CONSOLIDATED PROFIT AND LOSS ACCOUNT

Year ended 31 December 2005

	Notes	**2005** HK$'000	2004 (Restated) HK$'000
Turnover	5	**1,120,376**	1,374,673
Other revenue	5	**10,488**	5,789
Total revenue	5	**1,130,864**	1,380,462
Staff costs	9	**(369,291)**	(369,152)
Cost of production materials/sales		**(170,377)**	(413,604)
Rental and utilities		**(30,842)**	(74,345)
Depreciation and amortisation		**(77,955)**	(83,861)
Advertising and promotion		**(30,535)**	(23,933)
Other operating expenses		**(154,066)**	(151,391)
		(833,066)	(1,116,286)
Surplus on revaluation of investment properties		**50,400**	18,062
Gain on disposal of long-term investment shares		**711**	7,326
Impairment of non-current assets		**(35,704)**	–
Finance costs	8	**(6,761)**	(1,911)
Gain on disposal of a discontinued operation	6	**–**	76,760
Loss on termination of a jointly controlled entity		**–**	(1,076)
		(824,420)	(1,017,125)
Operating profit	7	**306,444**	363,337
Share of profits less losses of associates		**4,410**	8,020
Share of loss of a jointly controlled entity		**–**	(361)
Profit before taxation		**310,854**	370,996
Taxation	10	**(58,971)**	(48,182)
Profit after taxation		**251,883**	322,814
Attributable to:			
Shareholders	11	**246,357**	317,146
Minority interests		**5,526**	5,668
		251,883	322,814
Dividend	12	**234,142**	234,142
Earnings per share			
Basic and diluted	13	**15.78 cents**	20.32 cents

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2005

	Attributable to shareholders									
	Share capital and share premium HK$'000	Contributed surplus HK$'000	Investment revaluation reserve HK$'000	Asset revaluation reserve HK$'000	Hedging reserve HK$'000	Translation reserve HK$'000	Retained profits HK$'000	Total shareholders' funds HK$'000	Minority interests HK$'000	Total equity HK$'000
Balance at 1 January 2004, as previously reported as equity	197,066	1,162,252	32,836	1,325	–	(34,863)	111,408	1,470,024	–	1,470,024
Balance at 1 January 2004, as previously separately reported as minority interests	–	–	–	–	–	–	–	–	9,677	9,677
Balance at 1 January 2004, as restated	197,066	1,162,252	32,836	1,325	–	(34,863)	111,408	1,470,024	9,677	1,479,701
Surplus on revaluation of long-term investment shares	–	–	43,307	–	–	–	–	43,307	–	43,307
Investment revaluation reserve released on disposal	–	–	(5,535)	–	–	–	–	(5,535)	–	(5,535)
Exchange differences on consolidation	–	–	–	–	–	240	–	240	–	240
Translation reserve released on disposal	–	–	–	–	–	243	–	243	–	243
Net income recognised directly in equity	–	–	37,772	–	–	483	–	38,255	–	38,255
Profit for the year	–	–	–	–	–	–	317,146	317,146	5,668	322,814
Total recognised income for the year	–	–	37,772	–	–	483	317,146	355,401	5,668	361,069
Dividends	–	(140,485)	–	–	–	–	–	(140,485)	(3,000)	(143,485)
Acquisition of additional interest in a subsidiary	–	–	–	–	–	–	–	–	(25)	(25)
Balance at 31 December 2004	197,066	1,021,767	70,608	1,325	–	(34,380)	428,554	1,684,940	12,320	1,697,260
Balance at 1 January 2005, as previously reported as equity	**197,066**	**1,021,767**	**70,608**	**1,325**	**–**	**(34,380)**	**428,554**	**1,684,940**	**–**	**1,684,940**
Balance at 1 January 2005, as previously separately reported as minority interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**12,320**	**12,320**
Balance at 1 January 2005, as restated	**197,066**	**1,021,767**	**70,608**	**1,325**	**–**	**(34,380)**	**428,554**	**1,684,940**	**12,320**	**1,697,260**
Surplus on revaluation of long-term investment shares	**–**	**–**	**22,603**	**–**	**–**	**–**	**–**	**22,603**	**–**	**22,603**
Investment revaluation reserve released on disposal	**–**	**–**	**5**	**–**	**–**	**–**	**–**	**5**	**–**	**5**
Exchange differences on consolidation	**–**	**–**	**–**	**–**	**–**	**(1,558)**	**–**	**(1,558)**	**60**	**(1,498)**
Surplus on revaluation of leasehold building	**–**	**–**	**–**	**3,000**	**–**	**–**	**–**	**3,000**	**–**	**3,000**
Deferred taxation directly charged to reserve	**–**	**–**	**–**	**(701)**	**–**	**–**	**–**	**(701)**	**–**	**(701)**
Loss on cash flow hedges	**–**	**–**	**–**	**–**	**(3,748)**	**–**	**–**	**(3,748)**	**–**	**(3,748)**
Transfer to initial carrying amount of fixed assets	**–**	**–**	**–**	**–**	**3,748**	**–**	**–**	**3,748**	**–**	**3,748**
Net income/(expense) recognised directly in equity	**–**	**–**	**22,608**	**2,299**	**–**	**(1,558)**	**–**	**23,349**	**60**	**23,409**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**246,357**	**246,357**	**5,526**	**251,883**
Total recognised income/(expense) for the year	**–**	**–**	**22,608**	**2,299**	**–**	**(1,558)**	**246,357**	**269,706**	**5,586**	**275,292**
Dividends	**–**	**(156,095)**	**–**	**–**	**–**	**–**	**(78,047)**	**(234,142)**	**(7,500)**	**(241,642)**
Balance at 31 December 2005	**197,066**	**865,672**	**93,216**	**3,624**	**–**	**(35,938)**	**596,864**	**1,720,504**	**10,406**	**1,730,910**

CONSOLIDATED BALANCE SHEET
As at 31 December 2005

	Notes	**2005** **HK$'000**	2004 (Restated) HK$'000
Non-current assets			
Intangible assets	14	**35,791**	41,880
Fixed assets	15	**623,025**	602,440
Investment properties	16	**733,000**	664,600
Lease premium for land	17	**33,630**	34,649
Defined benefit plan's assets	26(a)	**33,539**	30,415
Interests in associates	19	**45,443**	41,543
Long-term investment shares	20	**147,828**	156,660
		1,652,256	1,572,187
Current assets			
Inventories	21	**38,418**	37,774
Accounts receivable	22	**245,217**	191,613
Prepayments, deposits and other receivables		**20,814**	42,133
Cash and bank balances	32(e)	**181,449**	363,095
		485,898	634,615
Current liabilities			
Accounts payable and accrued liabilities	23	**134,996**	116,709
Taxation payable		**66,725**	30,087
Subscriptions in advance		**24,431**	22,848
Bank overdraft, secured	24	**6,713**	2,358
Short-term bank loan, unsecured	24	**51,918**	–
Current portion of long-term bank loan, unsecured	24	**–**	230,000
		284,783	402,002
Net current assets		**201,115**	232,613
Total assets less current liabilities		**1,853,371**	1,804,800
Non-current liabilities			
Long-term bank loan, unsecured	24	**17,000**	17,000
Deferred taxation	25	**105,461**	90,540
		122,461	107,540
		1,730,910	1,697,260
Capital and reserves			
Share capital	27	**156,095**	156,095
Reserves		**1,408,314**	1,372,750
Proposed dividend		**156,095**	156,095
	28(a)	**1,564,409**	1,528,845
Shareholders' funds		**1,720,504**	1,684,940
Minority interests		**10,406**	12,320
Total equity		**1,730,910**	1,697,260

