket Group"), which the parties terminated the SCMP/Haymarket Publishing joint venture and distributed related assets in the joint venture to respective parties respectively. The loss on the termination was approximately HK\$1,076,000.

Details of the principal associates are set out in Note 30 to the financial statements.

17. LONG-TERM INVESTMENT SHARES

	Group	
	2004	2003
	HK\$'000	HK\$'000
Listed equity shares, at fair value		
Hong Kong	123,296	94,725
The Philippines	2,164	2,395
	125,460	97,120
Unlisted equity shares, at fair value	31,200	31,200
	156,660	128,320
Market value of the listed equity shares	125,460	97,120

18. INVENTORIES

	Group	
	2004	2003
	HK\$'000	HK\$'000
Raw materials	34,366	19,427
Work in progress	266	485
Finished goods	3,142	20,706
	37,774	40,618

At the balance sheet date, there was no inventory carried at its net realisable value (2003: 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 by invoice date is as follows:

	Group			
	2004		2003	
	Balance HK\$'000	Percentage %	Balance HK\$'000	Percentage %
0 to 30 days	94,312	46.6	73,123	41.3
31 to 60 days	58,683	29.0	56,340	31.9
61 to 90 days	37,348	18.4	32,353	18.3
Over 90 days	12,168	6.0	15,056	8.5
Total	202,511	100.0	176,872	100.0
Less: Provision for bad and doubtful debts	(10,898)		(14,690)	
	191,613		162,182	

An ageing analysis of trade receivables by due date is as follows:

	Group			
	2004		2003	
	Balance HK\$'000	Percentage %	Balance HK\$'000	Percentage %
0 to 30 days	148,007	73.1	118,748	67.1
31 to 60 days	15,822	7.8	15,866	9.0
61 to 90 days	32,344	16.0	31,603	17.9
Over 90 days	6,338	3.1	10,655	6.0
Total	202,511	100.0	176,872	100.0
Less: Provision for bad and doubtful debts	(10,898)		(14,690)	
	191,613		162,182	

20. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	Group			
	2004		2003	
	Balance HK\$'000	Percentage %	Balance HK\$'000	Percentage %
0 to 30 days	25,327	76.8	40,616	55.7
31 to 60 days	1,986	6.0	19,097	26.2
61 to 90 days	377	1.1	7,761	10.7
Over 90 days	5,314	16.1	5,376	7.4
Total	33,004	100.0	72,850	100.0

Audited Financial Statements

21. LONG-TERM BANK LOAN, UNSECURED AND BANK OVERDRAFT, SECURED

As at 31 December 2004, the Group's bank loans and bank overdraft were repayable as follows:

	Group	
	2004 HK\$'000	2003 HK\$'000
Within one year	232,358	2,814
In the second year	–	230,000
	232,358	232,814
In the third to fifth year	17,000	–
	249,358	232,814

22. DEFERRED TAXATION

Deferred taxation are calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2003: 17.5%).

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

	Group	
	2004 HK\$'000	2003 HK\$'000
At 1 January	96,905	91,248
(Credit)/charge for the year (Note 8)	(6,365)	5,657
At 31 December	90,540	96,905

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

Group Deferred tax liabilities	Accelerated tax depreciation		Others		Total	
	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January	98,777	93,454	614	157	99,391	93,611
Charged/(credited) to profit and loss account	(4,906)	5,323	(142)	457	(5,048)	5,780
At 31 December	93,871	98,777	472	614	94,343	99,391



Group Deferred tax assets	Provisions		Tax loss		Others		Total	
	2004	2003	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January	(1,982)	(1,921)	(413)	(441)	(91)	(1)	(2,486)	(2,363)
Charged/(credited) to profit and loss account	89	(61)	(1,466)	28	60	(90)	(1,317)	(123)
At 31 December	(1,893)	(1,982)	(1,879)	(413)	(31)	(91)	(3,803)	(2,486)

