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**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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If you are in any doubt as to any aspect of the Offer, this Composite Document and/or the accompanying Form of Acceptance or as to the action to be taken, you should consult a licensed securities dealer or other registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Armada Holdings Limited, you should at once hand this Composite Document, together with the accompanying Form of Acceptance, to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer or registered institution in securities, or other agent through whom the sale or the transfer was effected for transmission to the purchaser(s) or the transferee(s).

This Composite Document should be read in conjunction with the accompanying Form of Acceptance, the contents of which form part of the terms of the Offer.

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Composite Document and the accompanying Form of Acceptance, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Composite Document and the accompanying Form of Acceptance.

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**GREAT WALL PAN ASIA (BVI)  
HOLDING LIMITED**

*(incorporated in British Virgin Islands with  
limited liability)*

**ARMADA**

**ARMADA HOLDINGS LIMITED**

**(南潮控股有限公司)\***

*(incorporated in Bermuda with limited liability)*

**(Stock Code: 583)**

**COMPOSITE OFFER AND RESPONSE DOCUMENT RELATING TO  
THE MANDATORY UNCONDITIONAL CASH OFFER BY  
BOCI ASIA LIMITED ON BEHALF OF  
GREAT WALL PAN ASIA (BVI) HOLDING LIMITED  
TO ACQUIRE ALL OF THE ISSUED SHARES IN  
ARMADA HOLDINGS LIMITED  
(OTHER THAN THOSE SHARES ALREADY OWNED OR AGREED TO  
BE ACQUIRED BY GREAT WALL PAN ASIA (BVI) HOLDING LIMITED  
AND PARTIES ACTING IN CONCERT WITH IT OR  
GREAT WALL PAN ASIA INTERNATIONAL  
INVESTMENT CO., LIMITED)**

**Financial adviser to  
Great Wall Pan Asia (BVI) Holding Limited**



**Financial adviser to  
Armada Holdings Limited**



**Independent Financial Adviser to the Independent Board Committee of  
Armada Holdings Limited**



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Capitalised terms used on this cover page shall have the same meanings as those defined in the section headed "Definitions" in this Composite Document.

A letter from BOCI containing, among other things, the principal terms of the Offer is set out on pages 8 to 18 of this Composite Document. A letter from the Board is set out on pages 19 to 24 of this Composite Document. A letter from the Independent Board Committee to the Independent Shareholders containing its recommendation in respect of the Offer is set out on pages 25 to 26 of this Composite Document. A letter from the Independent Financial Adviser to the Independent Board Committee in respect of the Offer and the principal factors considered by it in arriving at its advice is set out on pages 27 to 45 of this Composite Document.

The procedures for acceptance and settlement and the acceptance period of the Offer are set out in Appendix I to this Composite Document and in the accompanying Form of Acceptance. Acceptances of the Offer should be received by the Registrar by no later than 4:00 p.m. (Hong Kong time) on Friday, 25 November 2016, being the First Closing Date (or such later time and/or date as the Offeror may decide and announce in accordance with the Takeovers Code).

Persons including, without limitation, custodians, nominees and trustees who would, or otherwise intend to, forward this Composite Document and/or the accompanying Form of Acceptance to any jurisdiction outside of Hong Kong should read the section headed "Important Notices" in this Composite Document, the section headed "Overseas Shareholders" in the letter from BOCI in this Composite Document and Appendix I to this Composite Document before taking any action. It is the responsibility of any person wishing to accept the Offer to satisfy himself, herself or itself as to full observance of the laws and regulations of the relevant jurisdiction in connection therewith, including obtaining any governmental, exchange control or other consents which may be required and the compliance with other necessary formalities or legal requirements and payment of any transfer or other taxes due in respect of such jurisdiction. Each such person is advised to seek professional advice on deciding whether to accept the Offer.

\* For identification purpose only

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## EXPECTED TIMETABLE

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*The expected timetable set out below is indicative only and may be subject to change. Further announcement(s) will be made as and when appropriate.*

***Unless otherwise expressly stated, references to times and dates in this Composite Document and the Form of Acceptance are to Hong Kong times and dates.***

Despatch date of this Composite Document and the accompanying Form of Acceptance and the commencement of the Offer <sup>(1)</sup> .....	Friday, 4 November 2016
Latest time and date for acceptance of the Offer <sup>(2),(4)</sup> .....	4:00 p.m. on Friday, 25 November 2016
First Closing Date of the Offer <sup>(2)</sup> .....	Friday, 25 November 2016
Announcement of the results of the Offer as at the First Closing Date, or as to whether the Offer has been revised or extended, on the website of the Stock Exchange <sup>(2)</sup> .....	By 7:00 p.m. on Friday, 25 November 2016
Latest date for posting of remittances to Independent Shareholders for the amounts due under the Offer in respect of valid acceptances received under the Offer <sup>(3)</sup> .....	Tuesday, 6 December 2016

*Notes:*

1. The Offer, which is unconditional in all respects, is made on Friday, 4 November 2016, being the date of posting of this Composite Document, and is capable of acceptance on and from that date until Friday, 25 November 2016, being the First Closing Date. Acceptances of the Offer shall be irrevocable and not capable of being withdrawn, except in the circumstances as set out in the section headed “6. Right of withdrawal” in Appendix I to this Composite Document.
2. In accordance with the Takeovers Code, the Offer must initially be open for acceptance for at least 21 days following the date on which this Composite Document was posted. The latest time and date for acceptance of the Offer is 4:00 p.m. (Hong Kong time) on Friday, 25 November 2016 unless the Offeror revises or extends the Offer in accordance with the Takeovers Code. An announcement will be issued through the website of the Stock Exchange by 7:00 p.m. (Hong Kong time) on Friday, 25 November 2016 stating whether the Offer has been extended or revised or has expired. In the event that the Offeror decides to extend the Offer and the announcement does not specify the next closing date, at least 14 days’ notice by way of an announcement will be given before the Offer is closed to those Independent Shareholders who have not yet accepted the Offer.

Beneficial owners of Shares who hold their Shares in CCASS directly as an investor participant or indirectly via a broker or custodian participant and wish to accept the Offer should note the timing requirements for causing instructions to be made to CCASS in accordance with the General Rules of CCASS and CCASS Operational Procedures and any deadlines set by HKSCC Nominees Limited.

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## EXPECTED TIMETABLE

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3. Remittances in respect of the cash consideration (after deducting the seller's ad valorem stamp duty arising therefrom and, if applicable, the fees payable to the Registrar in respect of lost or unavailable Share certificates) payable for the Offer Shares tendered under the Offer will be made to the Independent Shareholders accepting the Offer by ordinary post at their own risk as soon as possible, but in any event within seven Business Days following the date of receipt by the Registrar of the duly completed Form of Acceptance together with all the valid requisite documents from the Independent Shareholders accepting the Offer.
  
4. If there is a tropical cyclone warning signal no. 8 or above, or a black rainstorm warning:
  - (a) in force in Hong Kong at any local time before 12:00 noon but no longer in force after 12:00 noon on the latest date for acceptance of the Offer, the latest time for acceptance of the Offer will remain at 4:00 p.m. (Hong Kong time) on the same day; or
  
  - (b) in force in Hong Kong at any local time between 12:00 noon (Hong Kong time) and 4:00 p.m. (Hong Kong time) on the latest date for acceptance of the Offer, the latest time for acceptance of the Offer will be rescheduled to 4:00 p.m. (Hong Kong time) on the following Business Day which does not have either of those warnings in force in Hong Kong at any local time between 12:00 noon (Hong Kong time) and 4:00 p.m. (Hong Kong time).

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## IMPORTANT NOTICES

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### NOTICE TO U.S. HOLDERS OF SHARES

The Offer relates to the Shares of a Bermuda company and is proposed to be made by means of a mandatory unconditional cash offer in accordance with the Takeovers Code as a result of Completion. The Offer is subject to the disclosure requirements and practices applicable in Hong Kong to offers made under the Takeovers Code, which differ from the disclosure and other requirements of U.S. securities laws.

This Composite Document will not be filed under any laws or rules of any jurisdiction other than Hong Kong, which are different from those of the United States, and has not been submitted to, or reviewed by, the U.S. Securities and Exchange Commission (the “SEC”) or any U.S. state securities commission or other regulatory authority. Neither the SEC nor any U.S. state securities commission or other regulatory authority has approved or disapproved of the Offer or passed upon the fairness and merits of the Offer or upon the accuracy and adequacy of the information contained in this Composite Document. In addition, U.S. holders of Shares should be aware that this Composite Document has been prepared in accordance with Hong Kong format and style, which differ from those of the United States. The Offer is being extended into the United States pursuant to the applicable U.S. tender offer rules or an available exemption therefrom and otherwise in accordance with the requirements under Hong Kong laws and regulations.

Accordingly, the Offer will comply with the relevant Hong Kong disclosure and other procedural requirements, including with respect to withdrawal rights, offer timetable, settlement procedures and timing of payments, which may be different from those applicable under U.S. domestic tender offer procedures and laws. The receipt of cash pursuant to the Offer by a U.S. holder of Shares may be a taxable transaction for U.S. federal income tax purposes and under applicable state and local, as well as foreign and other tax laws. Each U.S. holder of Shares is urged to consult his/her/its independent professional adviser immediately regarding the tax consequences of acceptance of the Offer.

The financial information of the Company included in this Composite Document has been extracted from the audited financial statements for the three years ended 31 December 2015, 31 December 2014 and 31 December 2013, which have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. Such financial information may not be wholly comparable to financial information of U.S. companies or companies whose financial statements are solely prepared in accordance with generally accepted accounting principles in the United States.

It may be difficult for U.S. holders of Shares to enforce their rights and claims arising out of U.S. federal or state securities laws, because BOCI, the Offeror and the Company are located in countries other than the United States, and some or all of their officers and directors may be residents of a country other than the United States. In addition, most of the assets of BOCI, the Offeror and the Company are located outside the United States. U.S. holders of Shares may not be able to sue a non-U.S. company or its officers or directors in a non-U.S. court for violations of U.S. federal or state securities laws. Further, it may be difficult for U.S. holders

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## **IMPORTANT NOTICES**

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of Shares to effect service of process within the United States upon BOCI, the Offeror or the Company or their respective officers or directors, to enforce against them a judgment of a U.S. court or to compel them or their affiliates to subject themselves to a U.S. court judgment.

In accordance with normal Hong Kong practice and pursuant to Rule 14e-5(b) of the U.S. Exchange Act, the Offeror hereby discloses that it or its affiliates, or its nominees, or their respective brokers (acting as agents) may from time to time make certain purchases of, or arrangements to purchase, Shares outside of the United States, other than pursuant to the Offer, before or during the period in which the Offer remains open for acceptance. These purchases may occur either in the open market at prevailing prices or in private transactions at negotiated prices, provided that (i) any such purchase or arrangement complies with applicable law and is made outside the United States, and (ii) the Offer Price is increased to match any consideration paid in any such purchase or arrangement, if such consideration is higher than the Offer Price. Any information about such purchases will be reported to the SFC and will be available on the website of the SFC at <http://www.sfc.hk/>.

### **NOTICE TO HOLDERS OF ADSs**

The Offer will not be made for the ADSs and will be made only for the Shares, including those Shares represented by the ADSs. Holders of ADSs who would like to accept the Offer in respect of the Shares represented by the ADSs held by such holders may elect to become Shareholders by cancelling their ADSs and withdrawing the Shares represented by the ADSs, subject to compliance with the terms of the ADR Deposit Agreement (including payment of cancellation fees and any other fees, taxes and governmental charges). Holders of ADSs who are not resident in Hong Kong and who wish to accept the Offer should inform themselves about and observe any applicable requirements in their own jurisdictions.

### **NOTICE TO OVERSEAS SHAREHOLDERS (OTHER THAN U.S. HOLDERS OF SHARES OR HOLDERS OF ADSs)**

This Composite Document will not be filed under any laws or rules of any jurisdiction other than Hong Kong, and the procedure and disclosure requirements of laws, regulations and rules in Hong Kong may be different to those in other jurisdictions. The ability of Independent Shareholders who are citizens, residents or nationals of jurisdictions outside of Hong Kong to participate in the Offer may be subject to the laws and regulations of the relevant jurisdictions. It is the responsibility of each such Independent Shareholder to satisfy himself/herself/itself as to the full observance of the laws and regulations of the relevant jurisdiction in connection therewith, including obtaining any governmental, exchange control or other consents, or filing and registration and the payment of any transfer or other taxes due from such Independent Shareholder in such relevant jurisdictions. For further information, please refer to the section headed "Overseas Shareholders" in the letter from BOCI in this Composite Document and Appendix I to this Composite Document.

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## IMPORTANT NOTICES

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### CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Composite Document contains forward-looking statements, which may be identified by words such as “believe”, “expect”, “anticipate”, “intend”, “plan”, “seek”, “estimate”, “will”, “would” or words of similar meaning, that involve risks and uncertainties, as well as assumptions. All statements other than statements of historical fact are statements that could be deemed forward-looking statements.

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## DEFINITIONS

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*In this Composite Document, the following expressions have the meanings set out below, unless the context requires otherwise:*

“acting in concert”	has the meaning given to it in the Takeovers Code
“ADR Deposit Agreement”	the amended and restated deposit agreement, dated as of 21 September 1992, by and among the Company, the ADR Depositary, and all owners and holders from time to time of the American depositary receipts issued thereunder in respect of ADSs
“ADR Depositary”	The Bank of New York
“ADS”	an American depositary share representing five Shares
“Aggregate Consideration”	the total consideration for the sale of the Sale Shares pursuant to the Share Purchase Agreement, being HK\$1,565,463,980 payable in cash
“Armada Property”	Armada Property Investment Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company as at the date of this Composite Document
“associate(s)”	has the meaning given to it in the Takeovers Code
“Board”	the board of Directors
“BOCI”	BOCI Asia Limited, a corporation licensed to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, the financial adviser to the Offeror
“Business Day”	a day on which the Stock Exchange is open for the transaction of business
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Closing Date”	the First Closing Date or any subsequent closing date of the Offer if it is extended or revised in accordance with the Takeovers Code



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## DEFINITIONS

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“Coastline”	Coastline International Limited, a company incorporated in The Bahamas with limited liability and, prior to Coastline Completion, an indirect wholly-owned subsidiary of the Company
“Coastline Completion”	completion of the Coastline Disposal in accordance with the Third Party Coastline SPA
“Coastline Disposal”	transfer of the entire issued share capital of Coastline from Armada Property and its nominee to the Coastline Purchaser as contemplated under the Third Party Coastline SPA
“Coastline Purchaser”	Paulton Global Limited, a company incorporated under the laws of the British Virgin Islands
“Coastline Shares”	the entire issued share capital of Coastline at Coastline Completion
“Coastline Special Cash Dividend”	in relation to the Coastline Disposal, the special cash dividend of HK\$0.6225 per Share paid to the eligible Shareholders on or around 17 October 2016
“Company”	Armada Holdings Limited (formerly known as SCMP Group Limited (南華早報集團有限公司)*), a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the main board of the Stock Exchange (Stock Code: 583)
“Completion”	completion of the Sale and Purchase
“Completion Announcement”	the joint announcement issued by the Company and the Offeror dated 31 October 2016 relating to, among other things, Completion
“Composite Document”	this composite offer and response document jointly issued by the Offeror and the Company to the Shareholders in accordance with the Takeovers Code in relation to the Offer
“Concert Parties”	in relation to the Offeror, persons acting in concert with the Offeror or the Purchaser
“controlling shareholder”	has the meaning given to it in the Listing Rules

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## DEFINITIONS

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“Despatch Date”	4 November 2016, being the date of despatch of this Composite Document
“Director(s)”	director(s) of the Company
“Encumbrance”	any encumbrance including any mortgage, pledge, charge, lien, deposit or assignment by way of security, bill of sale, right to acquire, option or right of pre-emption, beneficial ownership (including usufruct and similar entitlements), any provisional or executory attachment and any other interest or right of any nature held, or claim that could be raised, by a third party, and any agreement, commitment or right to give, create or enforce any of the foregoing
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Facility Agreement”	an amount of up to HK\$1,200,000,000 committed loan facility agreement dated 10 August 2016 entered into between the Purchaser and BOCI Leveraged & Structured Finance Limited
“First Closing Date”	25 November 2016, being the first closing date of the Offer
“First Coastline SPA”	the sale and purchase agreement relating to the entire issued share capital of Coastline whose major asset is the TV City Property, dated 12 August 2016 between Armada Property and Wealth Luck Holdings Limited, which was terminated on 2 September 2016 in accordance with its terms
“Form of Acceptance”	the form of acceptance and transfer of Offer Shares in respect of the Offer accompanying this Composite Document
“Group”	the Company and its subsidiaries
“GWAMC”	China Great Wall Asset Management Corporation, a company incorporated in the PRC
“HKSCC”	Hong Kong Securities Clearing Company Limited

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## DEFINITIONS

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“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent committee of the board of Directors comprising all the independent non-executive Directors, namely Dr Yeung Hin Chung John, Mr Chua Phuay Hee and Mr Wong Kai Man, established pursuant to the Takeovers Code to give recommendations to the Independent Shareholders in respect of the Offer
“Independent Financial Adviser”	Somerley Capital Limited, a corporation licensed to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, and the independent financial adviser to the Independent Board Committee in relation to the Offer
“Independent Shareholders”	in respect of the Offer, the Shareholders apart from the Offeror and its Concert Parties
“Initial Announcement”	the initial announcement issued by the Company dated 10 May 2016 made pursuant to Rule 3.7 of the Takeovers Code
“Joint Announcement”	the joint announcement issued by the Offeror and the Company dated 12 August 2016 in relation to the Sale and Purchase and the Offer made pursuant to Rule 3.5 of the Takeovers Code
“Last Trading Date”	25 February 2013, being the last day on which the Shares were traded on the Stock Exchange prior to the publication of the Initial Announcement pursuant to Rule 3.7 of the Takeovers Code and the joint announcement pursuant to Rule 3.5 of the Takeovers Code
“Latest Practicable Date”	1 November 2016, being the latest practicable date prior to the printing of this Composite Document for the purpose of ascertaining certain information contained in this Composite Document
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange

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## DEFINITIONS

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“Media Special Cash Dividend”	in connection with the completion of the disposal of the Group’s former media business, the media special cash dividend of HK\$2,499,499,000 (equivalent to HK\$1.594327 per Share) that was declared and paid to the eligible Shareholders on or around 6 April 2016
“Offer”	the mandatory unconditional cash offer made by BOCI on behalf of the Offeror to the Independent Shareholders to acquire all Shares not already owned by the Offeror and its Concert Parties at the Offer Price in accordance with the terms set out in this Composite Document and any subsequent revision or extension of the Offer
“Offer Period”	has the meaning given to it under the Takeovers Code, which, in respect of the Offer, means the period from the date of the Initial Announcement until the Closing Date
“Offer Price”	HK\$1.3459 per Offer Share
“Offer Shares”	the Shares which are subject to the Offer
“Offeror”	Great Wall Pan Asia (BVI) Holding Limited, a company incorporated in the British Virgin Islands, which is a wholly-owned subsidiary of the Purchaser
“Overseas Shareholders”	Shareholders whose addresses, as shown on the register of members of the Company, are outside of Hong Kong
“PRC”	the People’s Republic of China, which expression, solely for the purpose of construing this Composite Document, except where the context requires, does not include Hong Kong, Macau Special Administrative Region or Taiwan
“Pre-Completion Dividend”	the pre-completion dividend of HK\$0.1244 per Share paid to the eligible Shareholders on or around 17 October 2016
“Purchaser”	Great Wall Pan Asia International Investment Co., Limited, a company incorporated under the laws of Hong Kong

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## DEFINITIONS

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“Registrar”	Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong, being the branch share registrar of the Company in Hong Kong for receiving and processing acceptances of the Offer in respect of the Offer Shares which are listed on the Stock Exchange
“Related Parties”	Luanda Limited, Parasol Investments Limited, Kerry Asset Management Limited and Trendfield Inc.
“Relevant Period”	the period commencing on 10 November 2015, being the date falling six months prior to the date of the Initial Announcement, and ending on and including the Latest Practicable Date
“Sale and Purchase”	the sale and purchase of the Sale Shares, pursuant to the terms of the Share Purchase Agreement
“Sale Shares”	1,163,151,308 Shares, representing approximately 74.19% of the total number of issued Shares, and each a “Sale Share”
“Savills”	Savills Valuation and Professional Services Limited, an independent property valuer
“Seller”	Kerry Media Limited, a company incorporated under the laws of the British Virgin Islands
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Share Purchase Agreement”	the sale and purchase agreement dated 12 August 2016 between the Purchaser and the Seller in relation to the sale and purchase of the Sale Shares
“Shareholder(s)”	holder(s) of Share(s)
“Silchester”	Silchester International Investors LLP

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## DEFINITIONS

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“Silchester Undertaking”	the irrevocable undertaking executed and delivered by Silchester in favour of the Purchaser and the Offeror in respect of 221,365,000 Shares, further details of which are set out in the section headed “Irrevocable Undertaking from Silchester” in the Letter from BOCI
“Special Cash Dividends”	the Media Special Cash Dividend and the Coastline Special Cash Dividend
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Third Party Coastline SPA”	the sale and purchase agreement relating to the Coastline Shares dated 2 September 2016 between Armada Property and the Coastline Purchaser
“TV City Property”	an investment property held by the Company through Coastline located at Clear Water Bay Studio, Clear Water Bay Road, A Kung Wan, Hang Hau, New Territories, Hong Kong
“U.S.” or “United States”	the United States of America, its territories and possessions, any State of the United States, and the District of Columbia
“%”	per cent.
“*”	English translations of company names from the Chinese language are marked with “*” and are provided for identification purposes only

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## LETTER FROM BOCI

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26/F, Bank of China Tower  
1 Garden Road  
Central  
Hong Kong

4 November 2016

*To the Independent Shareholders,*

Dear Sir/Madam,

**MANDATORY UNCONDITIONAL CASH OFFER BY  
BOCI ASIA LIMITED ON BEHALF OF  
GREAT WALL PAN ASIA (BVI) HOLDING LIMITED  
TO ACQUIRE ALL OF THE ISSUED SHARES IN  
ARMADA HOLDINGS LIMITED  
(OTHER THAN THOSE SHARES ALREADY OWNED OR AGREED TO  
BE ACQUIRED BY GREAT WALL PAN ASIA (BVI) HOLDING LIMITED  
AND PARTIES ACTING IN CONCERT WITH IT OR  
GREAT WALL PAN ASIA INTERNATIONAL  
INVESTMENT CO., LIMITED)**

### INTRODUCTION

Reference is made to the Joint Announcement dated 12 August 2016 pursuant to which the Offeror and the Company jointly announced, that, among other things, the Purchaser and the Seller entered into the Share Purchase Agreement. Subject to and in accordance with the terms and conditions of the Share Purchase Agreement, the Purchaser had conditionally agreed to purchase and the Seller had conditionally agreed to sell and procure the Related Parties to sell 1,163,151,308 Shares, which represented approximately 74.19% of the total number of the issued Shares as at the Latest Practicable Date, for an aggregate consideration of HK\$1,565,463,980 (representing approximately HK\$1.3459 per Sale Share (rounded up to four decimal places for disclosure purposes only)).