Kuok Khoon Ean
Chairman

Peter Lee Ting Chang
Director

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2005

	Notes	**2005 HK$'000**	2004 HK$'000
Net cash inflow from operations	32(a)	**346,556**	285,415
Interest paid		**(6,761)**	(1,911)
Hong Kong profits tax paid		**(7,558)**	(30,280)
Overseas tax paid		**(555)**	(472)
Net cash inflow from operating activities		**331,682**	252,752
Investing activities			
Additions to fixed and intangible assets		**(110,945)**	(37,893)
Purchase of additional interests in an associate		**(6,963)**	–
Interest received		**6,630**	815
Dividends received from:			
Listed investments		**2,463**	1,225
Associates		**5,547**	5,193
Termination of a jointly controlled entity	32(d)	**–**	(633)
Proceeds from disposal of a discontinued operation	32(c)	**4,091**	90,441
Proceeds from disposals of long-term investment shares		**951**	17,633
Proceeds from disposals of fixed assets		**267**	699
Net cash (outflow)/inflow from investing activities		**(97,959)**	77,480
Net cash inflow before financing activities		**233,723**	330,232
Financing activities			
(Repayment)/drawdown of long-term bank loans	32(b)	**(230,000)**	17,000
Drawdown of short-term bank loans	32(b)	**51,918**	–
Dividends paid to minority shareholder in a subsidiary	32(b)	**(7,500)**	(3,000)
Dividends paid	12	**(234,142)**	(140,485)
Net cash outflow from financing activities		**(419,724)**	(126,485)
(Decrease)/increase in cash and cash equivalents		**(186,001)**	203,747
Cash and cash equivalents at 1 January		**360,737**	156,990
Cash and cash equivalents at 31 December		**174,736**	360,737
Analysis of cash and cash equivalents			
Cash and bank balances	32(e)	**181,449**	363,095
Bank overdraft		**(6,713)**	(2,358)
		174,736	360,737

BALANCE SHEET
As at 31 December 2005

	Notes	**2005 HK$'000**	2004 HK$'000
Non-current assets			
Interests in subsidiaries	18	**1,515,703**	1,515,780
Current assets			
Cash and bank balances	32(e)	**610**	252
Total assets		**1,516,313**	1,516,032
Capital and reserves			
Share capital	27	**156,095**	156,095
Reserves		**1,204,123**	1,203,842
Proposed dividend		**156,095**	156,095
	28(b)	**1,360,218**	1,359,937
		1,516,313	1,516,032

Kuok Khoon Ean
Chairman

Peter Lee Ting Chang
Director

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

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

(b) The adoption of new/revised HKFRS

In 2005, the Group adopted the new/revised standards and interpretations of HKFRS below, which are relevant to its operations. The 2004 comparatives have been restated as required, in accordance with the relevant requirements.

HKAS 1:	Presentation of Financial Statements
HKAS 2:	Inventories
HKAS 8:	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 16:	Property, Plant and Equipment
HKAS 17:	Leases
HKAS 24:	Related Party Disclosures
HKAS 28:	Investments in Associates
HKAS 32:	Financial Instruments: Disclosure and Presentation
HKAS 33:	Earnings per Share
HKAS 36:	Impairment of Assets
HKAS 38:	Intangible Assets
HKAS 39:	Financial Instruments: Recognition and Measurement
HKAS 40:	Investment Property
HK(SIC)-Int 21:	Income Taxes – Recovery of Revalued Non-Depreciable Assets
HKFRS 2:	Share-based Payments
HKFRS 3:	Business Combinations
HKFRS 5:	Non-current Assets Held for Sale and Discontinued Operations

The adoption of HKASs 2, 8, 24, 28 and 33 had no impact on profit attributable to shareholders but have resulted in certain changes in the presentation and disclosures in the financial statements. The effect of adopting the other HKFRSs is summarised as follows:

(i) HKAS 1: Presentation of Financial Statements

The adoption of HKAS 1 has resulted in changes in the presentation of financial statements. It has no effect on the profit attributable to shareholders. However, certain comparative figures have been restated to comply with the new presentation requirements.

(ii) *HKAS 16: Property, Plant and Equipment*
The adoption of HKAS 16 has resulted in a change in accounting policy relating to the calculation of depreciation charges of fixed assets. Previously, depreciation was provided on a straight-line basis to allocate the depreciable amount of a fixed asset over its estimated useful life. The depreciable amount represented the cost or valuation of the asset less its residual value. The residual value was determined at the time the asset was acquired and was not revised in subsequent periods. HKAS 16 now requires that the residual value of a fixed asset be reviewed annually. When the residual value of a fixed asset is determined to be higher than its carrying value, depreciation charge should cease.

This change in accounting policy has not resulted in any adjustment to the comparative figures in the financial statements as the residual values of the fixed assets have not changed significantly from their original estimates.

(iii) *HKAS 17: Leases*
The adoption of HKAS 17 has resulted in a change in accounting policy relating to leasehold land. Leasehold land and buildings in Hong Kong were previously carried at cost or valuation less accumulated depreciation and accumulated impairment losses. In accordance with the provisions of HKAS 17, a lease of land and building should be split into a lease of land and a lease of building in proportion to the relative fair values of the leasehold interests in the land element and the building element of the lease at the inception of the lease. The lease of land should be classified as an operating lease and any premium paid thereon is stated at cost and amortised over the period of the lease. The leasehold building is stated at cost or valuation less accumulated depreciation and accumulated impairment losses. The prepaid land premium is presented in the balance sheet as a separate item under non-current assets. The leasehold building is included under the classification of fixed assets in the balance sheet.

The effect of these changes has been reflected in the comparative figures and has resulted in a reclassification from fixed asset to lease premium for land of HK$35,668,000 and HK$34,649,000 as at 1 January 2004 and 31 December 2004 respectively.

(iv) *HKAS 32: Financial Instruments: Disclosure and Presentation*
HKAS 39: Financial Instruments: Recognition and Measurement
The adoption of HKAS 32 and HKAS 39 has resulted in a change in accounting policy for the recognition, measurement, presentation and disclosure of financial instruments. The major changes are summarised as follows:

Long-term investment shares
In prior years, the Group's long-term investment shares were classified as non-trading securities and stated in the balance sheet at fair value. The unrealised gain or loss arising from changes in fair value is recognised directly in equity, as a movement in the investment revaluation reserve. In accordance with the provisions of HKAS 39, the long-term investment shares have been re-designated as available-for-sale investments.

The adoption of HKAS 39 has not resulted in any change in the recognition or measurement of the Group's long-term investment shares and no adjustment has been made against retained profits.

Foreign currency bank deposits for purchase of fixed assets
Until 31 December 2004, all foreign currency deposits held by the Group at the balance sheet date were translated at the applicable market rates of exchange ruling at that date. Exchange differences were dealt with in the profit and loss account. HKAS 39 now permits the designation of a foreign currency deposit as a hedging instrument for the foreign currency risk of a firm commitment. When a foreign currency deposit is formally designated as hedging instrument at the inception of the hedge and the hedge is expected to be highly effective, the gain or loss on the retranslation of the foreign currency deposit at the balance sheet date is recognised directly in the hedging reserve through the statement of changes in equity. When the hedge subsequently results in the recognition of a non-financial asset, the cumulative gains and losses so recognised in the hedging reserve are removed and included in the initial cost of the asset.

HKAS 39 prohibits the re-designation of transactions entered into before 1 January 2005 as hedges. As a result, hedge accounting has only been applied prospectively to transactions entered into on or after 1 January 2005. In the current year, certain foreign currency bank deposits of the Group were designated as cash flow hedging instrument to cover the foreign currency risk of a capital commitment of the Group. The capital commitment has been fully settled and the relating hedging reserve balance has been removed and included in fixed assets during the year.