	Group	
	2004	2003
	HK\$'000	HK\$'000
Deferred tax liabilities	94,343	99,391
Deferred tax assets	(3,803)	(2,486)
	90,540	96,905

Deferred income tax assets are recognised for tax loss carry forwards to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group has unrecognised tax losses of HK\$239,859,000 (2003: HK\$189,960,000) to carry forward against future taxable income; the expiry dates of these tax losses are shown as follows:

	Group	
	2004	2003
	HK\$'000	HK\$'000
Expiring within one year	1,790	–
Expiring in the second to fifth years	20,434	13,659
After the fifth years	217,635	176,301
	239,859	189,960

Audited Financial Statements

23. EMPLOYEE RETIREMENT SCHEMES

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

(a) Defined benefit scheme

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

Pension costs are assessed using the projected unit credit method. The pension costs are charged to the 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. The actuarial valuations indicate that the Group's obligations under this defined benefit scheme is 127% (2003: 133%) covered by plan assets held by the trustees.

	Group	
	2004	2003
	HK\$'000	HK\$'000
Defined benefit plan's assets	30,415	27,070

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

	Group	
	2004	2003
	HK\$'000	HK\$'000
Fair value of plan assets	298,948	275,382
Present value of funded obligations	(236,282)	(206,639)
	62,666	68,743
Unrecognised actuarial gains	(32,251)	(41,673)
Asset in the balance sheet	30,415	27,070

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

	Group	
	2004	2003
	HK\$'000	HK\$'000
Present value of available future refunds and reductions in future contributions	62,666	68,743
Limit	62,666	68,743
Net asset recognised in the balance sheet	30,415	27,070



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

	Group	
	2004 HK\$'000	2003 HK\$'000
Current service cost	10,648	10,306
Interest cost	9,071	5,454
Expected return on plan assets	(19,095)	(8,820)
Net actuarial (gains)/losses recognised	(3,969)	3,848
	(3,345)	10,788
Amount capitalised in intangible assets	–	(146)
Total, included in staff costs (Note 5)	(3,345)	10,642

The actual return on plan assets was HK\$40,574,000 (2003: HK\$61,031,000).

Movement in the asset recognised in the balance sheet:

	Group	
	2004 HK\$'000	2003 HK\$'000
At 1 January	27,070	37,858
Total income/(expenses) credited/(charged) to profit and loss account – as shown above	3,345	(10,642)
Amount capitalised in intangible assets	–	(146)
At 31 December	30,415	27,070

The principal actuarial assumptions used were as follows:

	2004	2003
	%	%
Discount rate	4.50	2.80
Expected rate of return on plan assets	7.00	4.00
Expected rate of future salary increases	4.00	–

(b) MPF Scheme

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

(c) Top-up Scheme

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

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

Audited Financial Statements

(d) **Defined contribution scheme**

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

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

24. SHARE CAPITAL

	Group and Company	
	2004	2003
	HK\$'000	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 (2003: 1,560,945,596) shares of HK\$0.10 each	156,095	156,095

The Company has a share option scheme (the "Scheme") which was approved by shareholders on 27 October 1997 (the "Effective Date") and was amended with shareholders' approval on 6 November 2000 and further amended at the annual general meeting held on 29 May 2002 in conformity with the amended Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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 are as follows:

	2004	2003
	No. of shares in respect of options granted	No. of shares in respect of options granted
Outstanding at 1 January	10,221,000	10,108,500
Granted during the year	–	2,950,000
Exercised during the year	–	–
Lapsed during the year	(1,895,000)	(2,837,500)
Outstanding at 31 December (Note (a))	8,326,000	10,221,000

No share options were cancelled during the year (2003: Nil).