On 31 October 2016, the Offeror and the Company jointly announced that Completion took place on 31 October 2016 and upon Completion, the Offeror directly held 1,163,151,308 Shares, representing approximately 74.19% of the entire issued share capital of the Company as at the Latest Practicable Date.

As a result of Completion, pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make an unconditional mandatory general offer in cash for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and its Concert Parties).

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## LETTER FROM BOCI

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This letter forms part of this Composite Document and sets out, among other things, details of the Offer, information on the Offeror and its intentions in relation to the Company. Further details on the terms and the procedures for acceptance of the Offer are set out in Appendix I to this Composite Document and the accompanying Form of Acceptance. Unless the context requires otherwise, terms defined in this Composite Document, of which this letter forms part, shall have the same meanings when used herein.

The Independent Shareholders are strongly advised to carefully consider the information contained in the “Letter from the Board”, the “Letter from the Independent Board Committee”, the “Letter from the Independent Financial Adviser” and the appendices as set out in this Composite Document and to consult their professional advisers before reaching a decision as to whether or not to accept the Offer.

### UNCONDITIONAL MANDATORY CASH OFFER

As at the Latest Practicable Date, there were 1,567,745,596 Shares in issue (including the Shares underlying the ADSs). The Company did not have any outstanding securities, options, warrants or derivatives which are convertible into or which confer rights to require the issue of Shares and the Company has no other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) other than as disclosed above as at the Latest Practicable Date.

On behalf of the Offeror, we hereby unconditionally make the offer to acquire all the issued Shares other than those already owned or agreed to be acquired by the Offeror and its Concert Parties, on the terms set out in this Composite Document in accordance with the Takeovers Code on the following basis:

#### The Offer Price

**For each Offer Share**

**HK\$1.3459 in cash**

The Offer Price of HK\$1.3459 for each Offer Share is equal to the price paid by the Purchaser for each Sale Share (rounded up to the nearest four decimal places) under the Share Purchase Agreement, which was determined after arm’s length negotiations between the Purchaser and the Seller and was paid in cash to the Seller upon Completion.

The Offer Shares to be acquired under the Offer shall be free from all Encumbrances and shall be acquired together with all rights and benefits attaching to them as at the date of this Composite Document or subsequently becoming attached to them, including the right to all dividends, distributions and any return of capital, if any, declared, made or paid, or agreed to be made or paid thereon or in respect thereof on or after the date on which the Offer is made, being the date of this Composite Document.

The Offer is unconditional in all respects and is therefore not conditional upon any minimum level of acceptances being received or subject to any other condition.



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## LETTER FROM BOCI

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In accordance with the Takeovers Code, the Offer is extended to all Shareholders (including Overseas Shareholders) other than the Offeror and its Concert Parties. This letter, Appendix I to this Composite Document and the accompanying Form of Acceptance together set out the terms of the Offer and certain related information.

### **Irrevocable Undertaking from Silchester**

As at the Latest Practicable Date, Silchester was holding or interested in 221,365,000 Shares (the “**IU Shares**”), representing approximately 14.12% of the total number of issued Shares. On 6 September 2016, Silchester executed and delivered to the Purchaser and the Offeror an irrevocable and unconditional undertaking (the “**Irrevocable Undertaking**”) in respect of the IU Shares. Silchester has, in its capacity as investment manager and agent for certain client accounts, irrevocably undertaken that (among others), subject to there being no decrease to the Offer Price set out in the Joint Announcement, within ten calendar days after the posting of this Composite Document, it will direct and use its best efforts to procure the relevant custodian holding the IU Shares to accept the Offer in respect of the IU Shares in accordance with the terms of the Offer and to transfer the IU Shares to the Offeror free from all encumbrances and together with all rights attaching and accruing to the IU Shares in accordance with the terms of the Offer. Additionally, Silchester has undertaken to the Purchaser and the Offeror that it will not withdraw any acceptance of the Offer in respect of the IU Shares or any of them and shall procure that no rights to withdraw any acceptance in respect of the IU Shares are exercised.

### **Comparison of Value**

The Offer Price of HK\$1.3459 for each Offer Share, without taking into account the Special Cash Dividends, the Pre-Completion Dividend and the interim and final dividends declared by the Company since the Last Trading Date, represents:

- (a) a discount of approximately 36.41% to the audited net asset value attributable to equity holders as at 31 December 2015 of approximately HK\$2.12 per Share based on 1,567,745,596 Shares in issue as at the Latest Practicable Date;
- (b) a discount of approximately 21.96% to the unaudited net asset value attributable to equity holders as at 30 June 2016 of approximately HK\$1.72 per Share based on 1,567,745,596 Shares in issue as at the Latest Practicable Date;
- (c) a discount of approximately 30.98% to the closing price of HK\$1.95 per Share on the Last Trading Date (*Note 1*);
- (d) a discount of approximately 29.75% to the average closing price of approximately HK\$1.92 per Share for the last 5 trading days up to and including the Last Trading Date (*Note 1*); and
- (e) a discount of approximately 21.69% to the average closing price of approximately HK\$1.72 per Share for the last 30 trading days up to and including the Last Trading Date (*Note 1*).

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## LETTER FROM BOCI

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Dealing in the Shares has been suspended due to insufficient public float for the Shares since 26 February 2013. Given that trading in the Shares has been suspended, the closing price of HK\$1.95 per Share on the Last Trading Date does not reflect the possible impact of the dividends which have been declared and paid after the Last Trading Date. Eligible Shareholders who have been holding Shares since the Last Trading Date would have received the dividends (as listed below) of an aggregate amount of HK\$2.536227 per Share, regardless of whether they accept or decline the Offer. Please note that the following dividends have not been taken into consideration in the comparisons of value (set out above):

- (a) the Media Special Cash Dividend of HK\$1.594327 per Share paid to the eligible Shareholders on or around 6 April 2016 in connection with the completion of the disposal of the Group's former media business;
- (b) the Coastline Special Cash Dividend of HK\$0.6225 per Share paid to the eligible Shareholders on or around 17 October 2016 in connection with the Coastline Disposal;
- (c) the Pre-Completion Dividend of HK\$0.1244 per Share paid to the eligible Shareholders on or around 17 October 2016; and
- (d) the interim and final dividends paid to the eligible Shareholders since the Last Trading Date as listed below:

<b>Payment Date</b>	<b>Dividend</b>	<b>Amount per Share (HK\$)</b>
14 June 2013	Final dividend for the year ended 31 December 2012	0.045
24 September 2013	Interim dividend for the six months ended 30 June 2013	0.020
18 June 2014	Final dividend for the year ended 31 December 2013	0.042
8 October 2014	Interim dividend for the six months ended 30 June 2014	0.022
19 June 2015	Final dividend for the year ended 31 December 2014	0.038
9 October 2015	Interim dividend for the six months ended 30 June 2015	0.013
29 June 2016	Final dividend for the year ended 31 December 2015	0.015
<b>Total interim and final dividends paid to the eligible Shareholders since the Last Trading Date</b>		<b>0.195</b>

*Note 1:* As dealing in the Shares has been suspended due to insufficient public float for the Shares since 26 February 2013, the information relating to the historical closing price of the Shares set out above is no longer publicly available from the Stock Exchange. The above information relating to the historical closing price of the Shares is therefore based on the Company's internal records prior to such suspension.

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## LETTER FROM BOCI

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### **Highest and Lowest Share Prices**

Dealing in the Shares has been suspended due to insufficient public float for the Shares since 26 February 2013. During the six-month period preceding the Last Trading Date and up to the Latest Practicable Date, the highest closing price of Shares was HK\$2.15 on 18 February 2013 (*Note 1*), and the lowest closing price of Shares was HK\$1.45 on 27 August 2012 (*Note 1*).

*Note 1:* As dealing in the Shares has been suspended due to insufficient public float for the Shares since 26 February 2013, the information relating to the historical closing price of the Shares set out above is no longer publicly available from the Stock Exchange. The above information relating to the historical closing price of the Shares is therefore based on the Company's internal records prior to such suspension.

### **Value of the Offer**

On the basis of the Offer Price of HK\$1.3459 per Share and 1,567,745,596 Shares in issue as at the Latest Practicable Date, the entire issued share capital of the Company was valued at approximately HK\$2,110,028,797.66. Assuming the Offer is accepted in full by the Independent Shareholders and based on 404,594,288 Offer Shares, the total amount of cash required to effect the Offer will be HK\$544,543,452.22.

### **Confirmation of Financial Resources**

The Offeror intends to finance and satisfy the consideration payable for the Offer by internal resources and/or external debt-financing.

With respect to the external debt financing, pursuant to the Facility Agreement, the Offeror has access to a facility of up to HK\$1,200,000,000 from BOCI Leveraged & Structured Finance Limited. The Offeror does not intend that the payment of interest on, repayment of or security for any liability (contingent or otherwise) will depend to any significant extent on the business of the Company.

BOCI, the financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror to satisfy the amount of funds required for the full acceptance of the Offer.

### **Acceptance**

The Offer is capable of acceptance on and from Friday, 4 November 2016 and will remain open for acceptance until Friday, 25 November 2016, being the First Closing Date, unless extended or revised in accordance with the Takeovers Code. The Offeror reserves the right to revise or extend the Offer in accordance with the Takeovers Code. Unless the Offer has previously been revised or extended with the consent of the Executive, to be valid, the Form of Acceptance must be received by the Registrar no later than 4:00 p.m. (Hong Kong time) on Friday, 25 November 2016.

Acceptance of the Offer shall be unconditional and irrevocable and shall not be capable of being withdrawn, except as permitted under the Takeovers Code.

Please also refer to Appendix I to this Composite Document for further terms of the Offer.

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## LETTER FROM BOCI

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### Effect of Accepting the Offer

The Offer is subject to the term that acceptance of the Offer by any Independent Shareholder will be deemed to constitute a warranty by such person that all Shares sold by such person under the Offer are free from all Encumbrances and are sold together with all rights and benefits attaching to them or subsequently becoming attached to them, including, the right to all dividends, distributions or any return of capital, if any, declared, paid or made, or agreed to be made or paid thereon or in respect thereof on or after the date on which the Offer is made, being the date of this Composite Document. Acceptances of the Offer shall be irrevocable and not capable of being withdrawn, except as permitted under the Takeovers Code.

### Payments

Payment in cash in respect of acceptances of the Offer will be made as soon as possible but in any event within seven (7) business days (as defined under the Takeovers Code) of the date on which the duly completed acceptances of the Offer and the relevant documents of title in respect of such acceptances are received by the Registrar to render each of such acceptances complete and valid.

No fractions of a cent will be payable and the amount of the consideration payable to a Shareholder who accepts the Offer will be rounded up to the nearest cent.

### Hong Kong Stamp Duty

The seller's Hong Kong *ad valorem* stamp duty for Shares registered on the Hong Kong register arising in connection with acceptance of the Offer will be payable by each accepting Independent Shareholder at the rate of 0.1% of (i) the amount of the consideration payable by the Offeror for such person's Shares or (ii) if higher, the market value of the Offer Shares as determined by the Collector of Stamp Revenue under the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong), and will be deducted from the cash amount payable to the Independent Shareholders who accept the Offer. As the closing price of HK\$1.95 (per Share) on the Last Trading Date, being the market value of the Offer Shares, is higher than the Offer Price of HK\$1.3459 (per Share), the seller's *ad valorem* stamp duty and the buyer's *ad valorem* stamp duty will each be calculated at the rate of 0.1% of HK\$1.95 per Share.

The Offeror will pay the buyer's *ad valorem* stamp duty on its own behalf and the sellers' *ad valorem* stamp duty so deducted above on behalf of the accepting Independent Shareholders in respect of the Shares accepted under the Offer.

### Taxation Advice

Independent Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offer. It is emphasised that none of the Offeror and parties acting in concert with it, the Purchaser, the Company or BOCI or any of their respective directors, officers or associates or any other person involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offer.

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## LETTER FROM BOCI

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### Overseas Shareholders

The Offer is available to all Independent Shareholders, including those with registered addresses outside Hong Kong. The availability of the Offer to any persons not resident in Hong Kong may be affected by the applicable laws of the relevant jurisdictions. Any Independent Shareholders who are not resident in Hong Kong and who wish to accept the Offer should inform themselves about and observe any applicable requirements in their own jurisdictions. It is the responsibility of the Independent Shareholders who are not resident in Hong Kong who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offer (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due in respect of such jurisdictions) and, where necessary, consult their own professional advisers.

**Any acceptance by any Overseas Shareholder will be deemed to constitute a representation and warranty from such Overseas Shareholder to the Offeror that the local laws and requirements of their own jurisdiction have been complied with. If in doubt, Overseas Shareholders should consult their professional advisers.**

### Notice to U.S. holders of Shares

The Offer relates to the Shares of a Bermuda company and is proposed to be made by means of a mandatory unconditional cash offer in accordance with the Takeovers Code as a result of Completion. The Offer is subject to the disclosure requirements and practices applicable in Hong Kong to offers made under the Takeovers Code, which differ from the disclosure and other requirements of the U.S. securities laws. Financial information included in the relevant documentation will have been prepared in accordance with accounting standards applicable in Bermuda and Hong Kong that may not be comparable to the financial statements of U.S. companies.

It may be difficult for U.S. holders of Shares to enforce their rights and any claim arising out of U.S. federal or state securities laws, since the Offeror and the Company are located in a non-U.S. jurisdiction, and some or all of their officers and directors may be residents of a non-U.S. jurisdiction. U.S. holders of Shares may not be able to sue a non-U.S. company or its officers or directors in a non-U.S. court for violations of U.S. federal or state securities laws. Further, it may be difficult to compel a non-U.S. company and its affiliates to subject themselves to a U.S. court's judgment.

The receipt of cash pursuant to the Offer by Independent Shareholders who are U.S. taxpayers may be a taxable transaction for U.S. federal income tax purposes and under applicable U.S. state and local, as well as foreign and other tax laws. Each holder of Shares is urged to consult his independent professional adviser immediately regarding the tax consequences of acceptance of the Offer.

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## LETTER FROM BOCI

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### Notice to holders of ADSs

The Offer is not made for the ADSs and is made only for the Shares, including those Shares represented by the ADSs. Holders of ADSs who would like to accept the Offer in respect of the Shares represented by the ADSs held by such holders may elect to become Shareholders by cancelling their ADSs and withdrawing the Shares represented by the ADSs, subject to compliance with the terms of the ADR Deposit Agreement (including payment of cancellation fees and any other fees, taxes and governmental charges). Holders of ADSs who are not resident in Hong Kong and who wish to accept the Offer should inform themselves about and observe any applicable requirements in their own jurisdictions.

### INFORMATION ON THE GROUP AND THE COMPANY

The Company was incorporated in Bermuda on 30 April 1990 as an exempted company with limited liability. The Company became listed on the Main Board of the Stock Exchange on 29 June 1990, trading under the stock code 583.

The Group is principally engaged in the property investment business and currently owns four investment properties.

### INFORMATION ON THE OFFEROR

The Offeror was incorporated in the British Virgin Islands on 8 August 2016 as a company with limited liability. It is a direct wholly-owned subsidiary of the Purchaser and a special purpose vehicle established for the purpose of holding the Sale Shares and any Shares acquired under the Offer. The Purchaser is a company incorporated in Hong Kong which is principally engaged in financial investment and equity investment, and also offers financial consultancy services in Hong Kong. The Purchaser's wholly-owned subsidiaries include entities licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO. The Purchaser is wholly owned by GWAMC which is one of the leading asset management corporations ("AMCs") in the PRC.

The principal businesses of GWAMC are distressed asset management, investment and asset management and comprehensive financial services. Its sole shareholder is the Ministry of Finance of the People's Republic of China.

GWAMC is one of the four AMCs in the PRC responsible for the acquisition and disposal of distressed assets of the five largest state-owned banks to facilitate the reform and commercialisation of such banks.

The GWAMC group is experienced in real estate related activities. The GWAMC group's key real estate development activities currently include the development of commercial buildings in Beijing and Shanghai. In addition, the GWAMC group has investment holdings in a number of commercial properties in Shanghai, including a business hotel. The GWAMC group also has interests in a number of real estate projects in certain second-tier cities in the PRC.

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## LETTER FROM BOCI

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### INTENTIONS OF THE OFFEROR IN RELATION TO THE COMPANY

#### Reasons for the Offer

Upon Completion, the Offeror became the controlling shareholder of the Company.

It is the intention of the Offeror to continue to develop the Group's existing business following the close of the Offer. Subject to market conditions, and leveraging on GWAMC's financial investment experience and financial strength, the Offeror intends to provide the Group with more opportunities in the development of real estate projects in the PRC and/or Hong Kong.

#### Business

The Purchaser is conducting a review of the business activities and assets of the Group for the purpose of formulating business plans and strategies for the future business direction of the Group. Subject to the result of such review, the Purchaser will consider whether any asset disposal or acquisition, business rationalisation, and/or business diversification will be appropriate for the Group in order to enhance its long-term growth potential, including, subject to the requirements of the Listing Rules, possible injection of certain assets and/or subsidiaries of the Purchaser to the Group. The Offeror currently has no intention to dispose of the assets of the Group.

#### Employment

All employment relationship between the Group and its employees, and any secondments to the Group, ceased on or before Completion. In respect of the Directors, please refer to the section headed "Proposed change to the Board composition of the Company" for details on the changes to the Board. Following Completion, it is intended that certain employees and officers of the Purchaser or its affiliates will be seconded to the Company to manage the day-to-day operations of the Group. In particular, it is intended that a management team with experience in commercial property investment and management in both the PRC and Hong Kong will be seconded to the Group. Property management services and other ancillary services are outsourced to professional agencies engaged by the Group.

### PROPOSED CHANGE TO THE BOARD COMPOSITION OF THE COMPANY

The Board currently consists of seven Directors, comprising (i) Ms Tong Shao Ming and Mr Chak Chung Luen Albert as executive Directors; (ii) Dr David J. Pang and Mr Tse Kai Chi as non-executive Directors; and (iii) Dr Yeung Hin Chung John, Mr Chua Phuay Hee and Mr Wong Kai Man as independent non-executive Directors.

Following Completion and the commencement of the Offer, all of the existing Directors have tendered their resignations from the Board, with their resignations taking effect from the day immediately after the first closing date of the Offer.

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## LETTER FROM BOCI

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The Offeror has nominated new Directors to the Board whose appointments take effect from the date immediately after the date on which this Composite Document is posted or such other date as permitted under the Takeovers Code. Biographical details of the new Directors have been set out in the Completion Announcement.

Any further changes to the Board will be made in compliance with the Takeovers Code and the Listing Rules and further announcement will be made as and when appropriate.

### COMPULSORY ACQUISITION

The Offeror does not intend to exercise any right which may be available to it to compulsorily acquire any outstanding Offer Shares not acquired under the Offer after the close of the Offer.

### PUBLIC FLOAT AND LISTING STATUS OF THE COMPANY

The Offeror intends to maintain the listing of the Shares on the Stock Exchange after the close of the Offer.

According to the Listing Rules, if, upon the close of the Offer, less than 25% of the issued Shares are held by the public, or if the Stock Exchange believes that a false market exists or may exist in the trading of the Shares or there are insufficient Shares in public hands to maintain an orderly market, then the Stock Exchange will consider exercising its discretion to suspend dealings in the Shares.

In this connection, it should be noted that, as at the Latest Practicable Date, dealings in the Shares had been suspended due to insufficient public float for the Shares. Upon the close of the Offer, trading in the Shares will continue to be suspended until a sufficient level of public float is restored, and the sole director of the Offeror and the new Directors of the Company have undertaken to the Stock Exchange jointly and severally to take appropriate steps to ensure that sufficient public float exists in the Shares after closing of the Offer, which may include the Offeror selling some of its Shares.

Given that the Offeror holds approximately 74.19% of the Shares and will acquire at least a further 14.12% of the Shares pursuant to the Silchester Undertaking, the Offeror intends to restore the public float of the Company by disposing of part of its shareholding in the Company to independent third party investors who are considered to be members of the public for the purposes of the public float requirements under the Listing Rules after the end of the Offer Period (the “**Placings**”). Subject to the Offeror’s compliance with the applicable requirements of the Takeovers Code and other applicable laws and regulations, the Offeror has commenced the process of identifying potential investors for the Placings with a view that, upon completion of such Placings, the public float of the Company will be restored. Subject to market conditions at the relevant time and agreement between the Offeror and the relevant third party investors, the Offeror intends to enter into definitive agreements in relation to the Placings as soon as reasonably practicable after the end of the Offer Period.



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## LETTER FROM BOCI

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### ACCEPTANCE AND SETTLEMENT

Your attention is drawn to the details regarding further terms and conditions of the Offer, the procedures for acceptance and settlement and the acceptance period as set out in Appendix I to this Composite Document and the accompanying Form of Acceptance.

### GENERAL

To ensure equality of treatment of all Independent Shareholders, those registered Independent Shareholders who hold Shares as nominees on behalf of more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. It is essential for the beneficial owners of the Offer Shares whose investments are registered in the names of nominees to provide instructions to their nominees of their intentions with regard to the Offer.

All documents and remittances to the Independent Shareholders will be sent by ordinary post at their own risk. Such documents and remittances will be sent to the Independent Shareholders at their respective addresses as they appear in the register of members or, in the case of joint Independent Shareholders, to the Independent Shareholder whose name appears first in the register of members.