(v) *HKAS 36: Impairment of Assets*
HKAS 38: Intangible Assets
HKFRS 3: Business Combinations
The adoption of HKAS 36, HKAS 38 and HKFRS 3 has resulted in a change in the accounting policy for goodwill and publishing titles.

Goodwill
Prior to this, goodwill was amortised on a straight-line basis over a period of not exceeding 20 years. Assessment for impairment was only performed when there were indications that goodwill was impaired. In accordance with HKAS 38, goodwill should not be subject to amortisation and should be tested for impairment at least annually, irrespective of whether any indications of impairment exist.

The new accounting policy for goodwill has been applied to goodwill acquired on or after 1 January 2005. Goodwill acquired in prior years has been fully amortised as at 31 December 2004 and has not been restated. In accordance with the transitional provisions of HKFRS 3, the accumulated amortisation of goodwill of HK$611,703,000 as at 1 January 2005 has been eliminated in full against the cost of goodwill at the beginning of the current year.

Publishing titles
Publishing titles were previously amortised over their estimated lives and stated at cost less accumulated amortisation and accumulated impairment losses.

Upon adoption of HKAS 38, a publishing title, which is determined to have an indefinite useful life, will not be subject to amortisation but tested for impairment annually.

For a publishing title with a finite useful life, it is amortised over its estimated useful life and tested for impairment if certain circumstances indicate a possible impairment may exist.

The Group will apply HKAS 38 to publishing titles acquired on or after 1 January 2005. Publishing titles acquired in prior years have already been fully amortised as at 1 January 2004. In accordance with the transitional provisions of HKAS 38, the Group has not adjusted the carrying amount of these publishing titles at that date.

(vi) *HKAS 40: Investment Property*
The adoption of HKAS 40 has resulted in a change in the accounting policy for the Group's investment properties. Previously, investment properties were stated at open market values at the end of each financial year. Changes in the values of investment properties were dealt with as movements in the investment property revaluation reserve. If the total of this reserve was insufficient to cover a deficit, the excess of the deficit was charged to the profit and loss account. Any subsequent revaluation surplus was credited to the profit and loss account to the extent of the deficit previously charged. Following the adoption of HKAS 40, all changes in valuation of the investment properties would be recognised in the profit and loss account.

The adoption of HKAS 40 has no impact on the financial statements because the Group's investment properties were in a net revaluation deficit position as at 1 January 2004 and the changes in valuation of the Group's investment properties during the year would have been recognised in the profit and loss account irrespective of whether the new accounting policy has been adopted.

(vii) *HK(SIC)-Int 21: Income Taxes – Recovery of Revalued Non-Depreciable Assets*
The adoption of HK(SIC)-Int 21 has resulted in a change in accounting policy relating to the measurement of deferred tax arising from the revaluation of investment properties. Prior to this, such deferred tax was measured on the basis of tax consequences that would follow from recovery of the carrying amount of the investment properties through sale. Following the adoption of HK(SIC)-Int 21, deferred tax arising from the revaluation of investment properties are measured on the basis of tax consequences that would follow from recovery of the carrying amount of the properties through use.

The adoption of HK(SIC)-Int 21 has no impact on the financial statements because the Group's investment properties were in a net revaluation deficit position as at 31 December 2004 and it is not probable that any deferred tax assets arising from such deficit will be recovered in future periods.

(viii) *HKFRS 2: Share-based Payment*
The adoption of HKFRS 2 has resulted in a change in accounting policy for employee share options. Prior to this, the Group did not recognise compensation cost in respect of share options granted to employees or Executive Directors of the Company or any of its subsidiaries. Following the adoption of HKFRS 2, the fair value of share options at grant date is amortised over the relevant vesting periods to the profit and loss account and credited to employee share-based compensation reserve under equity.

In accordance with the transitional provisions of HKFRS 2, the new accounting policy for employee share options should only be applied to share options that were granted after 7 November 2002 and had not yet vested at 1 January 2005. Because all outstanding share options granted by the Group have already vested as at 1 January 2005, the adoption of HKFRS 2 had no impact on the profit and loss accounts in current and prior years.

(ix) *HKFRS 5: Non-current Assets Held for Sale and Discontinued Operations*
The adoption of HKFRS 5 has resulted in changes in accounting policy for non-current assets (or disposal groups) held for sale and discontinued operations.

In prior years, the Group did not classify any non-current asset (or disposal group) as held for sale. There was no separate measurement of non-current assets (or disposal groups) that are held for sale and for continuing use. When an initial disclosure event relating to an operation of the Group occurred either within a financial year or after the end of a financial year but before the financial statements are approved by the Board of Directors, such operation would be disclosed as a discontinuing operation.

Beginning from 1 January 2005, when the carrying amount of a non-current asset (or disposal group) will be recovered principally through sale transaction rather than through continuing use, it will be classified as held for sale and stated in the balance sheet at the lower of its carrying amount and fair value less costs to sell. Non-current assets held for sale are not subject to depreciation. If, within the reporting period, an operation either has been disposed of, or is classified as held for sale, it will be disclosed as a discontinued operation.

The transitional provisions of HKFRS 5 require the new accounting policy to be applied prospectively to non-current assets (or disposal groups) that meet the criteria to be classified as held for sale or operations that meet the criteria to be classified as discontinued operations, after 1 January 2005. As at 31 December 2005, none of the Group's non-current assets (or disposal groups) have been classified as held for sale and none of the Group's existing operations have been classified as discontinued operations.

(c) Effect of changes in accounting policies on the financial statements

(i) Summary of restatements made in the comparative figures

Consolidated Profit and Loss Account for the year ended 31 December 2004

	Share of profits less losses of associates HK$'000	Taxation HK$'000
As previously reported	10,299	50,461
Effect of adopting HKAS 1	(2,279)	(2,279)
As restated	8,020	48,182

Consolidated Balance Sheet as at 31 December 2004

	Fixed assets (Note 15) HK$'000	Investment properties (Note 16) HK$'000	Lease premium for land (Note 17) HK$'000
As previously reported	1,301,689	–	–
Effect of adopting HKAS 1	(664,600)	664,600	–
Effect of adopting HKAS 17	(34,649)	–	34,649
As restated	602,440	664,600	34,649

(ii) Estimated effect of new accounting policies on current year financial statements

Consolidated Profit and Loss Account for the year ended 31 December 2005

	Increase/(decrease) in profit after tax				
	Depreciation and amortisation HK$'000	Other operating expenses HK$'000	Share of profits less losses of associates HK$'000	Taxation HK$'000	Total HK$'000
Effect of adopting HKAS 1	–	–	(1,420)	1,420	–
Effect of adopting HKAS 39	(16)	3,748	–	–	3,732
Total effect	(16)	3,748	(1,420)	1,420	3,732

Consolidated Balance Sheet as at 31 December 2005

	Increase/(decrease) in net asset attributable to shareholders			
	Fixed assets HK$'000	Investment properties HK$'000	Lease premium for land HK$'000	Total HK$'000
Effect of adopting HKAS 1	(733,000)	733,000	–	–
Effect of adopting HKAS 17	(33,630)	–	33,630	–
Effect of adopting HKAS 39	3,732	–	–	3,732
Total effect	(762,898)	733,000	33,630	3,732

(d) Basis of consolidation

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

(i) Subsidiaries

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

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

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

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

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

(ii) 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, that is when the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control.

A jointly controlled entity is a joint venture which involves the establishment of a corporation, partnership or other entity in which the Group and other parties have 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 profits or losses and post-acquisition movements in reserves of the jointly controlled entity is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in the 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 accumulated impairment losses which are deemed necessary by the Directors.

(iii) Associates

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

The Group's share of the post-acquisition profits or losses and post-acquisition movements in reserves of associates is included in the consolidated 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 of the associates under the equity method of accounting less accumulated impairment losses which are deemed necessary by the Directors.