Note:

(a) Share options outstanding at the end of the year have the following terms:

	Date of grant	Exercise period	Exercise price per share HK\$	2004 No. of shares in respect of options granted	2003 No. of shares in respect of options granted
Directors	23/09/2003	23/09/2004 – 27/10/2007	3.90	–	350,000
Other employees	02/08/1999	02/08/2000 – 27/10/2007	5.00	1,092,500	1,352,500
	11/01/2000	11/01/2001 – 27/10/2007	5.51	983,500	1,078,500
	20/04/2000	20/04/2001 – 27/10/2007	6.05	3,430,000	3,995,000
	28/06/2001	28/06/2002 – 27/10/2007	4.95	720,000	845,000
	23/09/2003	23/09/2004 – 27/10/2007	3.90	2,100,000	2,600,000
				8,326,000	10,221,000

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 HK\$'000	Total HK\$'000
At 1 January 2003							
As previously stated	40,971	1,255,909	4,252	1,503	(39,444)	117,959	1,381,150
Effect of adopting SSAP 12 (revised)	–	–	–	(178)	–	(8,313)	(8,491)
As restated	40,971	1,255,909	4,252	1,325	(39,444)	109,646	1,372,659
Change in fair values of long-term investment shares	–	–	29,796	–	–	–	29,796
Revaluation reserve released on disposal	–	–	(1,212)	–	–	–	(1,212)
Translation reserve released on disposal	–	–	–	–	2,165	–	2,165
Exchange differences on consolidation	–	–	–	–	2,416	–	2,416
Profit for the year	–	–	–	–	–	1,762	1,762
2002 final dividend distribution	–	(62,438)	–	–	–	–	(62,438)
2003 interim dividend distribution	–	(31,219)	–	–	–	–	(31,219)
At 31 December 2003 (Note (a))	40,971	1,162,252	32,836	1,325	(34,863)	111,408	1,313,929

Note:

(a) The final dividend distribution of HK\$62,438,000 for the year ended 31 December 2003 was paid out of the Company's contributed surplus.

Audited Financial Statements

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 HK\$'000	Total HK\$'000
At 1 January 2004	40,971	1,162,252	32,836	1,325	(34,863)	111,408	1,313,929
Change in fair values of long-term investment shares	-	-	43,307	-	-	-	43,307
Revaluation reserve released on disposal	-	-	(5,535)	-	-	-	(5,535)
Translation reserve released on disposal	-	-	-	-	243	-	243
Exchange differences on consolidation	-	-	-	-	240	-	240
Profit for the year	-	-	-	-	-	317,146	317,146
2003 final dividend distribution	-	(62,438)	-	-	-	-	(62,438)
2004 interim dividend distribution	-	(78,047)	-	-	-	-	(78,047)
At 31 December 2004 (Note (a))	40,971	1,021,767	70,608	1,325	(34,380)	428,554	1,528,845

Note:

(a) The proposed final dividend distribution of HK\$109,266,000 and special dividend distribution of HK\$46,829,000 for the year ended 31 December 2004 is to be paid out of the Company's contributed surplus.

Company	Share premium HK\$'000	Contributed surplus HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2003	40,971	1,533,787	19,323	1,594,081
2002 final dividend distribution	-	(62,438)	-	(62,438)
2003 interim dividend distribution	-	(31,219)	-	(31,219)
At 31 December 2003	40,971	1,440,130	19,323	1,500,424

Company	Share premium HK\$'000	Contributed surplus HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2004	40,971	1,440,130	19,323	1,500,424
Loss for the year	-	-	(2)	(2)
2003 final dividend distribution	-	(62,438)	-	(62,438)
2004 interim dividend distribution	-	(78,047)	-	(78,047)
At 31 December 2004	40,971	1,299,645	19,321	1,359,937



	2004 HK\$'000	2003 HK\$'000
Retained profits/(losses) attributable to:		
Company and subsidiaries	426,298	142,049
Associates	2,256	(1,043)
Jointly controlled entity	–	(29,598)
	428,554	111,408

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 and the dividend contributions.

The contributed surplus of the Company arose as a result of the Group reorganisation in 1990 and represents the difference between the nominal value of the Company's shares so allotted and the consolidated net asset value of the acquired subsidiaries and associate. 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 (2003: HK\$40,971,000) 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	
	2004 HK\$'000	2003 HK\$'000
Expiring within one year	8,796	44,944
Expiring in the second to fifth years, inclusive	6,881	55,703
	15,677	100,647

The operating lease rentals of certain retail outlet are based on the higher of a minimum guaranteed rental or a sales level based rental. The minimum guaranteed rental has been used to arrive at the above commitments.