None of the Offeror and parties acting in concert with it, the Purchaser, the Company, the Seller, BOCI, the Independent Financial Adviser and the Registrar or any of their respective directors, officers or associates or any other person involved in the Offer will be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof.

### ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this Composite Document which forms part of this Composite Document. You are reminded to carefully read the “Letter from the Board”, the “Letter from the Independent Board Committee”, the “Letter from the Independent Financial Adviser” in relation to their recommendations and/or advice regarding the Offer and other information about the Group, which are set out in this Composite Document before deciding whether or not to accept the Offer.

Yours faithfully,  
For and on behalf of  
**BOCI Asia Limited**  
**MAK Chi Kin**  
*Managing Director*  
*Deputy Head of Corporate Finance*

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LETTER FROM THE BOARD

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**ARMADA**  
**ARMADA HOLDINGS LIMITED**  
**(南潮控股有限公司)\***  
*(incorporated in Bermuda with limited liability)*  
**(Stock Code: 583)**

***Directors***

*Non-executive Directors*

Dr David J. Pang (*Chairman*)

Mr Tse Kai Chi

*Independent Non-Executive Directors*

Dr Yeung Hin Chung John

Mr Chua Phuay Hee

Mr Wong Kai Man

*Executive Directors*

Ms Tong Shao Ming

Mr Chak Chung Luen Albert

***Registered office***

Canon's Court

22 Victoria Street

Hamilton HM12

Bermuda

***Head Office and Principal Place  
of Business in Hong Kong***

31/F, Kerry Centre

683 King's Road

Quarry Bay

Hong Kong

4 November 2016

*To the Independent Shareholders,*

Dear Sir/Madam,

**MANDATORY UNCONDITIONAL CASH OFFER BY  
BOCI ASIA LIMITED ON BEHALF OF  
GREAT WALL PAN ASIA (BVI) HOLDING LIMITED  
TO ACQUIRE ALL OF THE ISSUED SHARES IN  
ARMADA HOLDINGS LIMITED  
(OTHER THAN THOSE SHARES ALREADY OWNED OR AGREED TO  
BE ACQUIRED BY GREAT WALL PAN ASIA (BVI) HOLDING LIMITED  
AND PARTIES ACTING IN CONCERT WITH IT OR  
GREAT WALL PAN ASIA INTERNATIONAL  
INVESTMENT CO., LIMITED)**

**INTRODUCTION**

We refer to the Joint Announcement and the Completion Announcement.

\* *For identification purpose only*

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## LETTER FROM THE BOARD

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On 12 August 2016 (after trading hours), the Seller entered into the Share Purchase Agreement with the Purchaser pursuant to which the Purchaser conditionally agreed to purchase and the Seller conditionally agreed to sell and procure the Related Parties to sell the Sale Shares for an aggregate consideration of HK\$1,565,463,980 (representing approximately HK\$1.3459 per Sale Share (rounded up to four decimal places for disclosure purposes only)).

Completion of the sale and purchase of the Sale Shares took place on 31 October 2016, upon which the Offeror became directly interested in a total of 1,163,151,308 Shares, representing approximately 74.19% of the total number of issued Shares of the Company as at the Latest Practicable Date. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make the Offer to acquire all the Offer Shares.

Pursuant to Rule 2.1 and Rule 2.8 of the Takeovers Code, the Independent Board Committee, comprising all three independent non-executive Directors, namely Dr Yeung Hin Chung John, Mr Chua Phuay Hee and Mr Wong Kai Man, who have no direct or indirect interest in the Offer, has been established for the purpose of advising the Independent Shareholders as to whether the Offer is fair and reasonable and as to acceptance of the Offer. Each of the non-executive Directors, being Dr David J. Pang and Mr Tse Kai Chi, have interests which mean that they do not fulfil the criteria under the Takeovers Code to act as members of the Independent Board Committee, in particular: Dr Pang is a director, and Mr Tse is an officer, of Kerry Holdings Limited, which was the indirect controlling shareholder of the Company immediately prior to Completion, and each hold shares and share options in Kerry Group Limited (the controlling shareholder of the Seller, which was the controlling Shareholder of the Company immediately prior to Completion).

Somerley Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee on the Offer. The appointment of the Independent Financial Adviser has been approved by the Independent Board Committee.

This letter sets out, among other things, the details of the Offer, information on the Offeror, intention of the Offeror in relation to the Group and the recommendations to the Independent Shareholders by the Independent Board Committee in response to the Offer. Further details on the terms of the Offer and the procedures for acceptance are set out in Appendix I to this Composite Document and the accompanying Form of Acceptance.

The Independent Shareholders are strongly advised to consider carefully the information contained in the “Letter from BOCI”, the “Letter from the Independent Board Committee” and the “Letter from the Independent Financial Adviser” as set out in this Composite Document before reaching a decision as to whether or not to accept the Offer.

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## LETTER FROM THE BOARD

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### THE OFFER

The following information about the Offer is based on the “Letter from BOCI” contained in this Composite Document.

On behalf of the Offeror, BOCI is unconditionally making the Offer to acquire all the issued Shares other than those already owned or agreed to be acquired by the Offeror and its Concert Parties, on the terms set out in this Composite Document in accordance with the Takeovers Code on the following basis:

**For each Offer Share** **HK\$1.3459 in cash**

The Offer Price of HK\$1.3459 for each Offer Share is equal to the price paid by the Purchaser for each Sale Share (rounded up to the nearest four decimal places) under the Share Purchase Agreement.

The Offer Shares to be acquired under the Offer shall be free from all Encumbrances and shall be acquired together with all rights and benefits attaching to them as at the date of this Composite Document or subsequently becoming attached to them, including the right to all dividends, distributions and any return of capital, if any, declared, made or paid, or agreed to be made or paid thereon or in respect thereof on or after the date on which the Offer is made, being the date of this Composite Document.

### INFORMATION ON THE GROUP

The Company was incorporated in Bermuda on 30 April 1990 as an exempted company with limited liability. The Company became listed on the Main Board of the Stock Exchange on 29 June 1990, trading under the stock code 583.

The Group is principally engaged in the property investment business and currently owns four investment properties.

The net asset value of the Group as at 30 June 2016 was approximately HK\$2,703.6 million. However, when considering the comparison of the Offer Price against the net asset value of the Group, Independent Shareholders should take into consideration a number of material changes to the financial position of the Company since 30 June 2016, which include, among other things:

- (a) the Coastline Special Cash Dividend of approximately HK\$976 million;
- (b) the Pre-Completion Dividend of approximately HK\$195 million; and
- (c) the valuation of:
  - i. the TV City Property being HK\$885 million as at 31 July 2016 as set out in the Savills’ report contained in the circular published by the Company dated 26 September 2016; and

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## LETTER FROM THE BOARD

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- ii. the Company's four investment properties (excluding the TV City Property) being HK\$1,534 million as at 31 August 2016 as set out in Appendix IV to this Composite Document,

the combined valuations of (i) and (ii) being HK\$2,419 million, compared to their aggregate value of HK\$2,441.5 million as at 30 June 2016, which represents a valuation deficit of approximately HK\$22.5 million.

After applying these adjustments to the net asset value of the Group as at 30 June 2016, it would give an adjusted net asset value of HK\$1,510.10 million (or approximately HK\$0.9632 per Share).

The valuation difference on the TV City Property and the Company's four investment properties used to adjust the net asset value as at 30 June 2016 reflects the simple replacement of their aggregate value as set out in the Company's interim report for the six months ended 30 June 2016 with their aggregate value as set out in the Savills' reports contained in the circular published by the Company dated 26 September 2016 and Appendix IV to this Composite Document. This procedure does not include any actual or pro forma accounting adjustment.

### SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the shareholding structure of the Company (i) immediately prior to Completion of the Sale and Purchase Agreement and (ii) after Completion of the Sale and Purchase Agreement and as at the Latest Practicable Date:

	Immediately prior to Completion		After Completion and as at the Latest Practicable Date	
	<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>
Offeror and its Concert Parties	0	0.00%	1,163,151,308	74.19%
The Seller and the Related Parties	1,163,151,308	74.19%	0	0.00%
Silchester International Investors LLP	221,365,000	14.12%	221,365,000	14.12%
Public Shareholders	183,229,288	11.69%	183,229,288	11.69%
<b>Total</b>	<u>1,567,745,596</u>	<u>100.00%</u>	<u>1,567,745,596</u>	<u>100.00%</u>

As at the Latest Practicable Date, there were 1,567,745,596 Shares in issue (including the Shares underlying the ADSs) and there were no options, derivatives, warrants, other securities convertible into Shares, or any other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company which are issued and outstanding.

### INFORMATION ON THE OFFEROR

Your attention is drawn to the section headed "Information on the Offeror" in the "Letter from BOCI" of this Composite Document.

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## **LETTER FROM THE BOARD**

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### **OFFEROR'S INTENTIONS IN RELATION TO THE COMPANY**

Your attention is drawn to the section headed “Intentions of the Offeror in relation to the Company” in the “Letter from BOCI” of this Composite Document.

The Board is aware of the intentions of the Offeror with regards to the Group and its employees and will render cooperation and support to the Offeror.

### **LISTING STATUS OF THE COMPANY**

We refer to the section headed “Public float and listing status of the Company” in the “Letter from BOCI” of this Composite Document.

The Offeror intends for the Company to remain listed on the Stock Exchange after the close of the Offer.

According to the Listing Rules, if, upon the close of the Offer, less than 25% of the issued Shares are held by the public, or if the Stock Exchange believes that a false market exists or may exist in the trading of the Shares or there are insufficient Shares in public hands to maintain an orderly market, then the Stock Exchange will consider exercising its discretion to suspend dealings in the Shares.

In this connection, it should be noted that, as at the Latest Practicable Date, dealings in the Shares had been suspended due to insufficient public float for the Shares. Upon the close of the Offer, trading in the Shares will continue to be suspended until a sufficient level of public float is restored, and the sole director of the Offeror and new Directors of the Company have undertaken to the Stock Exchange jointly and severally to take appropriate steps to ensure sufficient public float exists in the Shares after closing of the Offer, which may include the Offeror selling some of its Shares.

### **RECOMMENDATION**

Under Rule 2.1 of the Takeovers Code, a board which receives an offer, or is approached with a view to an offer being made, must, in the interests of shareholders, establish an independent committee of the board to make a recommendation: (i) as to whether the offer is, or is not, fair and reasonable; and (ii) as to acceptance of the Offer. The Independent Board Committee, comprising all three independent non-executive Directors, namely Dr Yeung Hin Chung John, Mr Chua Phuay Hee and Mr Wong Kai Man has been established by the Company to advise the Independent Shareholders in respect of the Offer.

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## LETTER FROM THE BOARD

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We recommend that the Independent Shareholders carefully read the “Letter from the Independent Board Committee” as set out on pages 25 to 26 of this Composite Document which contains its recommendation to the Independent Shareholders in respect of the Offer, and the “Letter from the Independent Financial Adviser” as set out on pages 27 to 45 of this Composite Document containing its advice to the Independent Board Committee in respect of the Offer.

As at the Latest Practicable Date, none of the Directors held Shares and accordingly none had committed themselves to accept or reject the Offer.

In considering what action to take in connection with the Offer, you should also consider your own tax position, if any, and in case of any doubt, consult your professional advisers.

Yours faithfully,  
For and on behalf of the Board of  
**Armada Holdings Limited**  
**David J. Pang**  
*Chairman*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Set out below is the text of the letter of recommendation from the Independent Board Committee in respect of the Offer which has been prepared for the purpose of inclusion in this Composite Document.

**ARMADA**  
**ARMADA HOLDINGS LIMITED**  
**(南潮控股有限公司)\***  
*(incorporated in Bermuda with limited liability)*  
**(Stock Code: 583)**

4 November 2016

*To the Independent Shareholders,*

Dear Sir/Madam,

**MANDATORY UNCONDITIONAL CASH OFFER BY  
BOCI ASIA LIMITED ON BEHALF OF  
GREAT WALL PAN ASIA (BVI) HOLDING LIMITED  
TO ACQUIRE ALL OF THE ISSUED SHARES IN  
ARMADA HOLDINGS LIMITED  
(OTHER THAN THOSE SHARES ALREADY OWNED OR AGREED TO  
BE ACQUIRED BY GREAT WALL PAN ASIA (BVI) HOLDING LIMITED  
AND PARTIES ACTING IN CONCERT WITH IT OR  
GREAT WALL PAN ASIA INTERNATIONAL  
INVESTMENT CO., LIMITED)**

We refer to the Composite Document dated 4 November 2016 jointly issued by the Company and the Offeror, of which this letter forms part. Terms defined in the Composite Document shall bear the same meanings when used herein unless the context requires otherwise.

We have been appointed to constitute the Independent Board Committee under the Takeovers Code to consider the terms of the Offer and to advise you as to whether, in our opinion, the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned and as to its acceptance. Somerley Capital Limited has been appointed as the Independent Financial Adviser to advise us in this respect. Details of its advice and the principal factors and reasons taken into consideration in arriving at its advice are set out in the “Letter from the Independent Financial Adviser” as set out on pages 27 to 45 of the Composite Document.

We also wish to draw your attention to the “Letter from the Board”, the “Letter from BOCI” and the additional information set out in the Appendices to the Composite Document.

\* *For identification purpose only*



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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Taking into account the terms of the Offer and the independent advice from the Independent Financial Adviser, and the principal factors and reasons taken into account in arriving at its recommendation, we consider that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend that the Independent Shareholders accept the Offer.

Independent Shareholders who are attracted to the future of the Company under the management of the Offeror may consider retaining some or all of their Shares. Such Independent Shareholders should bear in mind the ongoing suspension of trading in the Shares and the Offeror's intention to maintain the listing of the Shares on the Stock Exchange referred to in paragraph (i) in the section headed "Discussion" in the "Letter from the Independent Financial Adviser".

If in any doubt, the Independent Shareholders should consult their own professional advisers for professional advice.

Yours faithfully,

**The Independent Board Committee**

**Dr Yeung Hin Chung John**

*Independent  
Non-Executive Director*

**Mr Chua Phuay Hee**

*Independent  
Non-Executive Director*

**Mr Wong Kai Man**

*Independent  
Non-Executive Director*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*Set out below is the letter of advice from Somerley Capital Limited to the Independent Board Committee, which has been prepared for the purpose of inclusion in this composite document.*



**SOMERLEY CAPITAL LIMITED**

20th Floor  
China Building  
29 Queen's Road Central  
Hong Kong

4 November 2016

*To: the Independent Board Committee*

Dear Sirs,

**MANDATORY UNCONDITIONAL CASH OFFER BY  
BOCI ASIA LIMITED ON BEHALF OF  
GREAT WALL PAN ASIA (BVI) HOLDING LIMITED  
TO ACQUIRE ALL OF THE ISSUED SHARES IN  
ARMADA HOLDINGS LIMITED  
(OTHER THAN THOSE SHARES ALREADY OWNED OR AGREED TO BE  
ACQUIRED BY GREAT WALL PAN ASIA (BVI) HOLDING LIMITED  
AND PARTIES ACTING IN CONCERT WITH IT OR  
GREAT WALL PAN ASIA INTERNATIONAL INVESTMENT CO., LIMITED)**

### **INTRODUCTION**

We refer to our appointment to advise the Independent Board Committee in relation to the mandatory unconditional cash offer by BOCI on behalf of the Offeror to acquire all the issued Shares not already owned or agreed to be acquired by the Offeror and its Concert Parties in accordance with the Takeovers Code. Details of the Offer are set out in the Composite Document dated 4 November 2016, of which this letter forms a part. Terms used in this letter shall have the same meanings as those defined in the Composite Document unless the context otherwise requires.

The Company was informed by the Seller that on 12 August 2016 (after trading hours), the Seller entered into the Share Purchase Agreement with the Purchaser, pursuant to which the Purchaser conditionally agreed to purchase, and the Seller conditionally agreed to sell and procure the Related Parties to sell 1,163,151,308 Shares, which represent approximately 74.2% of the total number of the issued Shares as at the Latest Practicable Date, at a price of approximately HK\$1.3459 per Sale Share (rounded up to four decimal places for disclosure purpose only) (the “**Transaction Price**”). Following Completion on 31 October 2016, the Offeror is required to make a mandatory unconditional general offer in cash for all the issued Shares other than those already owned or agreed to be acquired by the Offeror and its Concert Parties.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Independent Board Committee, comprising all three independent non-executive Directors, namely Dr Yeung Hin Chung John, Mr Chua Phuay Hee and Mr Wong Kai Man, who have no direct or indirect interest in the Offer, has been established for the purpose of advising the Independent Shareholders as to whether the Offer is fair and reasonable and as to its acceptance. Each of the non-executive Directors, being Dr David J. Pang and Mr Tse Kai Chi, have interests which means that they do not fulfil the criteria under the Takeovers Code to act as members of the Independent Board Committee, in particular: Dr David J. Pang is a director and Mr Tse Kai Chi is an officer of Kerry Holdings Limited, which was the indirect controlling shareholder of the Company immediately prior to Completion, and each hold shares and share options in Kerry Group Limited (the controlling shareholder of the Seller, which was the controlling shareholder of the Company immediately prior to Completion). We, Somerley Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee in relation to the Offer.

During the past two years, Somerley Capital Limited has acted as an independent financial adviser to Shangri-La Asia Limited (“SLA”), which is indirectly controlled by Kerry Group Limited, in relation to the duration of certain continuing connected transactions, as detailed in the announcement published by SLA on 4 March 2016 (the “**Past Engagement**”). The Past Engagement was limited to providing an independent advisory service to SLA pursuant to the Listing Rules, for which Somerley Capital Limited received a normal professional fee. Accordingly, we do not consider the Past Engagement gives rise to any conflict of interest for Somerley Capital Limited in acting as the Independent Financial Adviser.

We are not associated with the Company, the Offeror or any party acting, or presumed to be acting, in concert with any of them and, accordingly, are considered eligible to give independent advice on the Offer. Apart from normal professional fees payable to us in connection with this appointment, and except as disclosed above, no arrangement exists whereby we will receive any fees or benefits from the Company, the Offeror or any party acting, or presumed to be acting, in concert with any of them.

### **BASIS OF OUR OPINION**

In formulating our opinion and recommendation, we have relied on the information and facts supplied, and the opinions expressed, by the Directors and management of the Group, which we have assumed to be true, accurate and complete in all material respects. We have reviewed the published information on the Company, including its interim report for the six months ended 30 June 2016, its annual report for the financial year ended 31 December 2015, and the independent property valuation report on the investment properties of the Group, as set out in Appendix IV to the Composite Document (the “**Valuation Report**”). We have discussed with the Directors their statements set out in Appendix II to the Composite Document that, save as disclosed therein, there have been no material changes in the financial or trading position or outlook of the Group since 31 December 2015, the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date. We have also visited the Group’s investment properties, and have discussed

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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the Valuation Report with Savills, the independent property valuer appointed by the Group, as regards Savills's bases and assumptions used for the valuations (the "Valuations") of the Group's property interests as at 31 August 2016. Further information is set out in the section headed "Property valuations". We have sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed by them. We consider that the information we have received is sufficient for us to reach our opinion and recommendation as set out in this letter. We have no reason to doubt the truth and accuracy of the information provided to us or to believe that any material facts have been omitted or withheld. We have, however, not conducted any independent investigation into the business and affairs of the Group, nor have we carried out any independent verification of the information supplied. We have also assumed that all representations contained or referred to in the Composite Document are true as at the date of the Composite Document and will continue to be true until the Closing Date, and that the Shareholders will be notified of any material changes to such representations as soon as reasonably practicable during the Offer Period.

We have not considered the tax and regulatory implications on the Independent Shareholders of acceptance or non-acceptance of the Offer since these depend on their individual circumstances. In particular, Independent Shareholders who are resident overseas or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax positions and, if in any doubt, consult their own professional advisers.

### PRINCIPAL TERMS OF THE OFFER

The Offer is made by BOCI on behalf of the Offeror in accordance with the Takeovers Code on the following basis:

#### The Offer Price

**For each Offer Share . . . . . HK\$1.3459 in cash**

The Offer Price of HK\$1.3459 for each Offer Share is equal to the Transaction Price. The Offer Shares to be acquired under the Offer shall be free from all Encumbrances and shall be acquired together with all rights and benefits attaching to them as at the date of the Composite Document or subsequently becoming attached to them, including the right to all dividends, distributions and any return of capital, if any, declared, made or paid, or agreed to be made or paid thereon or in respect thereof on or after the date on which the Offer is made, being the date of the Composite Document.

The Offer is unconditional in all respects. In accordance with the Takeovers Code, the Offer is extended to all Shareholders (including Overseas Shareholders) other than the Offeror and its Concert Parties.

As at the Latest Practicable Date, there were 1,567,745,596 Shares in issue. Assuming that there is no change to the issued Shares up to the close of the Offer, a total of 404,594,288 Shares are subject to the Offer.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Acceptance of the Offer shall be unconditional and irrevocable and shall not be capable of being withdrawn, except as permitted under the Takeovers Code. Further details of the Offer, including the expected timetable and the terms and procedures for acceptance of the Offer, are set out in the sections headed “Expected timetable”, “Letter from BOCI”, “Letter from the Board”, Appendix I to the Composite Document and the Forms of Acceptance. Independent Shareholders are urged to read the Composite Document in full.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation with regard to the Offer, we have taken into account the following principal factors and reasons:

#### 1. Information on the Group and background to the Offer

The Group is principally engaged in the property investment business. As at the Latest Practicable Date, it owned four investment properties in Hong Kong, being (i) office units and car parking spaces in a commercial building in Central (the “**Bank of America Tower**”), (ii) workshop units in an industrial building in Yau Tong (the “**Ko Fai Property**”), (iii) a workshop unit in an industrial building in North Point (the “**Seaview Estate Property**”), and (iv) office units, shop and lobby areas in, and an advertising board on the external wall of, a commercial and residential building in Wanchai (the “**Yue King Property**”).