(e) Revenue recognition

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

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

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

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

(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.

(f) Employee benefits

(i) Employee retirement schemes

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

Contributions to the DC, MPF and Top-up schemes are charged to the profit and loss account as incurred. For the DC and Top-up schemes, the amounts charged to the profit and loss account 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 in the profit and loss account over the average remaining service lives of employees. Past service costs are recognised as an expense on a straight-line basis over the average period until the benefits become vested.

(ii) Share-based compensation

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

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

(g) Intangible assets

(i) *Goodwill*

Goodwill arising on the acquisition of subsidiaries, associates and jointly controlled entities represents the excess of cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired.

Goodwill acquired in relation to subsidiaries is included in intangible assets. Goodwill acquired in relation to associates and jointly controlled entities is included in the carrying amounts of the associates and jointly controlled entities respectively.

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

(ii) *Publishing titles*

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

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

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

(iii) *Software cost*

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

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

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

(h) Fixed assets and depreciation

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

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

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 calculated using the straight-line method to allocate cost or revalued amounts of the fixed assets to their residual values over the following estimated useful lives:

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

No depreciation/amortisation is provided for assets in progress.

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

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

(i) Impairment of assets

Intangible assets that have an indefinite life are tested at least annually for impairment. Intangible assets with a finite life and other fixed assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists, the recoverable amount of the assets is estimated and where relevant, an impairment loss is recognised to reduce the carrying amount of the assets to their recoverable amount. Such impairment losses are recognised in the profit and loss account except where the assets are carried at valuation and the impairment loss does not exceed the revaluation surplus for those assets, in which case it is treated as a revaluation decrease.

(j) Investment properties

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

Investment properties are measured initially at costs, including related transaction costs. After initial recognition, investment properties are carried at fair values, with changes in fair values recognised in the profit and loss account. The methods used to determine the fair values of the investment properties are set out in note 16.

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

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

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

(k) Financial instruments

The Group's financial instruments comprise long-term investment shares, accounts receivable, cash and bank balances, accounts payable, bank loans and overdrafts and share capital.

(i) Long-term investment shares

Long-term investment shares represent share investments that are not held for trading purposes. They are designated as available-for-sale financial assets.

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

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

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

(ii) Accounts receivable

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

(iii) Cash and bank balances

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

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

(iv) Accounts payable

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

(v) Bank loans and overdrafts

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

(vi) Share capital

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

(l) 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.

(m) Taxation

Tax expense represents the sum of the tax currently payable and deferred tax.

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

Deferred 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 financial statements. Deferred taxation is determined using tax rates (and tax laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

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.

(n) Foreign currency transactions

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

(iii) Group companies

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

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

(o) Leases

(i) *Operating leases*

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

(ii) *Finance leases*

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

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

(q) Segment reporting

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

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

(r) Dividend distribution

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

(s) Recently issued HKFRSs

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

HKAS 1 Amendment:	Capital Disclosures
HKAS 19 Amendment:	Actuarial Gains and Losses, Group Plans and Disclosures
HKFRS 7:	Financial Instruments: Disclosures

The HKAS 19 amendment will be effective for financial year beginning on or after 1 January 2006 while the HKAS 1 amendment and HKFRS 7 will be effective for financial year beginning on or after 1 January 2007. The Group has not early adopted these standards.

The Group has 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.

3. FINANCIAL RISK MANAGEMENT

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

(a) Interest rate risk

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

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

(b) Currency risk

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

Where appropriate, the Group hedges against its currency risk resulting from the purchase transactions in foreign currency, its foreign currency denominated investments and net assets of its foreign subsidiaries and associates. The Group's hedging activities during the year are set out in note 2(b)(iv).

(c) Price risk

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

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

(d) Liquidity risk

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

(e) Credit risk

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

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

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

(a) Judgements

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

Impairment of fixed assets

As described in note 2(i), impairment assessments on fixed assets are performed when there are indications that the carrying amount of the assets may not be recoverable. In the light of the continued losses of the video and film post-production and a magazine title's operations, the Group has carried out impairment assessments on their fixed assets. Impairment losses of HK$4,307,000 and HK$197,000 have been recognised accordingly.

Impairment of long-term investment shares

The Group follows the guidance of HKAS 39 on determining when an investment is impaired. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee.

During the year, the Group has determined that its investments in unlisted equity shares have impaired amid the poor business outlook for the investee and unfavourable market conditions. As a result, an impairment loss of HK$31,200,000 has been recognised.

(b) Key sources of estimation uncertainty

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

Defined benefit plan's assets

Determining the carrying amount of defined benefit plan's assets requires actuarial assumptions made in respect of discount rate, rate of return on plan assets and rate of future salary increases. Changes to these assumptions could have a significant risk of causing a material adjustment to the carrying amount in the balance sheet. Details of these actuarial assumptions are set out in note 26(a).

5. TURNOVER, REVENUE AND SEGMENT INFORMATION

Turnover comprises the aggregate of advertising, circulation and distribution income of newspapers and other publications, the net invoiced amount in respect of goods sold and services rendered and gross rental income.

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

	2005 HK$'000	2004 HK$'000
Turnover		
Continuing operations		
Newspapers, magazines and other publications	**1,076,996**	972,537
Investment properties	**16,306**	13,885
Video and film post-production	**22,600**	22,499
Music publishing	**4,474**	13,781
	1,120,376	1,022,702
Discontinued operations		
Retailing	**–**	351,971
	1,120,376	1,374,673
Other revenue		
Dividend income from listed investments	**2,463**	2,100
Interest income	**6,630**	815
Others	**1,395**	2,874
	10,488	5,789
Total revenue	**1,130,864**	1,380,462

Turnover from newspapers, magazines and other publications included revenue of HK$7,633,000 (2004: HK$2,467,000) arising from exchanges of goods or services with third parties.

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

Year ended 31 December 2005

	Newspapers, magazines and other publications HK$'000	Investment properties HK$'000	Video and film post-production HK$'000	Music publishing HK$'000	Total HK$'000
Turnover	1,076,996	16,306	22,600	4,474	1,120,376
Segment results and operating profit/(loss)	259,366	63,087	(17,440)	1,431	306,444
Share of profits less losses of associates	4,410	–	–	–	4,410
Profit before taxation					310,854
Taxation					(58,971)
Profit after taxation					251,883
Segment assets	1,326,254	736,707	28,102	1,648	2,092,711
Interests in associates	45,443	–	–	–	45,443
Total assets					2,138,154
Segment liabilities	(194,832)	(9,143)	(29,024)	(2,059)	(235,058)
Unallocated liabilities					(172,186)
Total liabilities					(407,244)
Capital expenditure	109,307	–	1,632	6	110,945
Depreciation	64,672	–	5,110	22	69,804
Amortisation of intangible assets	7,132	–	–	–	7,132
Amortisation of lease premium for land	1,019	–	–	–	1,019
Impairment loss	31,397	–	4,307	–	35,704

Year ended 31 December 2004

	Restated					
	Continuing operations				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 (Note 2(c))	8,020	–	–	–	–	8,020
– a jointly controlled entity	(361)	–	–	–	–	(361)
Profit before taxation						370,996
Taxation (Note 2(c))						(48,182)
Profit after taxation						322,814
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						(350,627)
Total liabilities						(509,542)
Capital expenditure	25,081	1,538	8,506	–	2,768	37,893
Depreciation	73,920	–	1,983	24	2,591	78,518
Amortisation of intangible assets	4,324	–	–	–	–	4,324
Amortisation of lease premium for land	1,019	–	–	–	–	1,019

6. 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:

