CONSOLIDATED BALANCE SHEET
As at 31 December 2006

	Notes	2006 HK$'000	2005 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**566,953**	623,025
Investment properties	7	**773,800**	733,000
Lease premium for land	8	**32,609**	33,630
Intangible assets	9	**34,920**	35,791
Interests in associates	11	**53,169**	45,443
Available-for-sale financial assets	12	**208,516**	147,828
Defined benefit plan's assets	27(a)	**39,611**	33,539
		1,709,578	1,652,256
Current assets			
Inventories	13	**29,252**	38,418
Accounts receivable	14	**281,771**	245,217
Prepayments, deposits and other receivables		**17,028**	20,814
Cash and bank balances	30(c)	**255,306**	181,449
		583,357	485,898
Total assets		**2,292,935**	2,138,154
EQUITY			
Capital and reserves			
Share capital	15	**156,095**	156,095
Reserves		**1,523,737**	1,408,314
Proposed dividend		**202,923**	156,095
	16(a)	**1,726,660**	1,564,409
Shareholders' funds		**1,882,755**	1,720,504
Minority interests		**11,832**	10,406
Total equity		**1,894,587**	1,730,910
LIABILITIES			
Non-current liabilities			
Long-term bank loan, unsecured	17	**17,000**	17,000
Deferred income tax liabilities	18	**111,833**	105,461
		128,833	122,461
Current liabilities			
Accounts payable and accrued liabilities	19	**149,881**	134,996
Subscriptions in advance		**23,037**	24,431
Current income tax liabilities		**81,672**	66,725
Short-term bank loan, unsecured	17	**1,990**	51,918
Bank overdraft, secured	17	**12,935**	6,713
		269,515	284,783
Total liabilities		**398,348**	407,244
Total equity and liabilities		**2,292,935**	2,138,154
Net current assets		**313,842**	201,115
Total assets less current liabilities		**2,023,420**	1,853,371

Kuok Khoon Ean
Chairman

Peter Lee Ting Chang
Director

Audited Financial Statements

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2006

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2006

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

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2006

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

BALANCE SHEET

As at 31 December 2006

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

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, properties investment and music publishing.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

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

(b) The adoption of new/revised HKFRS

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

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

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

(c) Basis of consolidation

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

(i) Subsidiaries

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

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

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

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

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

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

(ii) *Associates*

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

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

(d) Revenue recognition

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

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

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

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

(e) Employee benefits

(i) *Employee retirement schemes*

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

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

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

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

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

(f) Intangible assets

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

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

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

(ii) *Publishing titles*

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

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

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

(iii) *Software cost*

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

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

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

(g) Property, plant and equipment

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

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

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

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

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

No depreciation/amortisation is provided for assets in progress.

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

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

(h) Impairment of assets

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

(i) Investment properties

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

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

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

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

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

(j) Financial instruments

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

(i) Available-for-sale financial assets

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

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

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

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

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

(ii) Accounts receivable

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

(iii) Cash and bank balances

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

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

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

(iv) Accounts payable

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

(v) Bank loans and overdraft

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

(vi) Share capital

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

(k) Inventories

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

(l) Income tax expense

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

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

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

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

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

(m) Foreign currency transactions

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

(iii) Group companies

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

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

(n) Leases

(i) Operating leases

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

(ii) Finance leases

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

(o) Provisions and contingent liabilities

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

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

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

(p) Segment reporting

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

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

(q) Dividend distribution

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

(r) Recently issued HKFRSs

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

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

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

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

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

(s) Comparative figures

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

3. FINANCIAL RISK MANAGEMENT

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

(a) Interest rate risk

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

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

(b) Currency risk

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

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

(c) Price risk

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

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

(d) Liquidity risk

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

(e) Credit risk

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

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

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

(a) Judgements

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

Impairment of property, plant and equipment

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

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

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

(b) Key sources of estimation uncertainty

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

Defined benefit plan's assets

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

5. REVENUE AND SEGMENT INFORMATION

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

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

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

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

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

Year ended 31 December 2006

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

Year ended 31 December 2005

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

6. PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

7. INVESTMENT PROPERTIES

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

Particulars of investment properties held by the Group

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

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

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

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

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

8. LEASE PREMIUM FOR LAND

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

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

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

9. INTANGIBLE ASSETS

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

10. INTERESTS IN SUBSIDIARIES

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

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

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

11. INTERESTS IN ASSOCIATES

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

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

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

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

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

12. AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

13. INVENTORIES

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

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

14. ACCOUNTS RECEIVABLE

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

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

The carrying amounts of accounts receivable approximate their fair value.

15. SHARE CAPITAL

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

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

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

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

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

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

Note (a)
Share options outstanding under the Current Scheme at the end of the year have the following terms:

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

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

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

16. RESERVES

(a) Group

Movements of the Group's reserves for the year ended 31 December 2006 and 2005 are presented in the consolidated statement of changes in equity on page 77.