The nature of the Group’s business has changed substantially in the past year. On 14 December 2015, the Company announced the sale of the media business of the Group for a cash consideration of approximately HK\$2.1 billion (the “**Media Business Disposal**”), which included the South China Morning Post newspaper and magazine and other media assets. The Media Business Disposal completed on 5 April 2016, and the Media Special Cash Dividend of approximately HK\$1.5943 per Share was paid the following day. In April 2016, the Company changed its name from “SCMP Group Limited” to “Armada Holdings Limited”. On 28 September 2016, the Company completed the divestment of Coastline, which held the TV City Property, a vacant studio broadcasting complex in Sai Kung, to an independent third party. Further details of the Media Business Disposal and the Coastline Disposal are set out in the circulars published by the Company dated 19 February 2016 and 26 September 2016 respectively. Following the above disposals, the remaining business of the Group represents its investments in four properties in Hong Kong for rental income.

The Company has been listed on the Main Board of the Stock Exchange since 1990. However, trading in the Shares had been suspended since 26 February 2013, when the public float for the Shares fell below 25%. The Board has been exploring options to address the public float issue, including, among others, a possible delisting proposal by the Company through share buy-backs by general offer (the “**Buyback Proposal**”). The Buyback Proposal was later terminated, however, as the Company did not receive unconditional support from the Company’s then substantial shareholders.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

To continue its effort to address the public float issue, the Company published an announcement on 10 May 2016, stating that it engaged a financial adviser to assist it in identifying interested third parties who may be willing to make proposals to resolve the public float issue or otherwise return value to the Shareholders.

The above efforts ultimately led to the entering into of a memorandum of understanding between the Seller and the Purchaser on 30 June 2016, in relation to the possible sale of a controlling interest in the Company. This was followed on 12 August 2016 by the Joint Announcement stating that on the same day, the Seller entered into the Share Purchase Agreement with the Purchaser, pursuant to which the Purchaser conditionally agreed to purchase from the Seller and the Related Parties 1,163,151,308 Shares, which represent approximately 74.2% of the total number of the issued Shares as at the Latest Practicable Date, at the Transaction Price for each Sale Share.

On 17 October 2016, the Company paid the Coastline Special Cash Dividend of approximately HK\$0.6225 per Share and the Pre-Completion Dividend of approximately HK\$0.1244 per Share. Completion took place on 31 October 2016.

### 2. Financial information and prospects of the Group

#### (a) Financial results

Set out below is a summary of the consolidated financial results of the Group for the six months ended 30 June 2015 and 2016, and for the two financial years ended 31 December 2014 and 2015, details of which are set out in Appendix II to the Composite Document:

	For the six months ended 30 June		For the financial year ended 31 December	
	2016	2015	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited and restated)	(audited)	(audited and restated)
<i>Continuing operations</i>				
Revenue	26,848	26,182	52,833	46,956
Fair value gain on investment properties	114,100	137,100	191,400	11,400
Share of losses of associates	(444)	(4,316)	(4,919)	(9,365)
Gain(s) on disposal	57,151	43,349	65,158	–
Income tax credit/(expenses)	3,470	(2,949)	(4,820)	(4,665)
Others	(13,394)	(5,667)	(14,550)	(12,571)
<b>Profit for the period/year from continuing operations</b>	<b>187,731</b>	<b>193,699</b>	<b>285,102</b>	<b>31,755</b>

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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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	<b>For the six months ended 30 June</b>		<b>For the financial year ended 31 December</b>	
	<b>2016</b>	<b>2015</b>	<b>2015</b>	<b>2014</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited and restated)	(audited)	(audited and restated)
(Loss)/profit for the period/year from discontinued operations	(12,999)	23,099	50,438	127,882
Gain on disposal of discontinued operations	1,421,731	–	–	–
<b>Profit for the period/year from discontinued operations</b>	<b>1,408,732</b>	<b>23,099</b>	<b>50,438</b>	<b>127,882</b>
<b>Profit for the period/year attributable to Shareholders</b>	<b>1,595,372</b>	<b>208,661</b>	<b>316,232</b>	<b>136,768</b>
<b>Dividend(s) for the period/year</b>	<b>2,499,499</b>	<b>20,294</b>	<b>43,710</b>	<b>93,663</b>
<i>– per Share</i>	<i>HK\$1.59</i>	<i>HK\$0.01</i>	<i>HK\$0.03</i>	<i>HK\$0.06</i>

*(i) Revenue and fair value gain on investment properties*

The revenue of the Group is mainly rental income from the investment properties owned by the Group, which comprised the Bank of America Tower, the Ko Fai Property and the Seaview Estate Property. In addition, following completion of the Media Business Disposal on 5 April 2016, the Yue King Property has been reclassified as an investment property of the Group. Further details of the investment properties are set out in the section headed “Information on the Group and background to the Offer”. The TV City Property did not generate rental income during the above periods. In 2015, the Group recorded rental income of approximately HK\$52.8 million, an increase of approximately 12.5% compared to 2014, as a result of increased rental rates for the Bank of America Tower and the Ko Fai Property upon lease renewals, as well as higher revenue derived from the advertising board attached to the Yue King Property. For the six months ended 30 June 2016, the rental income of the Group remained flat compared to the corresponding period last year.

The Group’s investment properties were valued by an independent and professionally qualified valuer for each financial period-end as stated above. Relevant fair value gains were recorded in the Group’s financial results during the above periods.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*(ii) Gains on disposals*

In 2015, the Group recorded a gain of approximately HK\$65.1 million relating to the disposal of a 12.8% interest in The Post Publishing Public Company Limited (“**Post Publishing**”), a publishing house listed in Thailand. During the six months ended 30 June 2016, the Group recorded gains of approximately HK\$57.2 million in relation to the disposals of listed and unlisted securities and its remaining interest in Post Publishing.

*(iii) Profit from discontinued operations*

As set out in the section headed “Information on the Group and background to the Offer”, the Group completed the Media Business Disposal in April 2016. Profit from discontinued operations as presented above comprises (i) the profit or loss of the underlying media business of the Group during the relevant period/year before completion of the Media Business Disposal, and (ii) the one-off gain of approximately HK\$1.4 billion recorded upon completion of the Media Business Disposal. The significant one-off gain was the result of the consideration received under the Media Business Disposal being significantly higher than the carrying amount of the net assets of the Group’s media business. Please refer to the circular of the Company dated 19 February 2016 for further details on the Media Business Disposal.

*(iv) Profit attributable to Shareholders*

The profitability of the Group has been heavily influenced by fair value gains relating to the Group’s investment properties and non-recurring disposal gains as discussed above. In 2015, the profit attributable to Shareholders was approximately HK\$316.2 million, an increase of approximately 131.2% as compared to the previous year, mainly as a result of higher gains recorded in relation to investment properties and the partial disposal of interests in Post Publishing. For the six months ended 30 June 2016, the Group recorded a profit attributable to Shareholders of approximately HK\$1.6 billion, an increase over the corresponding period in 2015 of more than six times, mainly due to the one-off gain relating to the Media Business Disposal.

*(v) Dividends*

The dividends declared for 2014 and 2015 were HK\$0.06 per Share and approximately HK\$0.03 per Share respectively. The dividend yield, as represented by the Offer Price of HK\$1.3459 per Share, is approximately 4.5% and 2.2%, respectively, for 2014 and 2015.



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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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During the six months ended 30 June 2016, the Company paid the Media Special Cash Dividend of approximately HK\$1.5943 per Share. On 17 October 2016, the Company paid the Coastline Special Cash Dividend and the Pre-Completion Dividend, of approximately HK\$0.6225 and HK\$0.1244 per Share respectively.

**(b) Financial position**

Set out below is a summary of the consolidated financial position of the Group as at 30 June 2016 and 31 December 2015, details of which are set out in Appendix II to the Composite Document:

	<b>As at 30 June 2016</b>	<b>As at 31 December 2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)
Property, plant and equipment	1,267	96,954
Investment properties	2,441,500	1,923,400
Other non-current assets	3,905	119,088
	<hr/>	<hr/>
<b>Total non-current assets</b>	<b>2,446,672</b>	<b>2,139,442</b>
Prepayments, deposits and other receivables	4,851	2,341
Cash and bank balances	271,753	39,487
Other current assets	24,058	24,522
	<hr/>	<hr/>
<b>Total current assets</b>	<b>300,662</b>	<b>66,350</b>
Assets of disposal group classified as held for sale	–	1,526,228
	<hr/>	<hr/>
<b>Total assets</b>	<b>2,747,334</b>	<b>3,732,020</b>
<b>Non-current liabilities (deferred income tax liabilities)</b>	<b>11,119</b>	<b>17,959</b>
Accounts payable and accrued liabilities	26,566	40,461
Amounts due to associates	2,239	2,290
Current income tax liabilities	3,766	506
	<hr/>	<hr/>
<b>Total current liabilities</b>	<b>32,571</b>	<b>43,257</b>
<b>Liabilities of disposal group classified as held for sale</b>	<b>–</b>	<b>296,315</b>
	<hr/>	<hr/>
<b>Total liabilities</b>	<b>43,690</b>	<b>357,531</b>
<b>Equity attributable to Shareholders</b>	<b>2,703,644</b>	<b>3,317,955</b>
<i>– per Share</i>	<i>HK\$1.72</i>	<i>HK\$2.12</i>

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*(i) Investment properties*

As at 30 June 2016, the Group recorded investment properties of HK\$2,441.5 million, representing approximately 88.9% of the total assets of the Group. Upon completion of the Coastline Disposal in September 2016, the Group owned four investment properties, being the Yue King Property, the Bank of America Tower, the Ko Fai Property and the Seaview Estate Property. The aggregate fair value of the above investment properties was HK\$1,534.0 million as at 31 August 2016, as set out in the Valuation Report and further discussed in the section headed “Property valuations”.

*(ii) Other assets and liabilities*

The assets of disposal group classified as held for sale of approximately HK\$1,526.2 million and the liabilities of disposal group classified as held for sale of approximately HK\$296.3 million as at 31 December 2015 mainly comprised the assets and liabilities attributable to the media business of the Group, which were divested in April 2016.

As at 30 June 2016, the Group recorded total liabilities of approximately HK\$43.7 million, which mainly comprised accounts payable and accrued liabilities. The Group had no borrowings as at 30 June 2016.

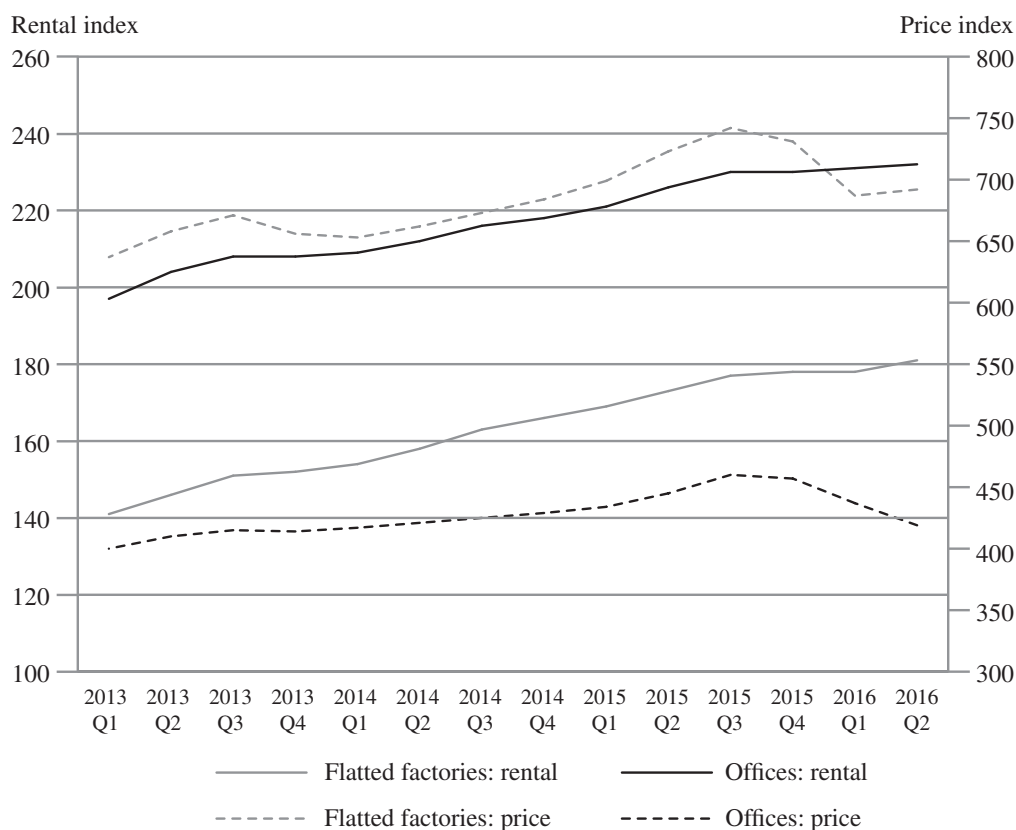
The net asset value of the Group (the “NAV”) was approximately HK\$2,703.6 million, or approximately HK\$1.72 per Share, as at 30 June 2016. Please refer to the section headed “Premium of the Offer Price over net asset value” for further information on the Adjusted NAV (as defined below) and its use for evaluating the Offer Price.

*(c) Prospects of the Group*

As set out in the section headed “Information on the Group and background to the Offer”, following the Media Business Disposal and the Coastline Disposal, the primary business of the Group has changed. It is now focused on operating four investment properties in Hong Kong. As set out in the interim report of the Company for the six months ended 30 June 2016, the Group expects the rental income from its investment properties and income from its advertising board to remain stable in the remaining months of 2016.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The rental income received and fair value changes recorded in respect of the investment properties owned by the Group depends on various factors, including rental negotiations upon lease renewals and general market conditions in Hong Kong. The graph below sets out property price and rental indices for offices and flatted factories in Hong Kong from 2013 to 2016, as detailed in the most recently available property market statistics published by the Rating and Valuation Department of the Government of Hong Kong:



*Note: Indices rebased to the year 1999*

We note that a general upward trend can be observed in respect of relevant property price and rental indices from 2013 to 2015. After reaching a peak in late 2015, the above price indices dropped toward Q2 2016, while the rental indices exhibited only limited growth in the first half of 2016, indicating that they may not necessarily show the same growth going forward as they did in previous years. As advised by management of the Group, the active leases of the investment properties owned by the Group will expire between early 2017 and 2020. The terms of lease renewals are likely to be influenced by the sentiment of the property market at the time. On the basis of the above, we consider that the general outlook for the Hong Kong commercial property market is mixed.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 3. Property valuations

The Valuations conducted by Savills are set out in the Valuation Report contained in Appendix IV to the Composite Document, which are summarised as follows:

	<b>Market value of the property interests in existing state <i>HKD million</i></b>	<b>Proportion of total %</b>
Bank of America Tower	845.0	55.1
Ko Fai Property	168.0	10.9
Seaview Estate Property	86.0	5.6
Yue King Property	435.0	28.4
<b>Total property interests</b>	<b>1,534.0</b>	<b>100.0</b>

Pursuant to the Valuation Report the market value of the property interests in existing state as at 31 August 2016 was HK\$1,534.0 million. Based on our understanding and discussion with management of the Group, the above aggregate value of the four properties is approximately 0.9% lower than the valuations as at 30 June 2016, which have been reflected in the consolidated financial position of the Group as at 30 June 2016.

The Valuations play an important part in our evaluation of the Offer, given that the Group's business primarily depends on the income generated by the investment properties. With this in mind, we have discussed the Valuations with Savills, including specifics on (i) valuation approaches employed and relevant bases and assumptions used, and (ii) Savills's due diligence work performed.

We note that on a primary basis Savills has used the sales comparison approach for arriving at the value of each of the Bank of America Tower, the Ko Fai Property and the Seaview Estate Property, and the income capitalisation approach for arriving at the value of the Yue King Property. Under the sales comparison approach, the properties were valued with reference to comparable sales evidence available in the market and taking into account, where applicable, comparative differences such as location, age of building, and floor level. The Yue King Property (including the advertising board attached) was valued based on current and expected rental income receivable pursuant to the current rental agreements and adjusted comparable rental rates available in the market, and an appropriate capitalisation rate. As discussed with Savills, the income capitalisation approach was used for the valuation of the Yue King Property because there were no appropriate comparable property and advertising board sales transactions available in the market to make reference to.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We consider that the valuation approaches used by Savills are normal and reasonable approaches for establishing open market values for the subject properties. We have also discussed with Savills the underlying bases and assumptions used when valuing each of the properties, including comparable sales evidence used and the adjustments made by Savills. We note that Savills has carried out physical inspections of the valued properties and made relevant enquiries in the context of the Valuations. We have also performed work as required under note (1)(d) to Listing Rule 13.80 in relation to Savills and its work as regards the Valuations.

#### 4. Premium of the Offer Price over net asset value

Following completion of the Media Business Disposal and the Coastline Disposal, the Group's business primarily comprises investments in four properties in Hong Kong, the fair value of which have been reflected in the Company's consolidated balance sheet. As such, we consider that the Offer Price should be evaluated against the net asset backing of the Group.

As set out in the letter from the Board, the adjusted NAV of the Group as at 30 June 2016 was estimated to be approximately HK\$1,510.1 million (the "Adjusted NAV"), or approximately HK\$0.9632 per Share. The Adjusted NAV is based on the NAV of the Group as at 30 June 2016 of approximately HK\$2,703.6 million, and adjusted for the following material changes to the financial position of the Company since 30 June 2016:

- (i) subtraction of the Coastline Special Cash Dividend of approximately HK\$976.0 million;
- (ii) subtraction of the Pre-Completion Dividend of approximately HK\$195.0 million; and
- (iii) subtraction of the revaluation deficit in the aggregate amount of HK\$22.5 million arising from (a) the valuation of the TV City Property as at 31 July 2016, as set out in Appendix II to the circular of the Company dated 26 September 2016, and (b) the valuation of the Group's property interests as at 31 August 2016, as set out in Appendix IV to the Composite Document.

In contrast, the value of the entire issued share capital of the Company, based on the Offer Price of HK\$1.3459 per Share and 1,567,745,596 Shares in issue as at the Latest Practicable Date, is approximately HK\$2,110.0 million. This represents a premium of approximately HK\$599.9 million, or approximately 39.7%, over the Adjusted NAV, which has taken into account the full market value of the Group's properties and the effect of dividend distributions. We have also discussed with the Company the financial performance and position of the Group after 30 June 2016, the date that the Adjusted NAV is based on, and understand that such significant premium persists after 30 June 2016. We consider this premium to be favourable to the Independent Shareholders.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 5. Offer Price comparisons

The Offer Price of HK\$1.3459 is equal to the Transaction Price, and represents a premium of approximately 39.7% over the Adjusted NAV per Share. The Offer Price represents a discount of approximately 21.8% to the average closing price of the Shares of approximately HK\$1.72 per Share for the last 30 trading days up to and including the Last Trading Date, being 25 February 2013.

As noted in the section headed “Information on the Group and background to the Offer”, the Shares have not been trading for over three years. This means, inter alia, that the Shareholders will not have a market price to compare with the Offer Price before the close of the Offer.

Referencing the most recently available price of the Shares, the Offer Price represents a discount to the Share price on the Last Trading Date. However, the Independent Shareholders should note that the aggregate of the Offer Price, the Media Special Cash Dividend, the Coastline Special Cash Dividend, the Pre-Completion Dividend, and the interim and final dividends paid since the Last Trading Date, being approximately HK\$3.8821 per Share, is approximately HK\$2.16 per Share higher than the above 30-day average closing price of the Shares before suspension. This indicates that a Shareholder who held Shares at a value of approximately HK\$1.72 per Share prior to suspension in trading and who accepts the Offer would divest its interest in the Company for a combined cash value of approximately HK\$3.8821 per Share. Independent Shareholders should note that the above mentioned dividends have already been paid, irrespective of whether an Independent Shareholder will accept the Offer. Given that the business of the Group has changed following the sale of its media business and the lack of a recent share price which reflects the market’s view on the Group, we consider it more relevant to evaluate the Offer Price against the most recent net assets of the Group, as presented in the section above.

### 6. Peer comparison

As discussed under the section headed “Information on the Group and background to the Offer”, the Group is principally engaged in managing investment properties in Hong Kong. We have analysed the following companies (the “**Comparable Companies**”) listed on the Stock Exchange that principally engage in property investment in Hong Kong, and which have derived at least 75% of their revenue from Hong Kong and property investments in their latest financial years, and whose investment properties represented at least 75% of total assets, according to their latest published financial positions. Based on the above criteria, we have identified 9 Comparable Companies as set out below. We consider the list of Comparable Companies represents an exhaustive list of companies that we were able to identify from the Stock Exchange’s website, which satisfied the above selection criteria:

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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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Company	Market capitalisation as at the Latest Practicable Date (HK\$ million)	Closing price as at the Latest Practicable Date (HK\$) (A)	Consolidated NAV per share (HK\$) (B) (Note 1)	Price to book ("P/B") multiple (times) (A/B)
Hysan Development Company Limited (Stock code: 14)	38,234.1	36.55	64.6	0.57
Associated International Hotels Limited (Stock code: 105)	8,244.0	22.90	40.9	0.56
Wing Tai Properties Limited (Stock code: 369)	6,489.0	4.83	17.5	0.28
Melbourne Enterprises Ltd (Stock code: 158)	4,395.0	175.80	238.6	0.74
Pokfulam Development Company Limited (Stock code: 225)	1,529.3	13.88	40.5	0.34
Pioneer Global Group Limited (Stock code: 224)	1,511.8	1.31	4.4	0.30
Tai Sang Land Development Limited (Stock code: 89)	1,265.7	4.40	22.8	0.19
Henry Group Holdings Limited (Stock code: 859)	1,244.5	1.21	2.2	0.55
Wing Lee Property Investments Limited (Stock code: 864)	517.5	1.34	2.7	0.50
			<b>Mean</b>	0.45
			<b>Median</b>	0.50
			<b>Maximum</b>	0.74
			<b>Minimum</b>	0.19
<b>The Offer</b>	<b>2,110.0</b>	<b>1.3459</b> (Note 2)	<b>0.9632</b> (Note 3)	<b>1.40</b>

Source: Website of the Stock Exchange

Notes:

- (1) The consolidated NAV per share for each of the Comparable Companies is calculated by dividing the respective consolidated NAV attributable to the equity holders as extracted from the latest published financial statements, divided by the respective number of issued shares as at the year/period end date
- (2) Being the Offer Price of HK\$1.3459 per Share
- (3) Being the Adjusted NAV per Share

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As shown above, the P/B multiple of the Comparable Companies ranged from approximately 0.19 times to 0.74 times, with a mean and median of approximately 0.45 times and 0.50 times respectively, i.e. the Comparable Companies are all trading at substantial discounts to their respective net assets. The P/B multiple as represented by the Offer Price of approximately 1.40 times is higher than the maximum P/B multiple of the Comparable Companies, which we consider favourable to the Independent Shareholders.