	2005 HK$'000	2004 HK$'000
Turnover	–	351,971
Other revenue	–	12
Operating costs	–	(351,279)
Profit for the year	–	704
Net operating cash outflow	–	(31,431)
Net investing cash outflow	–	(2,755)
Total net cash outflow	–	(34,186)

	At 31 December 2005 HK$'000	At 31 December 2004 HK$'000
Total assets	–	19,993
Total liabilities	–	(13,282)
Net assets	–	6,711
Net assets sold	–	(17,772)
Proceeds from sale, net of expenses	–	94,532
Gain on disposal of a discontinued operation	–	76,760

7. OPERATING PROFIT

Operating profit is stated after charging and crediting:

	Group	
	2005	2004 (Restated)
	HK$'000	HK$'000
Charging		
Operating lease rentals on land and building	**9,573**	47,933
Loss on disposal of fixed assets	**119**	736
Auditors' remuneration	**2,387**	1,796
Depreciation on owned assets	**69,804**	78,518
Amortisation of intangible assets	**7,132**	4,324
Amortisation of lease premium for land	**1,019**	1,019
Impairment of long-term investment shares	**31,200**	–
Impairment of fixed assets (Note 15)	**4,504**	–
Crediting		
Net rental income from investment properties	**16,297**	11,820
Net rental income from leasehold land and buildings	**–**	1,566
Surplus on revaluation of investment properties	**50,400**	18,062

8. FINANCE COSTS

	Group	
	2005	2004
	HK$'000	HK$'000
Interest on bank loans and overdraft		
Wholly repayable within five years	**6,761**	1,887
Not wholly repayable within five years	**–**	24
	6,761	1,911

9. EMPLOYEE BENEFIT EXPENSE

	Group	
	2005	2004
	HK$'000	HK$'000
Staff costs (including directors' remuneration (Note (a)))		
Wages and salaries	**359,916**	358,881
Unutilised leave pay	**234**	–
Pension costs – defined contribution plans	**15,481**	17,156
Less: Forfeited contributions	**(3,216)**	(3,540)
Net pension costs – defined contribution plans	**12,265**	13,616
Pension income – defined benefit plan (Note 26)	**(3,124)**	(3,345)
	369,291	369,152

(a) Directors' remuneration

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

	2005 HK$'000	2004 HK$'000
Fees:		
Executive	**–**	–
Non-executive	**1,076**	933
Other emoluments:		
Salaries, allowances and benefits in kind	**654**	488
Retirement scheme contributions	**60**	42
Bonuses paid and payable	**150**	67
	1,940	1,530

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

	2005	2004
HK$Nil – HK$1,000,000	**8**	9
	8	9

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 2004 and 2005. 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$775,000 (2004: HK$632,000). Directors' fees received or receivable by other Non-executive Directors during the year amounted to approximately HK$300,000 (2004: HK$301,000). No benefits in kind received or receivable by other Non-executive Directors during the year (2004: HK$7,000). Save from the aforesaid, there were no other emoluments paid or payable to Non-executive Directors in 2005.

No options were granted to Directors of the Company to acquire share of the Company in 2004 and 2005.

The details of the remuneration of each of the Directors for the year ended 31 December 2005 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	–	–	–	–	–
Roberto V. Ongpin	100	–	–	–	100
Ronald J. Arculli	288	–	–	–	288
Khoo Kay Peng	100	–	–	–	100
Kuok Hui Kwong	–	654	60	150	864
Peter Lee Ting Chang	288	–	–	–	288
David Li Kwok Po	200	–	–	–	200
Robert Ng Chee Siong	100	–	–	–	100
	1,076	654	60	150	1,940

(b) Five highest paid individuals

The five highest paid individuals during the year include none (2004: none) of the Directors. Details of the remuneration of the five (2004: five) highest paid individuals are set out below:

	2005 **HK$'000**	2004 HK$'000
Salaries, allowances and benefits in kind	**9,080**	9,171
Retirement scheme contributions	**325**	300
Bonuses paid and payable	**2,150**	2,031
Compensation for loss of office	**972**	830
	12,527	12,332

The remuneration of the five (2004: five) highest paid individuals fell within the following bands:

	2005	2004
HK$2,000,001 – HK$2,500,000	**3**	3
HK$2,500,001 – HK$3,000,000	**1**	1
HK$3,000,001 – HK$3,500,000	**1**	1
	5	5

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

The Company has 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.

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 (2005: HK$100,000; 2004: HK$100,000) is fixed by the Board of Directors pursuant to the authority granted by the shareholders at the Company's annual general meeting. Each Non-executive Director serving on the Audit Committee, the Remuneration Committee and the Nomination Committee receives an additional fee (Audit Committee: 2005: HK$100,000; 2004: HK$100,000; Remuneration Committee: 2005: HK$50,000; 2004: HK$50,000; Nomination Committee: 2005: HK$50,000; 2004: Nil). 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.

10. TAXATION

Hong Kong profits tax has been provided for at the rate of 17.5% (2004: 17.5%) on the estimated assessable profit for the year.

	Group	
	2005	2004 (Restated)
	HK$'000	HK$'000
Company and subsidiaries:		
Hong Kong profits tax	**44,196**	54,075
Overseas taxation	**555**	472
Deferred taxation relating to the origination and reversal of temporary differences	**14,220**	(6,365)
Taxation charges	**58,971**	48,182

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	
	2005	2004 (Restated)
	HK$'000	HK$'000
Profit before taxation	**310,854**	370,996
Calculated at a taxation rate of 17.5% (2004: 17.5%)	**54,399**	64,924
Temporary differences not recognised	**(7,474)**	(4,682)
Income not subject to taxation	**(2,383)**	(17,371)
Effect of different taxation rates in other countries	**(2,304)**	(2,949)
Utilisation of previously unrecognised tax losses	**(1,255)**	(3,156)
Over provision in prior year	**(484)**	(1,480)
Tax losses not recognised	**8,163**	6,856
Expenses not deductible for taxation purposes	**7,359**	5,306
Recognition of previously unrecognised temporary difference	**1,289**	–
Temporary difference recognised on undistributed profit in associates	**1,106**	256
Withholding tax	**555**	472
Others	**–**	6
Taxation charges	**58,971**	48,182

11. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit of HK$246,357,000 (2004: HK$317,146,000) attributable to shareholders included profit of HK$234,423,000 (2004: loss of HK$2,000) dealt with in the Company's own financial statements.

12. DIVIDEND

The dividend paid and recognised by the Company during the years ended 31 December 2005 and 2004 were HK$234,142,000 (HK15 cents per share) and HK$140,485,000 (HK9 cents per share) respectively. A final dividend for 2005 of HK10 cents per share, amounting to a total dividend of HK$156,095,000 is to be proposed at the forthcoming Annual General Meeting on 25 May 2006. These financial statements do not reflect this dividend payable.

	Group and Company	
	2005	2004
	HK$'000	HK$'000
Interim dividend, HK5 cents per share (2004: HK5 cents)	**78,047**	78,047
Proposed final dividend, HK10 cents per share (2004: HK7 cents)	**156,095**	109,266
Proposed special dividend, nil per share (2004: HK3 cents)	**–**	46,829
	234,142	234,142

13. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the profit for the year attributable to shareholders of HK$246,357,000 (2004: HK$317,146,000) and 1,560,945,596 (2004: 1,560,945,596) shares in issue during the year.

As at 31 December 2005, there were share options outstanding that enable holders to subscribe for 7,353,000 shares (2004: 8,326,000 shares) in the Company. These share options could potentially dilute basic earnings per share in the future, but were not included in the calculation of diluted earnings per share because they are antidilutive for the years presented.