27. CAPITAL COMMITMENTS

	Group	
	2004 HK\$'000	2003 HK\$'000
Capital commitments for property, plant and equipment		
Contracted, but not provided for	82,761	22,166
Authorised, but not contracted for	36,227	36,466
	118,988	58,632

Audited Financial Statements

28. FUTURE OPERATING LEASE ARRANGEMENTS

As at 31 December 2004, the Group had future aggregate minimum lease receipts under non-cancelable operating leases in respect of land and buildings as follows:

	Group	
	2004 HK\$'000	2003 HK\$'000
Not later than one year	10,765	14,881
Later than one year but not later than five years	15,928	7,216
	26,693	22,097

29. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	Group	
	2004 HK\$'000	2003 HK\$'000
Operating profit	363,337	47,480
(Gain)/loss on disposal of long-term investment shares	(7,326)	2,267
(Surplus)/deficit on revaluation of investment properties	(18,062)	112,046
Depreciation and amortisation	83,861	83,261
Interest income	(815)	(1,543)
Interest expenses	1,911	5,194
Dividend income from listed investments	(2,100)	(1,427)
Loss on disposal of fixed assets	736	5,438
Provision for asset impairment	-	780
Pension (income)/costs	(3,345)	10,642
Loss on termination of a jointly-controlled entity	1,076	-
Loss on disposal of investments in associates	-	2,612
Gain on disposal of a discontinued operation	(76,760)	-
Gain on disposal of a subsidiary	-	(600)
(Decrease)/increase in amounts due to associates	(364)	376
Decrease in amounts due from associates	1	23
Increase in loan advanced to a jointly controlled entity	-	(2,233)
Increase in inventories	(6,627)	(3,504)
Increase in accounts receivable	(20,003)	(7,257)
Decrease in prepayments, deposits and other receivables	913	4,020
Decrease in accounts payable and accrued liabilities	(30,935)	(14,277)
(Decrease)/increase in subscriptions in advance	(83)	6,646
Net cash inflow from operations	285,415	249,944



(b) Analysis of changes in financing during the year

	Long-term bank loan HK\$'000	Share capital (including share premium) HK\$'000	Minority interests HK\$'000	Contributed surplus HK\$'000
Balance at 1 January 2003				
As previously reported	310,000	197,066	8,679	1,255,909
Effect of adopting SSAP 12 (revised)	–	–	13	–
As restated	310,000	197,066	8,692	1,255,909
Non cash movements				
Share of profits	–	–	3,977	–
Acquisition of a subsidiary	–	–	8	–
Cash movements				
Dividend paid to minority shareholder in a subsidiary	–	–	(3,000)	–
Repayment of bank loan	(80,000)	–	–	–
2002 final dividend distribution	–	–	–	(62,438)
2003 interim dividend distribution	–	–	–	(31,219)
Balance at 31 December 2003	230,000	197,066	9,677	1,162,252
Balance at 1 January 2004	230,000	197,066	9,677	1,162,252
Non cash movements				
Share of profits	–	–	5,668	–
Acquisition of a subsidiary	–	–	(25)	–
Cash movements				
Dividend paid to minority shareholder in a subsidiary	–	–	(3,000)	–
Drawdown of bank loan	17,000	–	–	–
2003 final dividend distribution	–	–	–	(62,438)
2004 interim dividend distribution	–	–	–	(78,047)
Balance at 31 December 2004	247,000	197,066	12,320	1,021,767

(c) Disposal of a subsidiary

	Group	
	2004 HK\$'000	2003 HK\$'000
Net assets disposed of:		
Fixed assets	–	183
Inventories	–	6,058
Accounts receivable	–	401
Prepayment, deposit and other receivables	–	2,132
Bank balances and deposits	–	6
Accounts and other payable	–	(6,323)
	–	2,457
Satisfied by cash	–	3,057