### **7. The Offeror and its intention in relation to the Company**

#### *(a) Information on the Offeror*

The Offeror is a direct wholly-owned subsidiary of the Purchaser, which in turn is wholly owned by GWAMC. The Purchaser is principally engaged in financial investment and equity investment, and also offers financial consultancy services in Hong Kong. The Purchaser's wholly-owned subsidiaries include entities licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO.

GWAMC is one of the four asset management corporations in the PRC responsible for the acquisition and disposal of distressed assets of the five largest state-owned banks to facilitate the reform and commercialisation of such banks. The principal businesses of GWAMC are distressed asset management, investment and asset management and comprehensive financial services. Its sole shareholder is the Ministry of Finance of the People's Republic of China.

As set out in the letter from BOCI in the Composite Document, GWAMC and its subsidiaries (together, the "GWAMC Group") is experienced in real estate related activities. The GWAMC Group's key real estate development activities currently include the development of commercial buildings in Beijing and Shanghai. In addition, the GWAMC Group has investment holdings in a number of commercial properties in Shanghai, including a business hotel. The GWAMC Group also has interests in a number of real estate projects in certain second-tier cities in the PRC.

We consider that the GWAMC Group's experience in real estate to be a suitable background for managing the Group's existing business and implementing the intentions of the Offeror as set out in the section headed "Intentions of the Offeror in relation to the Company".

#### *(b) Intentions of the Offeror in relation to the Company*

##### *Business of the Group*

As stated in the letter from BOCI in the Composite Document, it is the intention of the Offeror to continue to develop the Group's existing business following the close of the Offer. Subject to market conditions, and leveraging on



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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GWAMC's financial investment experience and financial strength, the Offeror intends to provide the Group with more opportunities in the development of real estate projects in the PRC and/or Hong Kong.

The Purchaser is conducting a review of the business activities and assets of the Group for the purpose of formulating business plans and strategies for the future business direction of the Group. Subject to the result of such review, the Purchaser will consider whether any asset disposal or acquisition, business rationalisation, and/or business diversification will be appropriate for the Group in order to enhance its long-term growth potential, including, subject to the requirements of the Listing Rules, possible injection of certain assets and/or subsidiaries of the Purchaser to the Group. The Offeror currently has no intention to dispose of the assets of the Group.

All employment relationship between the Group and its employees, and any secondments to the Group, ceased on or before Completion. In respect of the Directors, please refer to the section headed "Composition of the Board" for details on the changes to the Board. Following Completion, it is intended that certain employees and officers of the Purchaser or its affiliates will be seconded to the Company to manage the day-to-day operations of the Group. In particular, it is intended that a management team with experience in commercial property investment and management in both the PRC and Hong Kong will be seconded to the Group. Property management services and other ancillary services are outsourced to professional agencies engaged by the Group.

The Board is aware of the intentions of the Offeror with regards to the Group and its employees and will render cooperation and support to the Offeror.

### *Composition of the Board*

As stated in the letter from BOCI in the Composite Document, all of the existing Directors have tendered their resignation from the Board, with their resignations taking effect from the day immediately after the First Closing Date.

The Offeror has nominated new Directors to the Board whose appointments take effect from the date immediately after the date on which the Composite Document is posted or such other date as permitted under the Takeovers Code. As set out in the Completion Announcement, two executive Directors, two non-executive Directors and three independent non-executive Directors have been nominated to the Board, whose appointments take effect from the date immediately after the date on which the Composite Document is posted or such other date as permitted under the Takeovers Code. The names and biographical details of the above Directors are stated in the Completion Announcement.

Any further changes to the Board will be made in compliance with the Takeovers Code and the Listing Rules and further announcement will be made as and when appropriate.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Listing status of the Company*

As stated in the letter from BOCI in the Composite Document, the Offeror intends to maintain the listing of the Shares on the Stock Exchange after the close of the Offer, and does not intend to exercise any right which may be available to it to compulsorily acquire any outstanding Offer Shares not acquired under the Offer after the close of the Offer.

According to the Listing Rules, if, upon the close of the Offer, less than 25% of the issued Shares are held by the public, or if the Stock Exchange believes that a false market exists or may exist in the trading of the Shares or there are insufficient Shares in public hands to maintain an orderly market, then the Stock Exchange will consider exercising its discretion to continue to suspend dealings in the Shares.

In this connection, it should be noted that dealings in the Shares had been suspended since February 2013 due to insufficient public float for the Shares. Upon the close of the Offer, trading in the Shares will continue to be suspended until a sufficient level of public float is restored, and the sole director of the Offeror and the new Directors of the Company have undertaken to the Stock Exchange jointly and severally to take appropriate steps to ensure that sufficient public float exists in the Shares after closing of the Offer, which may include the Offeror selling some of its Shares.

The letter from BOCI in the Composite Document further sets out that the Offeror intends to restore the public float of the Company by disposing part of its shareholding in the Company to independent third party investors who are considered to be members of the public for the purposes of the public float requirements under the Listing Rules after the end of the Offer Period (the “**Placings**”). Subject to relevant compliance with applicable laws and regulations, the Offeror has commenced the process of identifying potential investors for the Placings, and intends to enter into definitive agreements in relation to the Placings as soon as reasonably practicable after the end of the Offer Period, subject to market conditions and agreement between the parties.

Independent Shareholders should be aware that Independent Shareholders who chose not to accept the Offer would not be able to sell their Shares on the Stock Exchange until trading in the Shares resumes. If a placing exercise is required to increase the Shares in public hands, we consider that this may put pressure on the market price of the Shares once trading in the Shares resumes.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### DISCUSSION

#### **(i) A cash exit for Shareholders following trading suspension for over three years**

The Shares have not been trading since February 2013 due to insufficient public float. Although the Board had explored options to address the public float issue, none of them were successful until the consummation of the Sale and Purchase. The Offer, which is made following completion of the Sale and Purchase, provides Shareholders a cash exit for their investment in the Shares, which have not been traded in the market for over three years and remained suspended as at the Latest Practicable Date.

The Offeror has stated that it intends to maintain the listing status of the Company, and each of the sole director of the Offeror and the new Directors of the Company have undertaken to the Stock Exchange jointly and severally to take appropriate steps to ensure sufficient public float exists in the Shares after closing of the Offer. In particular, the Offeror intends to dispose part of its shareholding in the Company after the end of the Offer Period, and has commenced the process of identifying potential investors. However, the Independent Shareholders should note that there is no fixed timetable as to when trading in the Shares will resume. As the Offeror has already acquired approximately 74.2% of the issued Shares, and Silchester has provided the Silchester Undertaking in respect of approximately 14.1% of the issued Shares, significant acceptances of the Offer will cause the public float to fall far below the minimum requirement of 25%. Trading in the Shares will continue to be suspended until the public float is restored and the measures needed to achieve this, for example by way of the Placings, may have an impact on the Share price once trading resumes.

#### **(ii) A chance to exit on terms we consider attractive**

The Offer gives the Independent Shareholders the chance to exit at a favourable fixed cash price:

- The Offer Price of HK\$1.3459 per Share represents a premium of approximately 39.7% over the Adjusted NAV per Share, which has taken into account the full market value of the Group's remaining four investment properties; and
- the P/B as represented by the Offer Price of approximately 1.40 times is higher than the maximum P/B multiple of the Comparable Companies, which we consider favourable to the Independent Shareholders.

#### **(iii) The Company's new principal business**

Following the Media Business Disposal in April 2015, the Group is now focused on property investment in Hong Kong. Its portfolio of properties has been reduced following the Coastline Disposal in September 2016, the proceeds of which have been paid out as the Coastline Special Cash Dividend, together with the Pre-Completion Dividend. The Group now owns four properties comprising office and commercial units for rental income purposes.

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Owing to the nature of a business which relies primarily on rental income from investment properties, and keeping in mind a mixed outlook for the Hong Kong commercial property market, the Group's revenue stream is likely to be influenced by property market sentiment once existing leases need to be renewed or new leases need to be signed. We also note that while the Offeror has experience in managing real estate projects, it has not set out publicly a detailed business plan for the Group going forward. Independent Shareholders should take into consideration the above when assessing whether or not to accept the Offer.

### OPINION AND RECOMMENDATION

Based on the above principal factors and reasons, we consider that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend that the Independent Shareholders accept the Offer.

Independent Shareholders who are attracted to the future of the Company under the management of the Offeror may consider retaining some or all of their Shares. Such Independent Shareholders should bear in mind the ongoing suspension of trading in the Shares and the Offeror's intention to maintain the listing of the Shares on the Stock Exchange referred to in paragraph (i) in the section headed "Discussion".

Yours faithfully,  
for and on behalf of  
**SOMERLEY CAPITAL LIMITED**  
**M. N. Sabine**      **John Wong**  
*Chairman*              *Director*

*Mr. M. N. Sabine is a licensed person registered with the SFC and a responsible officer of Somerley Capital Limited, which is licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. He has over thirty years of experience in the corporate finance industry.*

*Mr. John Wong is a licensed person registered with the SFC and a responsible officer of Somerley Capital Limited. He has over seven years of experience in the corporate finance industry.*

## 1. TERMS OF THE OFFER

### Procedures for acceptance of the Offer

- (a) To accept the Offer, you should complete and sign the accompanying Form of Acceptance in accordance with the instructions printed thereon, which instructions form part of the terms of the Offer.
- (b) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in your name, and you wish to accept the Offer, you must send the accompanying Form of Acceptance duly completed and signed together with the relevant Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar, Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, by post or by hand, marked "**Armada Offer**" on the envelope, as soon as possible and in any event so as to reach the Registrar no later than 4:00 p.m. (Hong Kong time) on Friday, 25 November 2016, being the First Closing Date, or such later time and/or date as the Offeror may determine and announce in compliance with the requirements of the Takeovers Code.
- (c) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Share(s) is/are in the name of a nominee company or a name other than your own, and you wish to accept the Offer whether in respect of all or part of your Shares, you must either:
  - (i) lodge the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, with instructions authorising it to accept the Offer on your behalf and requesting it to deliver the accompanying Form of Acceptance duly completed together with the relevant Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) for the number of Shares in respect of which you intend to accept the Offer to the Registrar in an envelope marked "**Armada Offer**"; or
  - (ii) arrange for the Shares to be registered in your name through the Registrar and send the accompanying Form of Acceptance duly completed and signed together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar in an envelope marked "**Armada Offer**"; or

- (iii) if your Shares have been lodged with your licensed securities dealer (or other registered dealer in securities or custodian bank) through CCASS, instruct your licensed securities dealer (or other registered dealer in securities or custodian bank) to authorise HKSCC Nominees Limited to accept the Offer on your behalf on or before the deadline set out by HKSCC Nominees Limited. In order to meet the deadline set out by HKSCC Nominees Limited, you should check with your licensed securities dealer (or other registered dealer in securities or custodian bank) on the time needed for the processing of your instruction, and submit your instruction to your licensed securities dealer (or other registered dealer in securities or custodian bank) as required by them; or
- (iv) if your Shares have been lodged with your investor participant's account maintained with CCASS, authorise your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set out by HKSCC Nominees Limited.
- (d) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Offer, the accompanying Form of Acceptance should nevertheless be completed, signed and delivered in an envelope marked "**Armada Offer**" to the Registrar together with a letter stating that you have lost one or more of your Share certificate(s) and/or transfer receipts and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) or that it/they is/are not readily available. If you subsequently find such document(s) or if it/they subsequently become(s) available, the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any indemnity or indemnities required in respect thereof) should be forwarded to the Registrar as soon as possible thereafter. If you have lost your Share certificate(s), you should also write to the Registrar for a form of letter of indemnity which, when completed in accordance with the instructions given therein, should be returned to the Registrar. The Offeror shall have absolute discretion to decide whether any Shares in respect of which the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title is/are not readily available and/or is/are lost will be taken up by the Offeror.
- (e) If you have lodged transfer(s) of any of your Shares for registration in your name and have not yet received your Share certificate(s) and you wish to accept the Offer, you should nevertheless complete and sign the accompanying Form of Acceptance and deliver it in an envelope marked "**Armada Offer**" to the Registrar together with the transfer receipt(s) duly signed by you. Such action will be deemed to be an irrevocable instruction and authority to BOCI and/or the Offeror and/or any of their respective agent(s) to collect from the Company or the Registrar, on your behalf, the relevant Share certificate(s) when issued and to deliver such Share certificate(s) to the Registrar and to authorise and instruct the Registrar to hold such Share certificate(s), subject to the terms of the Offer, as if it was/they were delivered to the Registrar with the accompanying Form of Acceptance.

- (f) Acceptance of the Offer will be treated as valid only if the duly completed and signed Form of Acceptance is received by the Registrar no later than 4:00 p.m. (Hong Kong time) on Friday, 25 November 2016, being the First Closing Date, or such later time and/or date as the Offeror may determine and announce in compliance with the requirements of the Takeovers Code, and is:
- (i) accompanied by the relevant Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if that/those Share certificate(s) is/are not in your name, such other documents (for example a duly stamped transfer of the relevant Share(s) in blank or in your favour executed by the registered holder) in order to establish your right to become the registered holder of the relevant Shares; or
  - (ii) from a registered Independent Shareholder or his personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to Shares which are not taken into account under another sub-paragraph of this paragraph (f)); or
  - (iii) certified by the Registrar or the Stock Exchange.

If the Form of Acceptance is executed by a person other than the registered Independent Shareholder, the Form of Acceptance must be accompanied by appropriate documentary evidence of authority (for example, a copy of the grant of probate or certified copy of a power of attorney) to the satisfaction of the Registrar.

- (g) No acknowledgement of receipt for any Form(s) of Acceptance, Share certificate(s), transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.
- (h) The address of the Registrar is Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

## **2. ACCEPTANCE PERIOD AND REVISIONS**

- (a) The Offer is capable of acceptance on and from Friday, 4 November 2016 and will remain open for acceptance until Friday, 25 November 2016, being the First Closing Date, unless extended or revised in accordance with the Takeovers Code. The Offeror reserves the right to revise or extend the Offer in accordance with the Takeovers Code. Unless the Offer has previously been revised or extended with the consent of the Executive, to be valid, the Form of Acceptance must be received by the Registrar no later than 4:00 p.m. (Hong Kong time) on Friday, 25 November 2016.

- (b) If the Offer is extended or revised, the announcement of such extension will state the next closing date or a statement that the Offer will open until further notice. In the latter case, at least 14 days' notice in writing must be given to Independent Shareholders before the Offer is closed. If, during the course of the Offer, the Offeror revises the terms of the Offer, all Independent Shareholders, whether or not they have already accepted the Offer, will be entitled to accept the revised Offer under the revised terms. The revised Offer must be kept open for at least 14 days following the date on which the revised offer document is posted and shall not be closed earlier than the First Closing Date.
- (c) If the Closing Date is extended, any reference in this Composite Document and in the Form of Acceptance to the "First Closing Date" shall, except where the context otherwise requires, be deemed to refer to the subsequent Closing Date.

### 3. SETTLEMENT OF THE OFFER

- (a) Provided that a valid Form of Acceptance and the relevant documents required to render the relevant acceptance under the Offer are complete and in good order in all respects and have been received by the Registrar no later than 4:00 p.m. (Hong Kong time) on Friday, 25 November 2016, being the latest time for acceptance of the Offer unless the Offer is extended by the Offeror in accordance with the Takeovers Code, a cheque for the amount due to the relevant accepting Independent Shareholder, less seller's ad valorem stamp duty payable by the relevant accepting Independent Shareholder and if applicable, the fees payable to the Registrar in respect of lost or unavailable Share certificates, will be despatched to the relevant accepting Independent Shareholder by ordinary post at his/her/its own risk as soon as possible, but in any event within seven Business Days after the date on which all relevant documents are received by the Registrar to render such acceptance complete and valid.
- (b) No fractions of a cent will be payable and the amount of the consideration payable to an Independent Shareholder who accepts the Offer will be rounded up to the nearest cent.
- (c) Cheque(s) not presented for payment within six months from the date of issue of the relevant cheques will not be honoured and be of no further effect, and in such circumstances cheque holders should contact the Offeror for payment.
- (d) Settlement of the consideration to which an Independent Shareholder is entitled under the Offer will be implemented in full accordance with the terms of the Offer without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Independent Shareholder.



**4. NOMINEE REGISTRATION**

To ensure equality of treatment of all Independent Shareholders, those Independent Shareholders who hold Share(s) as nominees on behalf of more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. In order for beneficial owners of Share(s) whose investments are registered in the names of nominees (including those whose interests in Shares are held through CCASS) to accept the Offer, it is essential that they provide instructions of their intentions with regard to the Offer to their respective nominees.

**5. ANNOUNCEMENTS**

The announcement of the results of the Offer will be jointly issued by the Offeror and the Company and posted on the website of the Stock Exchange by 7:00 p.m. (Hong Kong time) on Friday, 25 November 2016, being the First Closing Date. Such announcement will comply with the disclosure requirements under Rule 19.1 of the Takeovers Code and will include, among other things, the results of the Offer.

In any announcement of an extension of the Offer, either the next closing date must be stated or a statement may be made that the Offer will remain open for acceptance for 14 days thereafter in accordance with the Takeovers Code.

The results announcement shall state the total number of Shares and the rights over Shares:

- (a) for which acceptances of the Offer have been received;
- (b) held, controlled or directed by the Offeror or its Concert Parties before the Offer Period; and
- (c) acquired or agreed to be acquired during the Offer Period by the Offeror or its Concert Parties.

The announcement shall also (i) specify the percentages of the issued share capital of the Company and the percentages of voting rights represented by these numbers of Shares; and (ii) include details of any relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror or its Concert Parties has borrowed or lent, save for any borrowed Shares which have been either on-lent or sold.

If the Offeror, its Concert Parties or its advisers make any statement about the level of acceptances or the number or percentage of accepting Independent Shareholders during the Offer Period, then the Offeror must make an immediate announcement in compliance with Note 2 to Rule 19 of the Takeovers Code.

As required under the Takeovers Code and the Listing Rules, all announcements in relation to the Offer in respect of which the Executive and the Stock Exchange have confirmed that they have no further comments thereon must be published on the website of the Stock Exchange and made in accordance with the requirements of the Listing Rules.

## **6. RIGHT OF WITHDRAWAL**

- (a) As the Offer is unconditional in all respects, acceptances of the Offer tendered by the Independent Shareholders shall be irrevocable and cannot be withdrawn, except as permitted under the Takeovers Code and in the circumstances set out in (b) below.
- (b) If the Offeror is unable to comply with the requirements set out in paragraph 5 of this Appendix I, under Rule 19.2 of the Takeovers Code, the Executive may require that the Independent Shareholders who tendered acceptances of the Offer be granted a right of withdrawal on terms that are acceptable to the Executive until the requirements set out in that paragraph are met.

In such case, when the Independent Shareholders withdraw their acceptance(s), the Offeror shall, as soon as possible but in any event within ten days thereof, return by ordinary post the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any indemnity or indemnities required in respect thereof) lodged with the Form of Acceptance to the relevant Independent Shareholder(s).

Save as aforesaid, acceptances of the Offer shall be irrevocable and not capable of being withdrawn.

## **7. POSTING**

All documents and remittances to be sent to Independent Shareholders will be sent to them by ordinary post at their own risk. Such documents and remittances will be sent to the Independent Shareholders' addresses as they appear in the register of members of the Company or, in the case of joint Independent Shareholders, to the Independent Shareholder whose name appears first in the register of members of the Company. None of the Company, the Offeror, the Purchaser, BOCI, the Seller, the Independent Financial Adviser and the Registrar or any of their respective directors or agents or any other person involved in the Offer will be responsible for any loss or delay in transmission or any other liability that may arise as a result thereof.

## **8. OVERSEAS SHAREHOLDERS**

This Composite Document will not be filed under any laws or rules of any jurisdiction other than Hong Kong. The Offer is available to all Independent Shareholders, including those with registered addresses outside Hong Kong. The availability of the Offer to any persons not resident in Hong Kong may be affected by the applicable laws of the relevant jurisdictions. Any Independent Shareholders who are not resident in Hong Kong and who wish to accept the Offer

should inform themselves about and observe any applicable requirements in their own jurisdictions. It is the responsibility of the Independent Shareholders who are not resident in Hong Kong who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offer (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due in respect of such jurisdictions) and, where necessary, consult their own professional advisers.

Acceptance of the Offer by any Overseas Shareholder will constitute a warranty by any such person that such person (i) is permitted under all applicable laws to receive and accept the Offer, and any revision thereof, (ii) has observed all the applicable laws and regulations of the relevant jurisdiction in connection with such acceptance, including obtaining any government or other consent which may be required, and (iii) has complied with any other necessary formality and has paid any issue, transfer or other taxes due in such jurisdiction, and that such acceptance shall be valid and binding in accordance with all applicable laws. Overseas Shareholders are recommended to seek professional advice on whether to accept the Offer.

#### **Notice to U.S. holders of shares**

The Offer relates to the Shares of a Bermuda company and is proposed to be made by means of a mandatory unconditional cash offer in accordance with the Takeovers Code as a result of Completion. The Offer is subject to the disclosure requirements and practices applicable in Hong Kong to offers made under the Takeovers Code, which differ from the disclosure and other requirements of U.S. securities laws.

This Composite Document will not be filed under any laws or rules of any jurisdiction other than Hong Kong, which are different from those of the United States, and has not been submitted to, or reviewed by, the U.S. Securities and Exchange Commission (the “SEC”) or any U.S. state securities commission or other regulatory authority. Neither the SEC nor any U.S. state securities commission or other regulatory authority has approved or disapproved of the Offer or passed upon the fairness and merits of the Offer or upon the accuracy and adequacy of the information contained in this Composite Document. In addition, U.S. holders of Shares should be aware that this Composite Document has been prepared in accordance with Hong Kong format and style, which differ from those of the United States. The Offer is being extended into the United States pursuant to the applicable U.S. tender offer rules or an available exemption therefrom and otherwise in accordance with the requirements under Hong Kong laws and regulations.