14. INTANGIBLE ASSETS

	Publishing titles HK$'000	Software costs HK$'000	Assets in progress HK$'000	Total HK$'000
At 1 January 2004				
Cost	1,820,000	24,028	10,583	1,854,611
Accumulated amortisation	(1,820,000)	(1,439)	–	(1,821,439)
Net book value	–	22,589	10,583	33,172
Net book value at 1 January 2004	–	22,589	10,583	33,172
Additions	–	1,362	13,497	14,859
Disposal of a discontinued operation	–	–	(1,827)	(1,827)
Reclassification	–	22,253	(22,253)	–
Amortisation	–	(4,324)	–	(4,324)
Net book value at 31 December 2004	–	41,880	–	41,880
At 31 December 2004				
Cost	1,820,000	47,643	–	1,867,643
Accumulated amortisation	(1,820,000)	(5,763)	–	(1,825,763)
Net book value	–	41,880	–	41,880
Net book value at 1 January 2005	**–**	**41,880**	**–**	**41,880**
Additions	**–**	**27**	**1,016**	**1,043**
Reclassification	**–**	**604**	**(604)**	**–**
Amortisation	**–**	**(7,132)**	**–**	**(7,132)**
Net book value at 31 December 2005	**–**	**35,379**	**412**	**35,791**
At 31 December 2005				
Cost	**1,820,000**	**48,274**	**412**	**1,868,686**
Accumulated amortisation	**(1,820,000)**	**(12,895)**	**–**	**(1,832,895)**
Net book value	**–**	**35,379**	**412**	**35,791**

15. FIXED ASSETS

	Investment properties HK$'000	Leasehold buildings HK$'000	Other fixed assets HK$'000	Assets in progress HK$'000	Total HK$'000
At 1 January 2004					
Cost or valuation					
– as previously reported	645,000	376,975	909,217	19,900	1,951,092
– effect of adopting HKAS 1	(645,000)	–	–	–	(645,000)
– effect of adopting HKAS 17	–	(45,107)	–	–	(45,107)
As restated	–	331,868	909,217	19,900	1,260,985
Accumulated depreciation					
– as previously reported	–	74,788	528,956	–	603,744
– effect of adopting HKAS 17	–	(9,439)	–	–	(9,439)
As restated	–	65,349	528,956	–	594,305
Net book value at 1 January 2004	–	266,519	380,261	19,900	666,680
Net book value at 1 January 2004					
– as previously reported	645,000	302,187	380,261	19,900	1,347,348
– effect of adopting HKAS 1	(645,000)	–	–	–	(645,000)
– effect of adopting HKAS 17	–	(35,668)	–	–	(35,668)
As restated	–	266,519	380,261	19,900	666,680
Additions	–	–	14,601	8,433	23,034
Disposals	–	–	(1,435)	–	(1,435)
Disposal of a discontinued operation	–	–	(4,094)	(2,380)	(6,474)
Termination of a jointly controlled entity	–	–	623	–	623
Reclassification/transfer	–	–	12,121	(13,659)	(1,538)
Depreciation	–	(6,813)	(71,705)	–	(78,518)
Translation differences	–	–	11	57	68
Net book value at 31 December 2004	–	259,706	330,383	12,351	602,440

At 31 December 2004					
Cost or valuation					
– as previously reported	664,600	376,975	901,927	12,351	1,955,853
– effect of adopting HKAS 1	(664,600)	–	–	–	(664,600)
– effect of adopting HKAS 17	–	(45,107)	–	–	(45,107)
As restated	–	331,868	901,927	12,351	1,246,146
Accumulated depreciation					
– as previously reported	–	82,620	571,544	–	654,164
– effect of adopting HKAS 17	–	(10,458)	–	–	(10,458)
As restated	–	72,162	571,544	–	643,706
Net book value at 31 December 2004	–	259,706	330,383	12,351	602,440

	Investment properties HK$'000	Leasehold buildings HK$'000	Other fixed assets HK$'000	Assets in progress HK$'000	Total HK$'000
Net book value at 1 January 2005					
– as previously reported	664,600	294,355	330,383	12,351	1,301,689
– effect of adopting HKAS 1	(664,600)	–	–	–	(664,600)
– effect of adopting HKAS 17	–	(34,649)	–	–	(34,649)
As restated	–	259,706	330,383	12,351	602,440
Additions	–	–	12,737	93,417	106,154
Transfer from hedging reserve	–	–	3,748	–	3,748
Revaluation	–	3,000	–	–	3,000
Disposals	–	–	(366)	(20)	(386)
Impairment loss	–	–	(4,451)	(53)	(4,504)
Reclassification/transfer	–	(18,000)	105,146	(105,146)	(18,000)
Depreciation	–	(6,661)	(63,143)	–	(69,804)
Translation differences	–	–	377	–	377
Net book value at 31 December 2005	–	238,045	384,431	549	623,025
At 31 December 2005					
Cost or valuation	–	308,868	1,013,993	602	1,323,463
Accumulated depreciation and impairment losses	–	(70,823)	(629,562)	(53)	(700,438)
Net book value at 31 December 2005	–	238,045	384,431	549	623,025

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

	Leasehold buildings HK$'000	Other fixed assets HK$'000	Assets in progress HK$'000	Total HK$'000
Analysis of cost and valuation as at 31 December 2005:				
At cost	299,673	1,013,993	602	1,314,268
At valuation – 1990	9,195	–	–	9,195
	308,868	1,013,993	602	1,323,463
Analysis of cost and valuation as at 31 December 2004:				
At cost	322,673	901,927	12,351	1,236,951
At valuation – 1990	9,195	–	–	9,195
	331,868	901,927	12,351	1,246,146

Certain of the Group's leasehold building was revalued in 1990 by Knight Frank Kan & Baillieu, an independent professional valuer, at HK$9,195,000, being their open market value based on their existing use. No subsequent revaluation was carried out as the Group has adopted the exemption provision of paragraph 80A of HKAS 16, of not making regular revaluations by class of those assets stated at revalued amounts based on revaluations which were reflected in prior year financial statements. Had such leasehold building been carried at cost less accumulated depreciation, the carrying value of such leasehold building would have been stated at approximately HK$3,294,000 (2004: HK$3,641,000).

During the year, a property previously classified as a leasehold building has been transferred to investment properties. At the date of transfer, the property was valued by DTZ Debenham Tie Leung Limited, an independent valuer.

16. INVESTMENT PROPERTIES

	Group	
	2005	2004 (Restated)
	HK$'000	HK$'000
At 1 January		
– as previously reported	**–**	–
– effect of adopting HKAS 1	**664,600**	645,000
As restated	**664,600**	645,000
Transfer from assets in progress	**–**	1,538
Transfer from leasehold buildings	**18,000**	–
Revaluation surplus	**50,400**	18,062
At 31 December	**733,000**	664,600

Particulars of investment properties held by the Group

	Property	Type	Lease term
(i)	20th and 21st Floors and car parking spaces Nos. 21, 22 and 23 on 4th Floor, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong	Offices and car parking spaces	Long
(ii)	The lobby on Ground Floor and the front portion of the 1st, 2nd and 3rd Floors, No. 1 Leighton Road and portion of the canopy on the 1st Floor level, Yue King Building, 26-30 Canal Road West, 1-7 Leighton Road and 41-47 Morrison Hill Road, Wanchai, Hong Kong	Retail shops, offices and advertising board spaces	Medium
(iii)	Ground Floor, Block B, Ko Fai Industrial Building, 7 Ko Fai Road, Yau Tong, Kowloon, Hong Kong	Workshop unit	Medium
(iv)	Clear Water Bay Studio, Clear Water Bay Road, A Kung Wan, Hang Hau, New Territories, Hong Kong	TV Studio	Medium

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

For the year ended 31 December 2005, direct operating expenses of HK$167,000 (2004: HK$170,000) arising from investment properties that generated rental income and HK$3,370,000 (2004: HK$3,832,000) arising from investment properties that did not generate rental income were charged to the consolidated profit and loss account.