Audited Financial Statements

Analysis of the net cash inflow in respect of the disposal of a subsidiary:

	Group	
	2004 HK\$'000	2003 HK\$'000
Cash consideration	–	3,057
Cash and bank balances disposed of	–	(6)
Net cash inflow in respect of the disposal of a subsidiary	–	3,051

(d) Disposal of a discontinued operation

	Group	
	2004 HK\$'000	2003 HK\$'000
Net assets disposed of:		
Intangible assets	1,827	–
Fixed assets	6,474	–
Inventory	9,471	–
	17,772	–
Satisfied by:		
Gross consideration	101,500	–
Less: Expenses	(6,968)	–
Net cash	94,532	–
Less: Amount to be received	(4,091)	–
	90,441	–

The cash receivable from the disposal of a discontinued operation will be settled in August 2005.

Analysis of the net cash inflow in respect of the disposal of a discontinued operation:

	Group	
	2004 HK\$'000	2003 HK\$'000
Cash consideration	90,441	–
Cash and bank balances disposed of	–	–
Net cash inflow in respect of the disposal of a discontinued operation	90,441	–

(e) Termination of a jointly controlled entity

On 2 March 2004, the Group, SCMP Haymarket Publishing Limited (the jointly controlled entity of the Group) and Haymarket Group entered into a termination and release agreement to terminate the SCMP/Haymarket Publishing joint venture and distributed related assets in the joint venture as detailed in note 16.

Upon the termination, the Group disposed its interests in certain subsidiaries of the joint venture with a total net asset value of HK\$7,166,000 and paid cash of HK\$633,000, in return for acquiring additional interests in the remaining subsidiaries of the joint venture with a total net asset value of HK\$6,480,000. An exchange reserve of HK\$243,000 was released upon termination.



30. SUBSIDIARIES AND ASSOCIATES

Particulars of the Company's principal subsidiaries and the Group's principal associates at 31 December 2004 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
Guangzhou Video-Film Advertising Limited [#]	The People's Republic of China (Wholly Foreign- Owned Enterprise)	Registered capital US\$2,100,000	–	83%	Advertising agent
Highlight Trading (HK) Limited	Hong Kong	Ordinary HK\$100,000	–	100%	Trading and franchising
Lytton Investment Limited	The Commonwealth of The Bahamas	Ordinary US\$2	–	100%	Property holding
Macheer Properties Limited	The British Virgin Islands	Ordinary US\$1	–	100%	Property holding
Markland Investments Limited	Hong Kong	Ordinary HK\$2	–	100%	Investment holding
SCMP (1994) Limited	Hong Kong	Ordinary HK\$2	100%	–	Investment holding
SCMP Book Publishing Limited	Hong Kong	Ordinary HK\$2,000,000	–	100%	Book publishing
SCMP Hearst Publications Limited	Hong Kong	Ordinary HK\$10,000	–	70%	Magazine publishing
SCMP Magazines Publishing (HK) Limited (formerly known as SCMP Haymarket Publishing Limited)	Hong Kong	Ordinary HK\$10,000	–	100%	Magazine publishing
SCMP Magazines Publishing Limited	Hong Kong	Ordinary HK\$10,000	–	100%	Provision of pre-press services
SCMP Maxim Limited	Hong Kong	Ordinary HK\$2	–	100%	Magazine publishing
SCMP Retailing (HK) Limited	Hong Kong	Ordinary HK\$500,000	–	100%	Operation of retail outlets (the operation discontinued on 9 November 2004)

Audited Financial Statements

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 [#]	The British Virgin Islands	Ordinary US\$1	100%	–	Investment holding
Shanghai Nan Hong Information Services Co., Ltd. [#]	The People's Republic of China (Wholly Foreign-Owned Enterprise)	Registered capital US\$200,000	–	100%	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 [#]	The 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

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

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

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 1 April 2005.