Accordingly, the Offer will comply with the relevant Hong Kong disclosure and other procedural requirements, including with respect to withdrawal rights, offer timetable, settlement procedures and timing of payments, which may be different from those applicable under U.S. domestic tender offer procedures and laws. The receipt of cash pursuant to the Offer by a U.S. holder of Shares may be a taxable transaction for U.S. federal income tax purposes and under applicable state and local, as well as foreign and other tax laws. Each U.S. holder of Shares is urged to consult his/her/its independent professional adviser immediately regarding the tax consequences of acceptance of the Offer.

The financial information of the Company included in this Composite Document has been extracted from the audited financial statements for the three years ended 31 December 2015, 31 December 2014 and 31 December 2013, which have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. Such financial information may not be wholly comparable to financial information of U.S. companies or companies whose financial statements are solely prepared in accordance with generally accepted accounting principles in the United States.

It may be difficult for U.S. holders of Shares to enforce their rights and claims arising out of U.S. federal or state securities laws, because BOCI, the Offeror and the Company are located in countries other than the United States, and some or all of their officers and directors may be residents of a country other than the United States. In addition, most of the assets of BOCI, the Offeror and the Company are located outside the United States. U.S. holders of Shares may not be able to sue a non-U.S. company or its officers or directors in a non-U.S. court for violations of U.S. federal or state securities laws. Further, it may be difficult for U.S. holders of Shares to effect service of process within the United States upon BOCI, the Offeror or the Company or their respective officers or directors, to enforce against them a judgment of a U.S. court or to compel them or their affiliates to subject themselves to a U.S. court judgment.

In accordance with normal Hong Kong practice and pursuant to Rule 14e-5(b) of the U.S. Exchange Act, the Offeror hereby discloses that it or its affiliates, or its nominees, or their respective brokers (acting as agents) may from time to time make certain purchases of, or arrangements to purchase, Shares outside of the United States, other than pursuant to the Offer, before or during the period in which the Offer remains open for acceptance. These purchases may occur either in the open market at prevailing prices or in private transactions at negotiated prices, provided that (i) any such purchase or arrangement complies with applicable law and is made outside the United States, and (ii) the Offer Price is increased to match any consideration paid in any such purchase or arrangement, if such consideration is higher than the Offer Price. Any information about such purchases will be reported to the SFC and will be available on the website of the SFC at <http://www.sfc.hk/>.

#### **Notice to holders of ADSs**

The Offer will not be made for the ADSs and will be made only for the Shares, including those Shares represented by the ADSs. Holders of ADSs who would like to accept the Offer in respect of the Shares represented by the ADSs held by such holders may elect to become Shareholders by cancelling their ADSs and withdrawing the Shares represented by the ADSs, subject to compliance with the terms of the ADR Deposit Agreement (including payment of cancellation fees and any other fees, taxes and governmental charges). Holders of ADSs who are not resident in Hong Kong and who wish to accept the Offer should inform themselves about and observe any applicable requirements in their own jurisdictions.

**Notice to overseas shareholders (other than U.S. holders of shares or holders of ADSs)**

This Composite Document will not be filed under any laws or rules of any jurisdiction other than Hong Kong and the procedure and disclosure requirements of laws, regulations and rules in Hong Kong may be different to those in other jurisdictions. The ability of Independent Shareholders who are citizens, residents or nationals of jurisdictions outside of Hong Kong to participate in the Offer may be subject to the laws and regulations of the relevant jurisdictions. It is the responsibility of each such Independent Shareholder to satisfy himself/herself/itself as to the full observance of the laws and regulations of the relevant jurisdiction in connection therewith, including obtaining any governmental, exchange control or other consents, or filing and registration and the payment of any transfer or other taxes due from such Independent Shareholder in such relevant jurisdictions. For further information, please refer to the section headed “Overseas Shareholders” in the letter from BOCI.

**9. STAMP DUTY**

The sellers’ Hong Kong *ad valorem* stamp duty for Shares registered on the Hong Kong register arising in connection with acceptance of the Offer will be payable by each accepting Independent Shareholder at the rate of 0.1% of (i) the amount of the consideration payable by the Offeror for such person’s Shares or (ii) if higher, the market value of the Offer Shares as determined by the Collector of Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong), and will be deducted from the cash amount due to the Independent Shareholders who accept the Offer. As the closing price of HK\$1.95 (per Share) on the Last Trading Date, being the market value of the Offer Shares, is higher than the Offer Price of HK\$1.3459 (per Share), the seller’s *ad valorem* stamp duty and the buyer’s *ad valorem* stamp duty will each be calculated at the rate of 0.1% of HK\$1.95 per Share.

The Offeror will pay the buyer’s *ad valorem* stamp duty on its own behalf and the sellers’ *ad valorem* stamp duty so deducted above on behalf of the accepting Independent Shareholders in respect of the Shares accepted under the Offer.

**10. TAX IMPLICATIONS**

Independent Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offer. It is emphasised that none of the Offeror, the Purchaser, the Company, the Seller, BOCI, the Independent Financial Adviser and the Registrar or any of their respective directors, officers or associates or any other person involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offer.

This Composite Document does not include any information in respect of overseas taxation. Independent Shareholders who may be subject to overseas tax are recommended to consult their tax advisers regarding the implications in the relevant jurisdictions of owning and disposing of Shares.

**11. GENERAL**

- (a) All communications, notices, Forms of Acceptance, Share certificates, transfer receipts, other documents of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to be delivered by or sent to or from the Independent Shareholders will be delivered by or sent to or from them, or their designated agents, at their own risk, and neither the Company, the Offeror, the Purchaser, BOCI, the Seller, the Independent Financial Adviser and the Registrar nor any of their respective directors or agents or any other person involved in the Offer will be responsible for any loss or delay in transmission or any other liability that may arise as a result thereof.
- (b) The provisions set out in the accompanying Form of Acceptance form part of the terms of the Offer.
- (c) The accidental omission to despatch this Composite Document and/or the Form of Acceptance or any of them to any person to whom the Offer is made will not invalidate the Offer in any way.
- (d) The Offer is, and all acceptances will be, governed by and construed in accordance with the laws of Hong Kong. Execution of a Form of Acceptance by or on behalf of an Independent Shareholder will constitute such Independent Shareholder's agreement that the courts of Hong Kong shall have exclusive jurisdiction to settle any dispute which may arise in connection with the Offer.
- (e) Due execution of the Form of Acceptance will constitute an authority to any director of the Offeror, BOCI or such person or persons as any of them may direct to complete and execute any document on behalf of the person accepting the Offer and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror or such person or persons as it may direct the Shares in respect of which such person has accepted the Offer.
- (f) Acceptance of the Offer by any person will constitute a warranty by such person to the Offeror that the Shares acquired under the Offer are sold free from all Encumbrances and together with all rights and benefits attaching to them as at the date of this Composite Document or subsequently becoming attached to them, including the right to any dividends, distributions and any return of capital, if any, declared, made or paid, or agreed to be made or paid thereon or in respect thereof on or after the date of this Composite Document.
- (g) The settlement of the consideration to which any Independent Shareholder is entitled under the Offer will be implemented in full in accordance with the terms of the Offer without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Independent Shareholder.

- (h) Any Independent Shareholders accepting the Offer will be responsible for payment of any transfer or cancellation or other taxes or duties payable in respect of the relevant jurisdiction due by such persons.
- (i) Acceptance of the Offer by any nominee will be deemed to constitute a warranty by such nominee to the Offeror that the number of Shares it has indicated in the Form of Acceptance is the aggregate number of Shares for which such nominee has received authorisations from the beneficial owners to accept the Offer on their behalf.
- (j) In making their decision, the Independent Shareholders must rely on their own examination of the Offeror, the Group and the terms of the Offer, including the merits and risks involved. The contents of this Composite Document, including any general advice or recommendation contained herein together with the Form of Acceptance, shall not be construed as any legal or business advice on the part of the Offeror, the Company, the Purchaser, the Seller, BOCI, the Registrar or their respective professional advisers. Independent Shareholders should consult their own professional advisers for professional advice.
- (k) The making of the Offer to the Overseas Shareholders may be prohibited or affected by the laws of the relevant jurisdictions. The Overseas Shareholders should inform themselves about and observe any applicable legal or regulatory requirements. It is the responsibility of each Overseas Shareholder who wishes to accept the Offer to satisfy himself/herself/itself as to the full observance of the laws and regulations of all relevant jurisdictions in connection therewith, including but not limited to the obtaining of any governmental, exchange control or other consents and any registration or filing which may be required and the compliance with all necessary formalities, regulatory and/or legal requirements. Such Overseas Shareholders shall be fully responsible for the payment of any transfer or other taxes and duties due by such Overseas Shareholders in respect of their relevant jurisdictions. The Overseas Shareholders are recommended to seek professional advice on deciding whether or not to accept the Offer.
- (l) This Composite Document and the Form of Acceptance have been prepared for the purposes of compliance with the legislative and regulatory requirements applicable in respect of the Offer in Hong Kong and the operating rules of the Stock Exchange.
- (m) Unless otherwise expressly stated in this Composite Document and/or the Form of Acceptance, none of the terms of the Offer or any terms contained in this Composite Document will be enforceable, under the Contracts (Rights of Third Parties) Ordinance Cap. 623, by any person other than the Offeror and the accepting Independent Shareholders.
- (n) The English text of this Composite Document and the accompanying Form of Acceptance shall prevail over their respective Chinese texts for the purpose of interpretation.

**12. INTERPRETATION**

- (a) A reference in this Composite Document to an Independent Shareholder includes a reference to a person(s) who, by reason of an acquisition or transfer of Shares, is entitled to execute a Form of Acceptance and in the event of more than one person executing a Form of Acceptance, the provisions of this Composite Document apply to them jointly and severally.
  
- (b) A reference in this Composite Document and the Form of Acceptance to the Offer shall include any extension and/or revision thereof.
  
- (c) A reference in this Composite Document and the Form of Acceptance to the masculine gender includes the feminine and neuter genders, and a reference to the singular includes the plural, and vice versa.



## 1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

The following summary financial information (i) for each of the years ended 31 December 2013, 2014 and 2015 is extracted from the consolidated financial statements of the Group for the years ended 31 December 2013, 2014 and 2015 as set forth in the annual reports of the Company for the years ended 31 December 2013, 2014 and 2015 and (ii) for the six months ended 30 June 2015 and 2016 is extracted from the consolidated unaudited financial statements of the Group for the six months ended 30 June 2016 as set forth in the interim report of the Company for the six months ended 30 June 2016.

The Company's consolidated financial statements for each of the years ended 31 December 2013, 2014 and 2015 have been audited by PricewaterhouseCoopers, Certified Public Accountants. Their opinion on the consolidated financial statements of the Group for the years ended 31 December 2013, 2014 and 2015 were unqualified.

Save as disclosed in the notes below, no item which was exceptional because of its size, nature or incidence was recorded in the financial statements of the Group for the years ended 31 December 2013, 2014 and 2015 or the six months ended 30 June 2015 and 2016.

<i>(HK\$'000)</i>	Six months ended		Year ended 31 December		
	30 June		2015	2014	2013
	2016	2015	2015	2014	2013
	(Unaudited)	(Restated)	(Audited)	(Restated)	(Audited)
	(1)	(1)	(1)	(1)	
<b>CONTINUING OPERATIONS</b>					
Revenue	26,848	26,182	52,833	46,956	1,146,621
Other income	33	1,264	2,149	1,845	11,240
Depreciation and amortisation	(1,413)	(2,602)	(5,205)	(5,189)	(60,794)
Other operating expenses	(12,760)	(5,071)	(12,990)	(10,722)	(924,411)
Fair value gain on investment properties	114,100	137,100	191,400	11,400	87,168
<b>Operating profit of continuing operations</b>	126,808	156,873	228,187	44,290	259,824
Net finance income	746	742	1,496	1,495	4,221
Share of (losses)/profits of associates	(444)	(4,316)	(4,919)	(9,365)	7,519
Gain on disposal of available-for-sale financial assets	27,062	–	–	–	–
Gain on disposal of asset held for sale <sup>(3)</sup>	30,089	–	–	–	–
Gain on partial disposal of interests in an associate <sup>(3)</sup>	–	43,349	65,158	–	–

**APPENDIX II**
**FINANCIAL INFORMATION OF THE GROUP**

<i>(HK\$'000)</i>	<b>Six months ended</b>				
	<b>30 June</b>		<b>Year ended 31 December</b>		
	<b>2016</b>	<b>2015</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
	(Unaudited)	(Restated)	(Audited)	(Restated)	(Audited)
	(1)	(1)	(1)	(1)	
<b>Profit before income tax from continuing operations</b>	184,261	196,648	289,922	36,420	271,564
Income tax credit/(expense)	3,470	(2,949)	(4,820)	(4,665)	(27,490)
<b>Profit for the period/year from continuing operations</b>	<u>187,731</u>	<u>193,699</u>	<u>285,102</u>	<u>31,755</u>	<u>244,074</u>
<b>DISCONTINUED OPERATIONS</b>					
(Loss)/profit for the period/year from discontinued operations	(12,999)	23,099	50,438	127,882	–
Gain on disposal of discontinued operations <sup>(2)</sup>	<u>1,421,731</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
<b>Profit for the period/year from discontinued operations</b>	<u>1,408,732</u>	<u>23,099</u>	<u>50,438</u>	<u>127,882</u>	<u>–</u>
<b>Profit for the period/year</b>	<u><u>1,596,463</u></u>	<u><u>216,798</u></u>	<u><u>335,540</u></u>	<u><u>159,637</u></u>	<u><u>244,074</u></u>
<b>Profit attributable to:</b>					
Continuing operations	187,731	193,699	285,102	31,755	223,733
Discontinued operations	<u>1,407,641</u>	<u>14,962</u>	<u>31,130</u>	<u>105,013</u>	<u>–</u>
Shareholders of the Company	1,595,372	208,661	316,232	136,768	223,733
Non-controlling interests	<u>1,091</u>	<u>8,137</u>	<u>19,308</u>	<u>22,869</u>	<u>20,341</u>
	<u><u>1,596,463</u></u>	<u><u>216,798</u></u>	<u><u>335,540</u></u>	<u><u>159,637</u></u>	<u><u>244,074</u></u>

<i>(HK\$'000)</i>	Six months ended		Year ended 31 December		
	30 June		2015	2014	2013
	2016	2015	2015	2014	2013
	(Unaudited)	(Restated)	(Audited)	(Restated)	(Audited)
	(1)	(1)	(1)	(1)	
<b>Dividends</b>	2,499,499	20,294	43,710	93,663	96,785
Dividends per Share (HK cents)	159.4	1.3	2.8	6.0	6.2
<b>Earnings per share (HK cents)</b>					
Continuing operations	11.99	12.41	18.27	2.03	14.33
Discontinued operations	89.90	0.96	1.99	6.73	–
Basic	101.89	13.37	20.26	8.76	14.33
Continuing operations	11.99	12.40	18.25	2.03	14.32
Discontinued operations	89.88	0.96	1.99	6.72	–
Diluted	101.87	13.36	20.24	8.75	14.32

*Notes:*

- (1) On 11 December 2015, the Company entered into the sale and purchase agreement with Alibaba Investment Limited (“Alibaba”), to sell its media business of the Group, including the entire issued voting shares of SCMP Newspapers Limited, SCMP Publications Limited, SCMP.com Limited, SCMP Retailing Limited and SCMP.com Holdings Limited (collectively referred to as the “Target Media Companies”). The operating results of the Target Media Companies for the six months ended 30 June 2016 and year ended 31 December 2015 were classified as discontinued operations and prior period comparatives had been restated accordingly. The relevant assets and liabilities of the Target Media Companies are reclassified as disposal group held for sale on the balance sheet for the year ended 31 December 2015.
- (2) On 5 April 2016, the Group completed the sale of the Target Media Companies to Alibaba for a cash consideration of HK\$2,133.3 million and resulted in a gain on disposal of HK\$1,421.7 million.
- (3) The Group disposed its entire interest in The Post Publishing Public Company Limited, an associate of the Group during the year ended 31 December 2015 and six months ended 30 June 2016 and recognised a gain on disposal of HK\$65.1 million and HK\$30.1 million in the respective periods.

## 2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

The following is the full text of the audited consolidated financial statements of the Group for the year ended 31 December 2015 as set forth in the annual report of the Company for the year ended 31 December 2015.

### Consolidated Balance Sheet

	<i>Notes</i>	<b>31 December 2015 HK\$'000</b>	<b>31 December 2014 HK\$'000</b>
<b>ASSETS</b>			
Non-current assets			
Property, plant and equipment	5	96,954	530,526
Investment properties	6	1,923,400	1,732,000
Intangible assets	7	–	160,162
Investment in associates	9	4,350	43,203
Available-for-sale financial assets	10	114,738	184,687
Defined benefit plan's assets	24(a)	–	73,964
Deferred income tax assets	15	–	6,875
		<u>2,139,442</u>	<u>2,731,417</u>
Current assets			
Inventories	11	–	19,823
Accounts receivable	12	–	290,906
Prepayments, deposits and other receivables		2,341	26,873
Amount due from an associate	9	–	124
Available-for-sale financial assets	10	24,522	–
Cash and bank balances	26(b)	39,487	464,137
		<u>66,350</u>	<u>801,863</u>
Assets of disposal group classified as held for sale	34	<u>1,526,228</u>	<u>–</u>
		<u>1,592,578</u>	<u>801,863</u>
Total assets		<u><u>3,732,020</u></u>	<u><u>3,533,280</u></u>
<b>EQUITY</b>			
Capital and reserves			
Share capital	13	156,106	156,106
Other reserves		<u>3,161,849</u>	<u>2,960,377</u>
Shareholders' funds		<u>3,317,955</u>	<u>3,116,483</u>
Non-controlling interests		<u>56,534</u>	<u>53,396</u>
Total equity		<u><u>3,374,489</u></u>	<u><u>3,169,879</u></u>

	<i>Notes</i>	<b>31 December 2015 HK\$'000</b>	<b>31 December 2014 HK\$'000</b>
<b>LIABILITIES</b>			
Non-current liabilities			
Deferred income tax liabilities	<i>15</i>	<u>17,959</u>	<u>85,566</u>
		<u>17,959</u>	<u>85,566</u>
Current liabilities			
Accounts payable and accrued liabilities	<i>16</i>	40,461	232,363
Amounts due to associates	<i>9</i>	2,290	2,672
Subscriptions in advance		–	26,432
Current income tax liabilities		506	9,328
Loans from a non-controlling shareholder	<i>17</i>	<u>–</u>	<u>7,040</u>
		43,257	277,835
Liabilities of disposal group classified as held for sale	<i>34</i>	<u>296,315</u>	<u>–</u>
		<u>339,572</u>	<u>277,835</u>
Total liabilities		<u><u>357,531</u></u>	<u><u>363,401</u></u>
Total equity and liabilities		<u><u>3,732,020</u></u>	<u><u>3,533,280</u></u>

## Consolidated Statement of Comprehensive Income

	<i>Notes</i>	Year ended 31 December	
		2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i> (Restated)
<b>CONTINUING OPERATIONS</b>			
Revenue	4	52,833	46,956
Other income		2,149	1,845
Cost of production		(4,946)	(4,666)
Rental and utilities		(4,141)	(3,234)
Depreciation and amortisation		(5,205)	(5,189)
Other operating expenses		(3,903)	(2,822)
Fair value gain on investment properties	6	191,400	11,400
<b>Operating profit of continuing operations</b>	19	228,187	44,290
Net finance income	20	1,496	1,495
Share of losses of associates		(4,919)	(9,365)
Gain on partial disposal of interests in an associate		65,158	–
<b>Profit before income tax from continuing operations</b>		289,922	36,420
Income tax expense	21	(4,820)	(4,665)
<b>Profit for the year from continuing operations</b>		285,102	31,755
<b>DISCONTINUED OPERATIONS</b>			
Profit for the year from discontinued operations	34	50,438	127,882
<b>Profit for the year</b>		335,540	159,637

	Notes	Year ended 31 December	
		2015 HK\$'000	2014 HK\$'000 (Restated)
<b>Other comprehensive (loss)/income</b>			
Item that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit plan obligation	24	(4,835)	20,782
Share of remeasurement of defined benefit plan obligation of an associate		(721)	(371)
		<u>(5,556)</u>	<u>20,411</u>
Items that may be reclassified subsequently to profit or loss:			
Fair value loss on available-for-sale financial assets		(45,419)	(47,146)
Currency translation difference on consolidation		304	145
Currency translation difference released upon partial disposal of interests in an associate		15,425	–
		<u>(29,690)</u>	<u>(47,001)</u>
<b>Other comprehensive loss for the year, net of tax</b>		<u>(35,246)</u>	<u>(26,590)</u>
<b>Total comprehensive income for the year</b>		<u>300,294</u>	<u>133,047</u>
<b>Profit attributable to:</b>			
Continuing operations		285,102	31,755
Discontinued operations		31,130	105,013
Shareholders of the Company		316,232	136,768
Non-controlling interests – discontinued operations		19,308	22,869
		<u>335,540</u>	<u>159,637</u>
<b>Total comprehensive income attributable to:</b>			
Continuing operations		254,387	(15,761)
Discontinued operations		26,599	125,939
Shareholders of the Company		280,986	110,178
Non-controlling interests – discontinued operations		19,308	22,869
		<u>300,294</u>	<u>133,047</u>
<b>Earnings per share</b>			
Basic			
Continuing operations	23	18.27 cents	2.03 cents
Discontinued operations		1.99 cents	6.73 cents
		20.26 cents	8.76 cents
Diluted			
Continuing operations		18.25 cents	2.03 cents
Discontinued operations		1.99 cents	6.72 cents
		20.24 cents	8.75 cents