17. LEASE PREMIUM FOR LAND

	Group	
	2005	2004 (Restated)
	HK$'000	HK$'000
At 1 January		
– as previously reported	**–**	–
– effect of adopting HKAS 17	**34,649**	35,668
As restated	**34,649**	35,668
Amortisation	**(1,019)**	(1,019)
At 31 December	**33,630**	34,649

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

	2005	2004
	HK$'000	HK$'000
In Hong Kong held on:		
Leases of over 50 years	**18,560**	19,215
Leases of between 10 to 50 years	**15,070**	15,434
	33,630	34,649

18. INTERESTS IN SUBSIDIARIES

	Company	
	2005	2004
	HK$'000	HK$'000
Unlisted shares, at costs	**–**	–
Amounts due from subsidiaries	**1,515,703**	1,515,780
	1,515,703	1,515,780

The amounts due from subsidiaries are unsecured, interest-free and repayable on demand.

Details of the principal subsidiaries are set out in Note 33 to the financial statements.

19. INTERESTS IN ASSOCIATES

	Group 2005 HK$'000	2004 HK$'000
Associates		
Share of net assets other than goodwill:		
Shares listed overseas	**37,180**	39,239
Unlisted shares	**4,080**	3,120
	41,260	42,359
Goodwill	**5,126**	–
Amounts due to associates	**(943)**	(816)
	45,443	41,543
Fair value of shares held in a listed associate	**140,990**	104,376

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

	Group 2005 HK$'000	2004 HK$'000
Total assets	**321,934**	275,759
Total liabilities	**(138,036)**	(81,298)
Net assets	**183,898**	194,461
Group's share of associates' net assets	**41,260**	42,359
Revenue	**347,254**	367,509
Profit for the year	**25,225**	38,483
Group's share of associates' profits for the year	**4,410**	8,020

Details of the principal associates are set out in Note 33 to the financial statements.

20. LONG-TERM INVESTMENT SHARES

	Group 2005 HK$'000	2004 HK$'000
Listed equity shares, at fair value		
Hong Kong	**144,249**	123,296
The Philippines	**3,579**	2,164
	147,828	125,460
Unlisted equity shares, at fair value	**–**	31,200
	147,828	156,660
Market value of the listed equity shares	**147,828**	125,460

21. INVENTORIES

	Group 2005 HK$'000	Group 2004 HK$'000
Raw materials	**33,727**	34,366
Work in progress	**515**	266
Finished goods	**4,176**	3,142
	38,418	37,774

The amount of inventories recognised as expense during the year was HK$101,453,000 (2004: HK$354,957,000).

22. 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 due date is as follows:

	Group			
	2005		2004	
	Balance HK$'000	**Percentage %**	Balance HK$'000	Percentage %
0 to 30 days	**172,374**	**67.9**	148,007	73.1
31 to 60 days	**46,980**	**18.5**	15,822	7.8
61 to 90 days	**21,343**	**8.4**	32,344	16.0
Over 90 days	**13,108**	**5.2**	6,338	3.1
Total	**253,805**	**100.0**	202,511	100.0
Less: Accumulated impairment losses	**(8,588)**		(10,898)	
	245,217		191,613	

The carrying amounts of accounts receivable approximate their fair value.

23. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	Group			
	2005		2004	
	Balance HK$'000	**Percentage %**	Balance HK$'000	Percentage %
0 to 30 days	**25,311**	**80.8**	25,327	76.8
31 to 60 days	**1,451**	**4.6**	1,986	6.0
61 to 90 days	**517**	**1.7**	377	1.1
Over 90 days	**4,056**	**12.9**	5,314	16.1
Total accounts payable	**31,335**	**100.0**	33,004	100.0
Accrued liabilities	**103,661**		83,705	
Total accounts payable and accrued liabilities	**134,996**		116,709	

The carrying amounts of accounts payable approximate their fair value.

24. BANK LOANS AND BANK OVERDRAFT

As at 31 December 2005, the Group's bank loans and bank overdraft were repayable as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
Within one year	**58,631**	232,358
In the third to fifth year	**17,000**	17,000
	75,631	249,358

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	Group	
	2005	2004
	HK$'000	HK$'000
Hong Kong dollar	**67,000**	247,000
Renminbi	**8,631**	2,358
	75,631	249,358

The effective interest rates for the borrowings were as follows:

	Group	
	2005	2004
Bank overdrafts	**5.22%**	5.22%
Bank loans	**4.33%**	0.84%

All of the Group's borrowings are arranged at floating interest rates. The carrying amounts of the borrowings approximate their fair value.

25. DEFERRED TAXATION

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2004: 17.5%).

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

	Group	
	2005	2004
	HK$'000	HK$'000
At 1 January	**90,540**	96,905
Charge/(credit) to profit and loss for the year (Note 10)	**14,220**	(6,365)
Charge to equity for the year	**701**	–
At 31 December	**105,461**	90,540

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**	
	2005	2004	**2005**	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At 1 January	**93,871**	98,777	**472**	614	**94,343**	99,391
Charge/(credit) to profit and loss	**12,690**	(4,906)	**1,119**	(142)	**13,809**	(5,048)
Charge to equity	**701**	–	**–**	–	**701**	–
At 31 December	**107,262**	93,871	**1,591**	472	**108,853**	94,343

Group								
Deferred tax assets	**Provisions**		**Tax loss**		**Others**		**Total**	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At 1 January	**(1,893)**	(1,982)	**(1,879)**	(413)	**(31)**	(91)	**(3,803)**	(2,486)
Charge/(credit) to profit and loss	**287**	89	**108**	(1,466)	**16**	60	**411**	(1,317)
At 31 December	**(1,606)**	(1,893)	**(1,771)**	(1,879)	**(15)**	(31)	**(3,392)**	(3,803)

	Group	
	2005	2004
	HK$'000	HK$'000
Deferred tax liabilities	**108,853**	94,343
Deferred tax assets	**(3,392)**	(3,803)
	105,461	90,540

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$266,261,000 (2004: HK$239,859,000) to carry forward against future taxable income; the expiry dates of these tax losses are shown as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
Expiring within one year	**1,997**	1,790
Expiring in the second to fifth year	**33,492**	20,434
After the fifth year	**230,772**	217,635
	266,261	239,859

26. EMPLOYEE RETIREMENT SCHEMES

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

(a) Defined benefit scheme

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

Pension costs are assessed using the projected unit credit method. The pension costs are charged to the 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 135% (2004:127%) covered by plan assets held by the trustees.

	Group	
	2005	2004
	HK$'000	HK$'000
Defined benefit plan's assets	**33,539**	30,415

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

	Group	
	2005	2004
	HK$'000	HK$'000
Fair value of plan assets	**317,269**	298,948
Present value of funded obligations	**(235,126)**	(236,282)
	82,143	62,666
Unrecognised actuarial gains	**(48,604)**	(32,251)
Asset in the balance sheet	**33,539**	30,415

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

	Group	
	2005	2004
	HK$'000	HK$'000
Present value of available future refunds and reductions in future contributions	**82,143**	62,666
Limit of net asset to be recognised	**82,143**	62,666
Net asset recognised in the balance sheet	**33,539**	30,415

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

	Group	
	2005	2004
	HK$'000	HK$'000
Current service cost	**12,175**	10,648
Interest cost	**8,683**	9,071
Expected return on plan assets	**(20,757)**	(19,095)
Net actuarial gains recognised	**(3,225)**	(3,969)
Total, included in staff costs (Note 9)	**(3,124)**	(3,345)

The actual return on plan assets was HK$27,539,000 (2004: HK$40,574,000).