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

(b) Company

	Share premium HK$'000	Contributed surplus HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2005	40,971	1,299,645	19,321	1,359,937
Profit for the year	–	–	234,423	234,423
2004 final dividend distribution	–	(156,095)	–	(156,095)
2005 interim dividend distribution	–	–	(78,047)	(78,047)
At 31 December 2005	40,971	1,143,550	175,697	1,360,218
At 1 January 2006	**40,971**	**1,143,550**	**175,697**	**1,360,218**
Profit for the year	**–**	**–**	**94,470**	**94,470**
2005 final dividend distribution	**–**	**–**	**(156,095)**	**(156,095)**
2006 interim dividend distribution	**–**	**–**	**(93,657)**	**(93,657)**
At 31 December 2006	**40,971**	**1,143,550**	**20,415**	**1,204,936**

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

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

17. BANK LOANS AND OVERDRAFT

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

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

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

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

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

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

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

18. DEFERRED INCOME TAX LIABILITIES

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

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

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

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

Group

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

Group

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

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

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

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

19. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

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

The carrying amounts of accounts payable approximate their fair value.

20. STAFF COSTS

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

(a) Directors' remuneration

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

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

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

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

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

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

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

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

Name of Director	**Directors' fees 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	300	–	–	–	300
Khoo Kay Peng	100	–	–	–	100
Kuok Hui Kwong	–	266	15	52	333
Peter Lee Ting Chang	300	–	–	–	300
David Li Kwok Po	200	–	–	–	200
Robert Ng Chee Siong	100	–	–	–	100
	1,100	266	15	52	1,433

(b) Five highest paid individuals

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

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

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

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

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

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

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

21. OPERATING PROFIT

Operating profit is stated after charging and crediting:

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

22. NET INTEREST INCOME/(EXPENSE)

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

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

23. INCOME TAX EXPENSE

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

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

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

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

24. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

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

25. DIVIDENDS

(a) Dividends attributable to the year:

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

(b) Dividends paid during the year:

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

26. EARNINGS PER SHARE

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

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

27. EMPLOYEE RETIREMENT SCHEMES

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

(a) Defined benefit scheme

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

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

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

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

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

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

The amounts recognised in the balance sheet are as follows:

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

The amounts recognised in the income statement are as follows:

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

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

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

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

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

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

The principal actuarial assumptions were as follows:

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

Amounts for the current and previous year are as follows:

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

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

(b) MPF scheme

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

(c) Top-up scheme

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

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

(d) Defined contribution scheme

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

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

28. OPERATING LEASE COMMITMENTS

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

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

29. CAPITAL COMMITMENTS

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

30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

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

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

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

(c) Cash and bank balances:

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

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

31. SUBSIDIARIES AND ASSOCIATES

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

Subsidiaries

Company	Place of incorporation/ registration and operations (Kind of legal entity)	Nominal value of issued/ registered share capital	Proportion held Direct	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
SCMP (1994) Limited	Hong Kong	Ordinary HK$2	100%	–	Investment holding
SCMP Book Publishing Limited	Hong Kong	Ordinary HK$2,000,000	–	100%	Book publishing
SCMP Hearst Publications Limited	Hong Kong	Ordinary HK$10,000	–	70%	Magazine publishing
SCMP Magazines Publishing (HK) Limited	Hong Kong	Ordinary HK$10,000	–	100%	Magazine publishing
SCMP Magazines Publishing Limited	Hong Kong	Ordinary HK$10,000	–	100%	Publication and advertising
SCMP Maxim Limited	Hong Kong	Ordinary HK$2	–	100%	Magazine publishing
SCMP.com Holdings Limited[#]	The British Virgin Islands	Ordinary US$1	100%	–	Investment holding
Shanghai Nan Hong Information Services Co., Ltd.	The People's Republic of China (Wholly Foreign-owned Enterprise)	Registered capital US$2,101,000	–	100%	Provision of consulting and advisory service

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
South China Morning Post Publishers Limited	Hong Kong	Ordinary HK$201,000,000	–	100%	Newspaper and magazine publishing
South China Morning Post (S) Pte Ltd	Singapore	Ordinary S$3	–	100%	Advertising agent
Sunny Bright Development Limited	Hong Kong	Ordinary HK$2	–	100%	Property holding
Sunny Success Development Limited	Hong Kong	Ordinary HK$2	–	100%	Property holding
Video-Film Productions Limited	Hong Kong	Ordinary HK$12,050	–	83%	Video and film post-production
West Side Assets Limited#	The British Virgin Islands	Ordinary US$1	–	100%	Investment holding

Associates

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

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

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

32. RELATED PARTY TRANSACTIONS

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

Key management personnel compensation

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

33. APPROVAL OF THE FINANCIAL STATEMENTS

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