## Consolidated Statement of Changes in Equity

Year ended 31 December 2015

	Attributable to owners of the Company							
	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Other reserves HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
Balance at 1 January 2014	156,106	41,126	803,234	111,287	1,992,523	3,104,276	50,474	3,154,750
<b>Comprehensive income</b>								
Profit for the year	-	-	-	-	136,768	136,768	22,869	159,637
Other comprehensive income	-	-	-	(47,001)	20,411	(26,590)	-	(26,590)
<b>Total comprehensive income</b>	-	-	-	(47,001)	157,179	110,178	22,869	133,047
<b>Transactions with shareholders</b>								
Employee share-based compensation benefits	-	-	-	389	-	389	-	389
Dividends declared and paid	-	-	-	-	(99,907)	(99,907)	(19,200)	(119,107)
Changes in ownership interests in a subsidiary without change of control	-	-	-	1,547	-	1,547	(747)	800
<b>Total transactions with shareholders</b>	-	-	-	1,936	(99,907)	(97,971)	(19,947)	(117,918)
<b>Balance at 31 December 2014</b>	<u>156,106</u>	<u>41,126</u>	<u>803,234</u>	<u>66,222</u>	<u>2,049,795</u>	<u>3,116,483</u>	<u>53,396</u>	<u>3,169,879</u>



	Attributable to owners of the Company							
	Share capital HK\$'000	Share premium HK\$'000	Share Contributed surplus HK\$'000 (Note 14(a))	Other reserves HK\$'000 (Note 14(a))	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
Balance at 1 January 2015	156,106	41,126	803,234	66,222	2,049,795	3,116,483	53,396	3,169,879
<b>Comprehensive income</b>								
Profit for the year	-	-	-	-	316,232	316,232	19,308	335,540
Other comprehensive income	-	-	-	(29,690)	(5,556)	(35,246)	-	(35,246)
<b>Total comprehensive income</b>	-	-	-	(29,690)	310,676	280,986	19,308	300,294
<b>Transactions with shareholders</b>								
Employee share-based compensation benefits	-	-	-	100	-	100	-	100
Dividends declared and paid	-	-	-	-	(79,614)	(79,614)	(16,170)	(95,784)
<b>Total transactions with shareholders</b>	-	-	-	100	(79,614)	(79,514)	(16,170)	(95,684)
<b>Balance at 31 December 2015</b>	<b>156,106</b>	<b>41,126</b>	<b>803,234</b>	<b>36,632</b>	<b>2,280,857</b>	<b>3,317,955</b>	<b>56,534</b>	<b>3,374,489</b>

## Consolidated Statement of Cash Flows

	Notes	Year ended 31 December	
		2015 HK\$'000	2014 HK\$'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	26(a)	207,278	259,211
Hong Kong profits tax paid		(26,470)	(41,190)
Overseas tax paid		—	(417)
Net cash generated from operating activities		180,808	217,604
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment, intangible assets and investment properties		(44,998)	(24,502)
Purchase of available-for-sale financial assets		—	(16,952)
Proceeds from partial disposal of interests in an associate		100,833	—
Acquisition of subsidiaries		—	(6,240)
Proceeds from partial disposal of a subsidiary without losing control		—	800
Interest received		5,280	4,517
Dividends received from:			
Listed investments		2,149	1,845
Associates		—	3,548
Proceeds from sale of property, plant and equipment		1	73
Net cash generated from/(used in) investing activities		63,265	(36,911)
<b>Cash flows from financing activities</b>			
Dividends paid to a non-controlling interest of subsidiaries		(16,170)	(19,200)
Dividends paid to the Company's shareholders (Repayment of)/proceeds from short term loan from a non-controlling shareholder	22	(79,614)	(99,907)
		(4,800)	7,040
Net cash used in financing activities		(100,584)	(112,067)
Net increase in cash and cash equivalents		143,489	68,626
Cash and cash equivalents at 1 January		464,137	395,511
Cash and cash equivalents at 31 December	26(b)	607,626	464,137

**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 (a) publishing, printing, and distribution of the *South China Morning Post*, *Sunday Morning Post*, various magazines and other related print and digital publications (classified as discontinued operations during the year, Note 34), and (b) 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”). They have been prepared under the historical cost convention, as modified by the revaluation of investment properties and available-for-sale financial assets, as further explained below.

**(b) Changes in accounting policy and disclosures****(i) New and amended standards adopted by the Group**

The following amendments to existing standards that is relevant to the Group are mandatory for the first time for the financial year beginning 1 January 2015.

Amendment to HKAS 19 on contributions from employees or third parties to defined benefit plans. The amendment distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The amendment allows contributions that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided. Contributions that are linked to service, and vary according to the length of employee service, must be spread over the service period using the same attribution method that is applied to the benefits.

Amendments from annual improvements to HKFRSs – 2010-2012 Cycle, on HKFRS 8, ‘Operating segments’, HKAS 16, ‘Property, plant and equipment’ and HKAS 38, ‘Intangible assets’ and HKAS 24, ‘Related party disclosures’.

Amendments from annual improvements to HKFRSs – 2011-2013 Cycle, on HKFRS 3, ‘Business combinations’, HKFRS 13, ‘Fair value measurement’ and HKAS 40, ‘Investment property’.

The above amendments are not material to the Group.

**(ii) New Hong Kong Companies Ordinance (Cap. 622)**

In addition, the requirements of Part 9 “Accounts and Audit” of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

*(iii) New standards and interpretations not yet adopted*

New standards, amendments and interpretations, that are relevant to the Group, have been issued but are not effective for the financial year beginning 1 January 2015 and have not been early adopted.

	<b>Applicable for accounting periods beginning on/after</b>
HKFRS 15, 'Revenue from Contracts with Customers'	1 January 2018
HKFRS 9 (2015), 'Financial Instruments'	1 January 2018

The Group will adopt the above new or revised standards, amendments and interpretations to existing standards as and when they become effective. The Group has already commenced the assessment of the impact to the Group and is not yet in a position to state whether these would have a significant impact on its results of operations and financial position.

**(c) Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December 2015.

*(i) Subsidiaries*

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group uses the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. 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 Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

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

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

*(ii) Changes in ownership interests in subsidiaries without change of control*

The Group treats transactions with non-controlling interests that do not result in loss of control as transactions with equity owners of the Group. The difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

*(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. Interests in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's interests in associates include goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of the post-acquisition profits or losses and post-acquisition movements in reserves of associates is included in the Group's profit or loss and consolidated reserves respectively. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of losses/profits of associates' in the statement of comprehensive income.

**(d) Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group's Chief Executive Officer.

**(e) Foreign currency translation**

*(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 ("HK\$"), which is the Company's functional and the Group's 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 or loss, except when deferred in equity as qualifying cash flow hedges.

Translation differences on investments in equity instruments classified as available for sale financial assets are included in other comprehensive income.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security.

Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in equity.

**(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 statement of comprehensive income 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 reclassified to the profit or loss.

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. Currency translation differences arising are recognised in other comprehensive income.

**(f) Revenue recognition**

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities.

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

**(g) Property, plant and equipment**

Property, plant and equipment, other than assets in progress, are stated at cost 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. Assets in progress represents property, plant and equipment under construction or instalment and is not yet ready for use. They are transferred to the respective category of property, plant and equipment when they are ready for use.

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 consolidated statement of comprehensive income during the financial period in which they are incurred.

Leasehold land classified as finance lease commences amortisation from the time when the land interest becomes available for its intended use. Amortisation on leasehold land classified as finance lease and depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

– Leasehold land classified as finance lease	Remaining lease term
– Leasehold buildings	25 to 50 years
– Plant and machinery	10 to 20 years
– Other fixed assets	
– Leasehold improvements	Shorter of remaining lease term of 2 to 50 years or useful life
– Computer equipment	3 to 4 years
– Others	3 to 10 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) Investment properties**

Investment properties are properties that are held to earn rentals or for capital appreciation or both. 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 or loss. The methods used to determine the fair values of the investment properties are set out in Note 6 to the financial statements.

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 consolidated statement of comprehensive income.

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. Such movement will not be subsequently recycled to profit or loss. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the profit or loss.

**(i) 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, net of any incentives received from the lessor are charged to the profit or loss on a straight-line basis over the lease periods.

When assets are leased out under an operating lease, the asset is included in the balance sheet based on the nature of the asset.

Lease income on operating leases is recognised over the term of the lease on a straight-line basis.

**(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.

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

The method for allocating gross earnings to accounting periods is referred to as the 'actuarial method'. The actuarial method allocates rentals between finance income and repayment of capital in each accounting period in such a way that finance income will emerge as a constant rate of return on the lessor's net investment in the lease.

**(j) Intangible assets**

**(i) Goodwill**

Goodwill arising on the acquisition of subsidiaries 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 allocated to cash-generating units and is presented as an intangible asset in the consolidated balance sheet.

Goodwill is tested at least annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. 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 of 20 years.

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 maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

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

**(iv) Customer relationships**

Customer relationships acquired in a business combination are recognised at fair value at the acquisition date. The customer relationships have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of 8 to 15 years.

**(k) Impairment of non-financial 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.



**(1) Financial assets**

The Group classifies its financial assets in the following categories: loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

**(i) Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Group's loans and receivables comprise 'accounts receivables' and 'cash and cash equivalents' in the balance sheet.

Accounts receivable are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of accounts receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Accounts receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Cash and cash equivalents includes cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Interest income on bank deposits calculated using the effective interest method is recognised in the consolidated statement of comprehensive income as part of finance income.

**(ii) Available-for-sale financial assets**

Available-for-sale financial assets are investments in equity and debt instruments that are designated in this category. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months at the end of the reporting period.

Purchases and sales of available-for-sale financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. They are initially recognised at fair value plus transaction costs and subsequently carried at fair value at each balance sheet date. Changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income.

When available-for-sale financial assets are subsequently sold or impaired, the accumulated fair value adjustments recognised in equity are included in the profit or loss as 'gains and losses from available-for-sale financial assets'.

Dividends on available-for-sale equity instruments are recognised in the consolidated statement of comprehensive income as part of other income when the Group's right to receive payments is established. Interest on available-for-sale securities calculated using the effective interest method is recognised in the consolidated statement of comprehensive income as part of finance income.

***Offsetting financial instruments***

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

***Impairment of financial assets*****(i) Loans and receivables**

The Group assesses at the end of each reporting period whether there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. When such evidence exists, an allowance for impairment is established. The amount of the allowance 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 profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the profit or loss.

(ii) **Assets classified as available-for-sale**

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, 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 financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement. For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the 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 financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

(m) **Inventories**

Inventories which comprise of printing materials and consumables are stated at the lower of cost and net realisable value. Costs of inventories are stated at weighted average cost. Net realisable value is based on estimated selling price less any estimated costs to be incurred to completion and disposal.

(n) **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.

(o) **Accounts payable**

Accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

(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 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.

**(q) 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.

The Group’s contributions to the DB scheme are made based on the periodic recommendations of independent qualified actuaries. Pension costs are assessed using the projected unit credit method: the cost of providing pensions is charged to the consolidated statement of comprehensive income 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.

The current service cost of the defined benefit plan, recognised in the income statement in employee benefit expense, except where included in the cost of an asset, reflects the increase in the defined benefit obligation results from employee service in the current year, benefit changes, curtailments and settlements.

Past-service costs are recognised immediately in profit or loss.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the income statement.

Actuarial gains and losses arising from experience adjustment and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

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

**(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 consolidated statement of comprehensive income 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 vesting conditions. At each balance sheet date, the Group revises its estimates of the number of options that are expected to be vested, and the impact taken to the profit or loss, 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.

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

**(r) Current and deferred income tax**

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

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and 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 income tax liability is settled.

Deferred income tax assets are recognised only 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 is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

**(s) 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, or directors, where appropriate.

**(t) Non-current assets (or disposal groups) held-for-sale and discontinued operations**

Non-current assets (or disposal groups) are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. The non-current assets (except for certain assets as explained below), (or disposal groups), are stated at the lower of carrying amount and fair value less costs to sell. Deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries and associates) and investment properties, which are classified as held for sale, would continue to be measured in accordance with the policies set out elsewhere in Note 2.

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographic area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

When an operation is classified as discontinued, a single amount is presented in the income statement, which comprises the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

On 14 December 2015, the Company announced that the Group had entered into the sale and purchase agreement with Alibaba Investment Limited, to sell its media business of the Group, including SCMP Newspapers Limited, SCMP Publications Limited, SCMP.com Limited, SCMP Retailing Limited and SCMP.com Holdings Limited and certain of their subsidiaries (collectively referred to as the "Target Group") for a cash consideration of HK\$2,060.6 million. The financial results of the Target Group were presented as discontinued operations and prior period comparatives have been restated accordingly.

**(u) Disposal of subsidiary**

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

**3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT**

Management are required to exercise significant estimates and judgments, which 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, in the selection and application of accounting principles.

**(a) 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 24(a) to the financial statements.

**(b) Fair value of investment properties**

The valuation of investment properties is performed in accordance with the "Valuation Standards on Valuation of Properties" published by the Hong Kong Institute of Surveyors. The valuation is reviewed semi-annually by qualified valuers by considering the information from a variety of sources including but not limited to:

- (i) comparable sales transactions as available in the relevant market;
- (ii) rental income derived from the existing tenancies with due provision for any reversionary income potential; and
- (iii) development potential by deducting the estimated costs to completion (including additional land premium) from the gross development value of the proposed development assuming completed as at the date of valuation taking into consideration of reasonable developer's profit under residual method.

The fair value of investment properties is determined by using valuation technique. Details of the judgement and assumptions have been disclosed in Note 6.

Changes to the assumptions used in deriving the valuation could have a significant risk of causing material adjustment to the carrying amounts in the balance sheet.

**(c) Carrying value of goodwill**

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2(j). Determining whether goodwill is impaired requires an estimation of the value in use, which requires the Group to estimate the future cash flows and a suitable discount rate in order to calculate the present value. Changes to any of these estimates may result in a material adjustment to the carrying amount of goodwill in the balance sheet.

**(d) Consolidation of non-wholly-owned subsidiaries**

Management has assessed the Group's exposure to, or rights to, variable returns from its involvement with entity, its ability to affect those returns through its power over the entity and the level of control on the subsidiaries with non-controlling interest. Management has considered that the Group has control over all subsidiaries based on the substantive right over the relevant subsidiaries.

**(e) Useful lives of property, plant and equipment and intangible assets**

The Group's management determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and intangible assets. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment and intangible assets of similar nature and functions. The depreciation and amortisation for future periods are adjusted if there are material changes from previous estimates.

**(f) Impairment of available-for-sale equity investments**

The Group follows the guidance of HKAS 39 to determine when an available-for-sale equity investment is impaired. This determination requires significant judgement. 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 short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

**(g) Non-current assets or disposal groups reclassified as held for sale and discontinued operation**

Non-current assets or disposal groups are reclassified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use. A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business. When an operation is classified as discontinued, a single amount is presented in the income statement, which comprises the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal groups constituting the discontinued operation.

**4. REVENUE AND SEGMENT INFORMATION**

The chief operating decision-maker has been identified as the Chief Executive Officer of the Group, who reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The Group has three reportable segments: newspaper, magazine and property. Newspaper segment is engaged in the publication of *South China Morning Post*, *Sunday Morning Post* and other related print and digital publications. It derives its revenue mainly from advertising and sales of newspapers. Magazine segment is engaged in the publication of various magazines in Chinese and English language and related print and digital publications. Its revenue is derived from advertising and sales of magazines. Both Newspaper and Magazine segments are classified as discontinued operations during the year (Note 34). Property segment holds various commercial and industrial properties in Hong Kong. It derives revenue through leasing out its properties.

The operating results from the advertising board at Yue King property under the continuing operations, which had been originally classified as part of the outdoor media business reported under "Others" in the previous year, have been transferred to "Property" in the segment information presented herein as this asset will form part of the continuing operations of the Group after the proposed disposal of its media business. The segment information for the year ended 31 December 2014 has been restated accordingly.

The chief operating decision-maker assesses the performance of the operating segments based on a number of measures, including adjusted EBITDA (defined as earnings before interest, tax, depreciation and amortisation, other income and fair value gain on investment properties) and profit or loss after tax. The Group considers that the measurement principles for profit or loss after tax are most consistent with those used in measuring the corresponding amounts in the Group's financial statements. Hence, profit or loss after tax is used for reporting segment profit or loss.

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies except that interest in the profit or loss of an associate is accounted for on the basis of dividend received or receivable in segment profit or loss while such interest is accounted for under the equity method in the Group's consolidated financial statements.

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different marketing strategies. Transactions between reportable segments are accounted for on arm's length basis.

**APPENDIX II**
**FINANCIAL INFORMATION OF THE GROUP**

Turnover consists of revenue from all of the Group's reportable segments, which comprise newspaper, magazine and property, as well as other segments whose contributions to the Group's revenue and profit or loss are below the quantitative threshold for separate disclosures. The turnover for the year ended 31 December 2015 and 2014 were HK\$1,121,652,000 and HK\$1,241,203,000 respectively.

Revenue from newspapers, magazines and other publications included revenue of HK\$4,238,000 (2014: HK\$5,504,000) 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 reportable segments:

**(a) Reportable segment profit or loss**
**For the year ended 31 December 2015**

	Continuing operations			Discontinued operations				Total HK\$'000
	Property HK\$'000	Others HK\$'000	Sub-total HK\$'000	Newspaper HK\$'000	Magazine HK\$'000	Others HK\$'000	Sub-total HK\$'000	
Total segment revenue	55,586	–	55,586	746,691	297,271	33,264	1,077,226	1,132,812
Inter-segment revenue	(2,753)	–	(2,753)	(1,698)	(6,699)	(10)	(8,407)	(11,160)
Revenue from external customers	<u>52,833</u>	<u>–</u>	<u>52,833</u>	<u>744,993</u>	<u>290,572</u>	<u>33,254</u>	<u>1,068,819</u>	<u>1,121,652</u>
Finance income	–	1,496	1,496	3,395	–	–	3,395	4,891
Depreciation and amortisation	(5,205)	–	(5,205)	(47,473)	(8,480)	(1,900)	(57,853)	(63,058)
Income tax	(5,124)	304	(4,820)	(5,250)	(12,907)	(372)	(18,529)	(23,349)
Profit for reportable and other segments	<u>220,527</u>	<u>3,597</u>	<u>224,124</u>	<u>7,944</u>	<u>62,603</u>	<u>(19,670)</u>	<u>50,877</u>	<u>275,001</u>

**For the year ended 31 December 2014**

	Continuing operations			Discontinued operations				Total HK\$'000
	Property HK\$'000 (restated)	Others HK\$'000 (restated)	Sub-total HK\$'000 (restated)	Newspaper HK\$'000 (restated)	Magazine HK\$'000 (restated)	Others HK\$'000 (restated)	Sub-total HK\$'000 (restated)	
Total segment revenue	49,623	–	49,623	841,538	325,822	34,345	1,201,705	1,251,328
Inter-segment revenue	(2,667)	–	(2,667)	(1,467)	(5,980)	(11)	(7,458)	(10,125)
Revenue from external customers	<u>46,956</u>	<u>–</u>	<u>46,956</u>	<u>840,071</u>	<u>319,842</u>	<u>34,334</u>	<u>1,194,247</u>	<u>1,241,203</u>
Finance income/(costs)	–	1,495	1,495	3,382	–	(92)	3,290	4,785
Depreciation and amortisation	(5,189)	–	(5,189)	(52,012)	(8,895)	(1,548)	(62,455)	(67,644)
Income tax	(5,593)	1,283	(4,310)	(829)	(14,419)	135	(15,113)	(19,423)
Profit for reportable and other segments	<u>36,840</u>	<u>3,285</u>	<u>40,125</u>	<u>59,725</u>	<u>72,959</u>	<u>(1,539)</u>	<u>131,145</u>	<u>171,270</u>

## (b) Reportable segment information

*For the year ended 31 December 2015*

	Continuing operations			Discontinued operations			Total HK\$'000
	Property HK\$'000	Others HK\$'000	Sub-total HK\$'000	Newspaper HK\$'000	Magazine HK\$'000	Others HK\$'000	
Capital expenditure	821	–	821	41,723	2,231	223	44,998

*For the year ended 31 December 2014*

Capital expenditure	438	–	438	17,201	3,756	3,107	24,064	24,502
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## (c) Reconciliation of reportable segment profit or loss to profit for the year

	For the year ended 31 December					
	2015			2014		
	Continuing operations HK\$'000	Discontinued operations HK\$'000	Total HK\$'000	Continuing operations HK\$'000 (Restated)	Discontinued operations HK\$'000 (Restated)	Total HK\$'000 (Restated)
Profit for reportable segments	220,527	70,547	291,074	36,840	132,684	169,524
Profit/(loss) for other segments	3,597	(19,670)	(16,073)	3,285	(1,539)	1,746
	224,124	50,877	275,001	40,125	131,145	171,270
Reconciling items:						
Elimination of inter-segment transactions	435	(435)	–	3,260	(3,260)	–
Share of losses of associates under equity method of accounting	(4,919)	(4)	(4,923)	(9,365)	(3)	(9,368)
Dividend received from an associate	–	–	–	(3,548)	–	(3,548)
Deferred tax on undistributed profit of an associate	304	–	304	1,283	–	1,283
Gain on partial disposal of interest in an associate	65,158	–	65,158	–	–	–
	60,978	(439)	60,539	(8,370)	(3,263)	(11,633)
Profit for the year	285,102	50,438	335,540	31,755	127,882	159,637



## 5. PROPERTY, PLANT AND EQUIPMENT

	<b>Leasehold land and buildings</b> <i>HK\$'000</i>	<b>Plant &amp; machinery</b> <i>HK\$'000</i>	<b>Other fixed assets</b> <i>HK\$'000</i>	<b>Assets in progress</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
<b>At 1 January 2014</b>					
Cost	420,375	842,416	172,260	1,653	1,436,704
Accumulated depreciation and impairment losses	<u>(131,954)</u>	<u>(638,029)</u>	<u>(101,194)</u>	–	<u>(871,177)</u>
Net book value at 1 January 2014	<u>288,421</u>	<u>204,387</u>	<u>71,066</u>	<u>1,653</u>	<u>565,527</u>
Opening net book value	288,421	204,387	71,066	1,653	565,527
Additions	–	4,206	10,255	4,425	18,886
Disposals	–	(15)	(14)	–	(29)
Transfer	–	929	3,837	(4,766)	–
Depreciation	(9,752)	(26,097)	(18,050)	–	(53,899)
Translation differences	–	–	(2)	–	(2)
<b>Acquisition of a subsidiary</b>	<u>–</u>	<u>–</u>	<u>43</u>	<u>–</u>	<u>43</u>
<b>Closing net book value</b>	<u>278,669</u>	<u>183,410</u>	<u>67,135</u>	<u>1,312</u>	<u>530,526</u>
<b>At 31 December 2014</b>					
Cost	420,375	846,037	185,437	1,312	1,453,161
Accumulated depreciation and impairment losses	<u>(141,706)</u>	<u>(662,627)</u>	<u>(118,302)</u>	–	<u>(922,635)</u>
Net book value at 31 December 2014	<u>278,669</u>	<u>183,410</u>	<u>67,135</u>	<u>1,312</u>	<u>530,526</u>
<b>At 1 January 2015</b>					
Cost	420,375	846,037	185,437	1,312	1,453,161
Accumulated depreciation and impairment losses	<u>(141,706)</u>	<u>(662,627)</u>	<u>(118,302)</u>	–	<u>(922,635)</u>
Net book value at 1 January 2015	<u>278,669</u>	<u>183,410</u>	<u>67,135</u>	<u>1,312</u>	<u>530,526</u>

	Leasehold land and buildings <i>HK\$'000</i>	Plant & machinery <i>HK\$'000</i>	Other fixed assets <i>HK\$'000</i>	Assets in progress <i>HK\$'000</i>	Total <i>HK\$'000</i>
Opening net book value	278,669	183,410	67,135	1,312	530,526
Additions	–	1,497	8,657	7,973	18,127
Disposals	–	–	(66)	–	(66)
Transfer	–	1,936	3,489	(5,425)	–
Depreciation	(9,753)	(21,761)	(17,617)	–	(49,131)
Translation differences	–	–	(3)	–	(3)
Assets included in assets of disposal group classified as held for sale ( <i>Note 34</i> )	(179,299)	(165,044)	(54,958)	(3,198)	(402,499)
Closing net book value	<u>89,617</u>	<u>38</u>	<u>6,637</u>	<u>662</u>	<u>96,954</u>
At 31 December 2015					
Cost	115,827	106	17,118	662	133,713
Accumulated depreciation and impairment losses	(26,210)	(68)	(10,481)	–	(36,759)
Net book value at 31 December 2015	<u>89,617</u>	<u>38</u>	<u>6,637</u>	<u>662</u>	<u>96,954</u>

Other fixed assets include computer and office equipment and leasehold improvements.