Movement in the asset recognised in the balance sheet:

	Group	
	2005	2004
	HK$'000	HK$'000
At 1 January	**30,415**	27,070
Total income credited to profit and loss account – as shown above	**3,124**	3,345
At 31 December	**33,539**	30,415

The principal actuarial assumptions used were as follows:

	2005	2004
	%	%
Discount rate	**4.25**	4.50
Expected rate of return on plan assets	**7.00**	7.00
Expected rate of future salary increases	**4.00**	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.

(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.

27. SHARE CAPITAL

	Group and Company 2005 HK$'000	2004 HK$'000
Authorised:		
5,000,000,000 shares of HK$0.10 each	**500,000**	500,000
Issued and fully paid:		
1,560,945,596 (2004: 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:

	2005 No. of shares in respect of options granted	2004 No. of shares in respect of options granted
Outstanding at 1 January	**8,326,000**	10,221,000
Granted during the year	**–**	–
Exercised during the year	**–**	–
Lapsed during the year	**(973,000)**	(1,895,000)
Outstanding at 31 December (Note (a))	**7,353,000**	8,326,000

No share option were cancelled during the year (2004: 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$	2005 No. of shares in respect of options granted	2004 No. of shares in respect of options granted
Other employees	02/08/1999	02/08/2000-27/10/2007	5.00	**1,092,500**	1,092,500
	11/01/2000	11/01/2001-27/10/2007	5.51	**880,500**	983,500
	20/04/2000	20/04/2001-27/10/2007	6.05	**3,260,000**	3,430,000
	28/06/2001	28/06/2002-27/10/2007	4.95	**420,000**	720,000
	23/09/2003	23/09/2004-27/10/2007	3.90	**1,700,000**	2,100,000
				7,353,000	8,326,000

Share options outstanding have a weighted average remaining contractual life of 1.82 years (2004: 2.82 years).

28. RESERVES

(a) Group

Movements of the Group's reserves for the year ended 31 December 2005 and 2004 are presented in the consolidated statement of changes in equity on page 67.

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

(b) Company

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

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

In addition, the Company's share premium of HK$40,971,000 (2004: HK$40,971,000) can be distributed as fully paid-up bonus shares or applied towards eliminating the retained losses of the Company.

29. 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	
	2005 HK$'000	2004 HK$'000
Expiring within one year	**8,970**	8,796
Expiring in the second to fifth years, inclusive	**1,810**	6,881
	10,780	15,677

30. CAPITAL COMMITMENTS

	Group 2005 HK$'000	Group 2004 HK$'000
Capital commitments for property, plant and equipment		
Contracted, but not provided for	**3,380**	82,761
Authorised, but not contracted for	**35,872**	36,227
	39,252	118,988

31. FUTURE OPERATING LEASE ARRANGEMENTS

As at 31 December 2005, the Group had future aggregate minimum lease receipts under non-cancelable operating leases in respect of land and buildings as follows:

	Group 2005 HK$'000	Group 2004 HK$'000
Not later than one year	**12,500**	10,765
Later than one year but not later than five years	**13,719**	15,928
	26,219	26,693

32. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	Group 2005 HK$'000	Group 2004 HK$'000
Operating profit	**306,444**	363,337
Gain on disposal of long-term investment shares	**(711)**	(7,326)
Surplus on revaluation of investment properties	**(50,400)**	(18,062)
Depreciation and amortisation	**77,955**	83,861
Interest income	**(6,630)**	(815)
Interest expenses	**6,761**	1,911
Dividend income from listed investments	**(2,463)**	(2,100)
Loss on disposal of fixed assets	**119**	736
Impairment of non-current assets	**35,704**	–
Pension income	**(3,124)**	(3,345)
Loss on termination of a jointly-controlled entity	**–**	1,076
Gain on disposal of a discontinued operation	**–**	(76,760)
Increase/(decrease) in amounts due to associates	**134**	(364)
(Increase)/decrease in amounts due from associates	**(7)**	1
Increase in inventories	**(644)**	(6,627)
Increase in accounts receivable	**(53,604)**	(20,003)
Decrease in prepayments, deposits and other receivables	**17,228**	913
Increase/(decrease) in accounts payable and accrued liabilities	**18,211**	(30,935)
Increase/(decrease) in subscriptions in advance	**1,583**	(83)
Net cash inflow from operations	**346,556**	285,415

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

	Short-term bank loans HK$'000	Long-term bank loans HK$'000	Minority interests HK$'000
Balance at 1 January 2004	–	230,000	9,677
Non cash movements			
Share of profits	–	–	5,668
Acquisition of additional interest in a subsidiary	–	–	(25)
Cash movements			
Dividend paid to minority shareholder in a subsidiary	–	–	(3,000)
Drawdown of bank loan	–	17,000	–
Balance at 31 December 2004	–	247,000	12,320
Balance at 1 January 2005	**–**	**247,000**	**12,320**
Non cash movements			
Share of profits	**–**	**–**	**5,526**
Exchange differences	**–**	**–**	**60**
Cash movements			
Dividend paid to minority shareholder in a subsidiary	**–**	**–**	**(7,500)**
Drawdown/(repayment) of bank loan	**51,918**	**(230,000)**	**–**
Balance at 31 December 2005	**51,918**	**17,000**	**10,406**

(c) Disposal of a discontinued operation:

	Group	
	2005 HK$'000	2004 HK$'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
Amount received/(to be received)	**4,091**	(4,091)
	4,091	90,441

(d) Termination of a jointly controlled entity:

On 2 March 2004, the Group and SCMP Haymarket Publishing Limited (now known as SCMP Magazines Publishing (HK) Limited) (the jointly controlled entity of the Group before termination of the SCMP/Haymarket Publishing joint venture) 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.

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.

(e) Cash and bank balances:

	Group		Company	
	2005 HK$'000	2004 HK$'000	**2005 HK$'000**	2004 HK$'000
Cash at bank and in hand	**62,811**	185,749	**610**	252
Short-term bank deposits	**118,638**	177,346	**–**	–
	181,449	363,095	**610**	252

The effective interest rate on short-term bank deposits was 4.05% (2004: 1.31%); these deposits have an average maturity of 6 days as at 31 December 2005 (2004: 6 days).

33. SUBSIDIARIES AND ASSOCIATES

Particulars of the Company's principal subsidiaries and the Group's principal associates at 31 December 2005 are as follows:

Subsidiaries

Company	Place of incorporation/ registration and operations (Kind of legal entity)	Nominal value of issued/ registered share capital	Proportion held Direct	Proportion held Indirect	Nature of business
Capital Artists Limited	Hong Kong	Ordinary HK$44,394,500	–	100%	Music publishing
Coastline International Limited	The Commonwealth of The Bahamas	Ordinary US$2	–	100%	Property holding
Guangzhou Video-Film Advertising Limited	The People's Republic of China (Wholly Foreign-owned Enterprise)	Registered capital US$2,100,000	–	83%	Advertising agent
Lyton Investment Limited	The Commonwealth of The Bahamas	Ordinary US$2	–	100%	Property holding
Macheer Properties Limited	The British Virgin Islands	Ordinary US$1	–	100%	Property holding
Markland Investments Limited	Hong Kong	Ordinary HK$2	–	100%	Investment holding

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

Associates

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

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

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

34. RELATED PARTY TRANSACTIONS

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

(a) The Group had certain transactions, including advertising services, logistic services and publication services, with subsidiaries of a substantial shareholder of the Company. Details of the transactions are disclosed in the Directors' Report.

(b) Key management personnel compensation

	Group	
	2005	2004
	HK$'000	HK$'000
Salaries and other short-term employee benefits	**19,085**	18,823
Post-employment benefits	**520**	564
Termination benefits	**202**	–
	19,807	19,387

35. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 6 April 2006.