## 6. INVESTMENT PROPERTIES

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
At 1 January	1,732,000	1,720,600
Fair value gain	<u>191,400</u>	<u>11,400</u>
At 31 December	<u>1,923,400</u>	<u>1,732,000</u>

For the year ended 31 December 2015, direct operating expenses of HK\$783,000 (2014: HK\$166,000) arising from investment properties that generated rental income and HK\$5,132,000 (2014: HK\$4,518,000) arising from investment properties that did not generate rental income, were charged to the consolidated statement of comprehensive income.

As at 31 December 2015, the Group's total future minimum rental receivables under non-cancelable operating leases for its investment properties are as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Not later than one year	28,878	31,725
Later than one year but not later than five years	<u>4,588</u>	<u>33,466</u>
	<u>33,466</u>	<u>65,191</u>

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) Ground and 1st Floors, Block B, Ko Fai Industrial Building, 7 Ko Fai Road, Yau Tong, Kowloon, Hong Kong	Workshop unit	Medium
(iii) Clear Water Bay Studio, Clear Water Bay Road, A Kung Wan, Hang Hau, New Territories, Hong Kong	Vacant property	Medium
(iv) 8th Floor of Block C, Sea View Estate, 8 Watson Road, North Point, Hong Kong	Industrial building	Medium

Investment properties comprise:

	2015 HK\$'000	2014 HK\$'000
Long term leasehold (not less than 50 years)	789,400	697,500
Medium term leasehold (less than 50 years but not less than 10 years)	1,134,000	1,034,500
	<u>1,923,400</u>	<u>1,732,000</u>

#### Fair value measurements using significant unobservable inputs

	Office buildings HK\$'000	Industrial and other properties HK\$'000	Total HK\$'000
At 1 January 2014	696,300	1,024,300	1,720,600
Fair value gain – unrealised	1,200	10,200	11,400
At 31 December 2014	<u>697,500</u>	<u>1,034,500</u>	<u>1,732,400</u>
At 1 January 2015	697,500	1,034,500	1,732,000
Fair value gain – unrealised	91,900	99,500	191,400
At 31 December 2015	<u>789,400</u>	<u>1,134,000</u>	<u>1,923,400</u>

**Valuation processes of the Group**

The Group's investment properties were revalued at 31 December 2015 and 2014 by independent professionally qualified valuers, DTZ Debenham Tie Leung Limited ("DTZ"), who hold a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current valuations are based on the highest and best use. The Group's finance department includes a team that review the valuations performed by the independent valuers for financial reporting purposes. The revaluation gains or losses are shown as "Fair value gain or loss on investment properties" in the income statement.

At each financial year end the finance department:

- verifies all major inputs to the independent valuation report;
- assesses property valuation movements when compared to the prior year valuation report; and
- holds discussions with the independent valuer.

**Valuation techniques**

Fair values of the office buildings and industrial properties are derived using the income capitalisation approach. The income capitalisation approach is based on the capitalisation of the net income and reversionary income potential by adopting appropriate capitalisation rates, which are derived from actual location, size and quality of the properties and taking into account market data at the valuation date. The prevailing market rents adopted in the valuation have reference to the actual location, type and quality of the properties and supported by the terms of any existing lease, other contracts or external evidence such as current market rents for similar properties.

Fair value of the vacant property is derived using the residual method. The residual method is essentially a means of valuing the property by reference to its development potential by deducting the estimated costs to completion (including additional land premium) from the gross development value of the proposed development assuming completed as at the date of valuation taking into consideration of reasonable developer's profit.

There were no changes to the valuation techniques during the year.

**Significant inputs used to determine fair value**

Capitalisation rates are estimated by management, after consultation with valuers based on the risk profile of the properties being valued. The higher the rates, the lower the fair value. At 31 December 2015, capitalisation rates of 3.0% to 4.5% (2014: 3.125% to 4.5%) are used in the income capitalisation approach for the office buildings and industrial properties.

Rental rates are estimated based on recent lettings of HK\$79.5 psf to HK\$80.0 psf (2014: HK\$73 psf to HK\$74 psf) and HK\$10.5 psf to HK\$22.0 psf (2014: HK\$9.5 psf to HK\$20.0 psf) for the office buildings and industrial properties respectively. The lower the rents, the lower the fair value.

For the vacant property at Clear Water Bay, gross development value, estimated costs to completion (including additional land premium) and reasonable developer's profit are estimated with reference to the prevailing market data from independent sources and valuers' experience, knowledge of market conditions at 31 December 2015 and on the assumption that relevant approvals will be obtained from the government authorities. The higher the gross development value and the lower the estimated costs to completion and the developer's profit, the higher the fair value.

## 7. INTANGIBLE ASSETS

	Publishing titles HK\$'000	Software costs HK\$'000	Goodwill HK\$'000 (Note (a))	Customer relationships HK\$'000	Other intangible assets HK\$'000	Assets in progress HK\$'000	Total HK\$'000
<b>At 1 January 2014</b>							
Cost	1,829,029	90,959	58,686	65,187	10,935	1,535	2,056,331
Accumulated amortisation	(1,820,183)	(68,879)	–	(6,268)	(552)	–	(1,895,882)
Net book value	<u>8,846</u>	<u>22,080</u>	<u>58,686</u>	<u>58,919</u>	<u>10,383</u>	<u>1,535</u>	<u>160,449</u>
Net book value at 1 January 2014	8,846	22,080	58,686	58,919	10,383	1,535	160,449
Additions	–	1,170	–	–	–	4,586	5,756
Disposals	–	–	–	–	–	(90)	(90)
Reclassification/ transfer	–	2,813	–	–	–	(2,813)	–
Amortisation	(512)	(8,157)	–	(4,597)	(479)	–	(13,745)
Translation differences	(15)	–	(31)	(15)	(1)	–	(62)
Acquisition of a subsidiary	1,927	–	3,335	1,843	73	–	7,178
Adjustment to net asset value (Note (b))	–	–	676	–	–	–	676
Net book value at 31 December 2014	<u>10,246</u>	<u>17,906</u>	<u>62,666</u>	<u>56,150</u>	<u>9,976</u>	<u>3,218</u>	<u>160,162</u>
<b>At 31 December 2014</b>							
Cost	1,830,941	94,942	62,666	67,015	11,007	3,218	2,069,789
Accumulated amortisation	(1,820,695)	(77,036)	–	(10,865)	(1,031)	–	(1,909,627)
Net book value	<u>10,246</u>	<u>17,906</u>	<u>62,666</u>	<u>56,150</u>	<u>9,976</u>	<u>3,218</u>	<u>160,162</u>

	Publishing titles HK\$'000	Software costs HK\$'000	Goodwill HK\$'000 (Note (a))	Customer relationships HK\$'000	Other intangible assets HK\$'000	Assets in progress HK\$'000	Total HK\$'000
<b>At 1 January 2015</b>							
Cost	1,830,941	94,942	62,666	67,015	11,007	3,218	2,069,789
Accumulated amortisation	(1,820,695)	(77,036)	–	(10,865)	(1,031)	–	(1,909,627)
Net book value	<u>10,246</u>	<u>17,906</u>	<u>62,666</u>	<u>56,150</u>	<u>9,976</u>	<u>3,218</u>	<u>160,162</u>
Net book value at 1 January 2015	10,246	17,906	62,666	56,150	9,976	3,218	160,162
Additions	–	421	–	–	–	26,542	26,963
Disposals	–	(4)	–	–	–	(156)	(160)
Reclassification/ transfer	–	19,274	–	–	–	(19,274)	–
Amortisation	(536)	(8,312)	–	(4,654)	(425)	–	(13,927)
Assets included in assets of disposal group classified as held for sale (Note 34)	(9,710)	(29,285)	(62,666)	(51,496)	(9,551)	(10,330)	(173,038)
Net book value at 31 December 2015	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
<b>At 31 December 2015</b>							
Cost	–	–	–	–	–	–	–
Accumulated amortisation	–	–	–	–	–	–	–
Net book value	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

*Notes:*

- (a) Goodwill is allocated to cash-generating units (“CGUs”) that are expected to benefit from the business combination in which the goodwill arose. The Group tests goodwill annually for impairment, or more frequently if there are indications that it might be impaired. For the purpose of impairment test, the recoverable amount of the cash-generating units is determined based on value in use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a three-year period. Cash flows beyond the three-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the operating segments in which the CGUs operate.

The key assumptions used for value-in-use calculations in 2015 are as follows:

	2015	2014
Growth rate	2.4%	3.5%
Discount rate	18.9%	18.3%

Management believes that any reasonably foreseeable change in any of the above key assumptions would not cause the carrying amount of goodwill to exceed the recoverable amount. Judgements are required to determine key assumptions adopted in the cash flow projections and changes to key assumptions can significantly affect these cash flow projections.

- (b) This is an adjustment to net asset values related to acquisition of HK Magazine Group in 2013, which were previously determined on a provisional basis. During the measurement period of twelve months following a transaction, the Company recognized adjustments to the provisional amounts as if the accounting for the business combination had been completed at the acquisition date.

## 8. INTERESTS IN SUBSIDIARIES

Details of the principal subsidiaries are set out in Note 32 to the financial statements.

The total non-controlling interest at 31 December 2015 is HK\$56,534,000 (2014: HK\$53,396,000), of which HK\$30,962,000 (2014: HK\$29,250,000) is attributable to SCMP Hearst Hong Kong Limited and HK\$26,406,000 (2014: HK\$25,514,000) is attributable to SCMP Hearst Publications Limited. The non-controlling interests in respect of other subsidiaries are not material.

### Summarised financial information on subsidiaries with material non-controlling interests

Set out below are the summarised financial information for each subsidiary that has non-controlling interests that are material to the Group.

#### Summarised balance sheet

	SCMP Hearst Hong Kong Limited		SCMP Hearst Publications Limited	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
<i>Current</i>				
Assets	79,913	70,615	109,833	109,436
Liabilities	(18,557)	(19,602)	(24,443)	(26,866)
Total current net assets	61,356	51,013	85,390	82,570
<i>Non-current</i>				
Assets	103,503	108,992	3,106	2,933
Liabilities	(8,077)	(8,927)	(444)	(426)
Total non-current net assets	95,426	100,065	2,662	2,507
Net assets	156,782	151,078	88,052	85,077

#### Summarised statement of comprehensive income

	SCMP Hearst Hong Kong Limited		SCMP Hearst Publications Limited	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Revenue	111,462	122,361	147,474	170,981
Profit before income tax	26,329	30,018	48,570	59,440
Income tax expense	(4,324)	(5,261)	(7,994)	(9,798)
Total comprehensive income	22,005	24,757	40,576	49,643
Profit allocated to non-controlling interests	6,601	7,427	12,173	14,893
Dividend paid to non-controlling interests	4,890	4,200	11,280	15,000

*Summarised statement of cash flows*

	SCMP Hearst Hong Kong Limited		SCMP Hearst Publications Limited	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Cash generated from operations	27,554	30,622	57,063	65,556
Income tax paid	(5,829)	(11,394)	(10,134)	(10,106)
Net cash generated from operating activities	21,725	19,228	46,929	55,450
Net cash used in investing activities	(402)	(2,234)	(1,773)	(1,047)
Net cash used in financing activities	(16,300)	(14,000)	(37,600)	(50,000)
Net increase in cash and cash equivalents	5,023	2,994	7,556	4,403
Cash and cash equivalents at 1 January	19,488	16,494	55,348	50,945
Cash and cash equivalents at 31 December	24,511	19,488	62,904	55,348

The information above is the amount before inter-company eliminations.

**9. INVESTMENT IN ASSOCIATES**

	2015 HK\$'000	2014 HK\$'000
Associates		
Share of net assets other than goodwill:		
Shares listed overseas	–	30,679
Unlisted shares	4,350	6,096
	4,350	36,775
Goodwill	–	6,428
	4,350	43,203
Amount due from an associate	–	124
Amounts due to associates	(2,290)	(2,672)
Amounts due to associates (net)	(2,290)	(2,548)
Fair value of shares held in a listed associate in Thailand	–	165,691

The amounts due to associates are unsecured and interest-free. Details of the principal associates are set out in Note 32 to the financial statements.



**Summarised financial information for associates**

Set out below are the summarised financial information for The Post Publishing Public Company Limited (“Post Publishing”) which, in the opinion of the Directors, were material to the Group in 2014 and were accounted for using the equity method. Following the Group’s partial disposal of interests in Post Publishing, the remaining interests in Post Publishing were reclassified as assets held for sale in 2015.

**Summarised balance sheet**

	<b>Post Publishing 2014 HK\$’000</b>
Current assets	210,029
Non-current assets	300,771
Current liabilities	(297,268)
Non-current liabilities	(70,928)
	<u>142,604</u>
Net assets	<u>142,604</u>

**Summarised statement of comprehensive income**

	<b>Post Publishing 2014 HK\$’000</b>
Revenue	<u>533,060</u>
Total comprehensive income	<u>(43,157)</u>
Dividends received from associate	<u>3,548</u>

The information above reflects the amounts presented in the financial statements of the associate (and not the Group’s share of those amounts) adjusted for differences in accounting policies between the Group and the associate.

**Investment in associates**

	<b>Post Publishing</b>	
	<b>2015 HK\$’000</b>	<b>2014 HK\$’000</b>
At 1 January	37,107	49,939
Share of loss	(3,498)	(9,019)
Share of other comprehensive income	(721)	(371)
Dividend received	–	(3,548)
Translation difference	315	106
Reclassification to assets held for sale	(33,203)	–
	<u>–</u>	<u>37,107</u>
At 31 December	<u>–</u>	<u>37,107</u>

*Reconciliation of summarised financial information*

Reconciliation of the summarised financial information presented to the carrying amount of the Group's interest in the associates as at 31 December 2014.

	<b>Post Publishing 2014 HK\$'000</b>
Net assets at 1 January	202,281
Total comprehensive income	(43,157)
Dividend paid	(16,520)
Translation difference	–
	<hr/>
Net assets at 31 December	142,604
Non-controlling interest	725
	<hr/>
Equity attributable to owners of the Company	143,329
% of ownership interest	21.3
Interest in associate	30,493
Goodwill	6,428
Adjustments	186
	<hr/>
Carrying value	<u><u>37,107</u></u>

*Individually immaterial associates*

The aggregate carrying amount of the Group's investments in all individually immaterial associates that are accounted for using the equity method is HK\$4,350,000 (2014: HK\$6,096,000). The aggregate amount of the Group's share of losses of those associates is HK\$1,426,000 (2014: HK\$349,000).

**10. AVAILABLE-FOR-SALE FINANCIAL ASSETS**

	<b>2015 HK\$'000</b>	<b>2014 HK\$'000</b>
At market value		
Equity shares, listed in Hong Kong	114,749	159,217
Guaranteed notes denominated in US\$, listed in Singapore (Note 33(d))	<u>24,522</u>	<u>25,470</u>
	139,271	184,687
Less: Assets of disposal group classified as held for sale (Note 34)	<u>(11)</u>	<u>–</u>
	139,260	184,687
Portion classified as current assets	<u>(24,522)</u>	<u>–</u>
Non-current portion	<u><u>114,738</u></u>	<u><u>184,687</u></u>

## 11. INVENTORIES

	2015 HK\$'000	2014 HK\$'000
Raw materials	14,874	19,611
Finished goods	—	212
	<u>14,874</u>	<u>19,823</u>
Less: Assets of disposal group classified as held for sale (Note 34)	<u>(14,874)</u>	<u>—</u>
	<u>—</u>	<u>19,823</u>

The cost of inventories recognised as expense during the year was HK\$49,843,000 (2014: HK\$57,581,000).

## 12. ACCOUNTS RECEIVABLE

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

	2015		2014	
	Balance HK\$'000	Percentage %	Balance HK\$'000	Percentage %
Current	148,157	53.5	161,638	55.0
Less than 30 days past due	24,194	8.7	27,212	9.3
31 to 60 days past due	50,863	18.4	51,841	17.7
61 to 90 days past due	32,606	11.8	32,747	11.1
Over 90 days past due	<u>21,175</u>	<u>7.6</u>	<u>20,232</u>	<u>6.9</u>
Total	276,995	100.0	293,670	100.0
Less: Allowance for impairment	<u>(3,768)</u>		<u>(2,764)</u>	
	273,227		290,906	
Less: Assets of disposal group classified as held for sale (Note 34)	<u>(273,227)</u>		<u>—</u>	
	<u>—</u>		<u>290,906</u>	

Accounts receivable that are neither past due nor impaired amounted to HK\$147,769,000 (2014: HK\$161,584,000). These balances relate to a wide range of customers for whom there was no recent history of default.

Below is an ageing analysis of accounts receivable that are past due as at the reporting date but not impaired:

	<b>2015</b> <i>HK\$'000</i>	<b>2014</b> <i>HK\$'000</i>
Less than 30 days past due	23,993	27,111
31 to 60 days past due	50,768	51,684
61 to 90 days past due	32,375	32,678
Over 90 days past due	18,322	17,849
	<u>125,458</u>	<u>129,322</u>
Total accounts receivable past due but not impaired	125,458	129,322
Less: Assets of disposal group classified as held for sale	(125,458)	–
	<u>–</u>	<u>129,322</u>

Accounts receivable past due but not impaired represent balances that the Group considered to be fully recoverable based on past experience. A portion of these balances is secured by cash deposit placed by customers or bank guarantees.

The movements in the allowance for impairment during the year are as follows:

	<b>2015</b> <i>HK\$'000</i>	<b>2014</b> <i>HK\$'000</i>
At 1 January	2,764	2,763
Impairment provision made	4,361	1,209
Amounts written off as uncollectible	(2,099)	(360)
Impairment provision reversed	(1,258)	(848)
Less: Assets of disposal group classified as held for sale	(3,768)	–
	<u>–</u>	<u>2,764</u>
At 31 December	–	2,764

As of 31 December 2015, trade receivables of HK\$3,768,000 (2014: HK\$2,764,000) were impaired. The amount of the provision was HK\$3,768,000 as of 31 December 2015 (2014: HK\$2,764,000).

The Group assesses its accounts receivable individually to determine their recoverability and the allowance for impairment account is used to record the provision made as a result of such assessments. The ending balance of the allowance for impairment represents accounts that were past due over an extended period of time and the Group considers that they may not be recoverable.

### 13. SHARE CAPITAL

	<b>2015</b>		<b>2014</b>	
	<i>Number of shares</i>	<i>Amount HK\$'000</i>	<i>Number of shares</i>	<i>Amount HK\$'000</i>
Authorised:				
Ordinary shares of HK\$0.10 each	<u>5,000,000,000</u>	<u>500,000</u>	<u>5,000,000,000</u>	<u>500,000</u>
Issued and fully paid:				
Opening and ending balance	<u>1,561,057,596</u>	<u>156,106</u>	<u>1,561,057,596</u>	<u>156,106</u>

There were no shares issued under share option scheme during the year ended 31 December 2015 and 2014.

## 14. RESERVES

## (a) Group

Movements of the Group's reserves for the year ended 31 December 2015 and 2014 are presented in the consolidated statement of changes in equity.

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.

Capital reserve represents gain on partial disposal of a subsidiary without losing control.

The Group's other reserves consist of the following components:

	Investment revaluation reserve HK\$'000	Asset revaluation reserve HK\$'000	Translation reserve HK\$'000	Employee share-based compensation reserve HK\$'000	Capital reserve HK\$'000	Total HK\$'000
Balance as at 1 January 2014	102,929	26,117	(21,162)	3,403	–	111,287
<b>Other comprehensive income</b>						
Available-for-sale financial assets						
– Fair value loss debited to equity	(47,146)	–	–	–	–	(47,146)
Currency translation difference on consolidation	–	–	145	–	–	145
<b>Total comprehensive income</b>	<b>(47,146)</b>	<b>–</b>	<b>145</b>	<b>–</b>	<b>–</b>	<b>(47,001)</b>
Employee share-based compensation benefits	–	–	–	389	–	389
Changes in ownership interests in a subsidiary without change of control	–	–	–	–	1,547	1,547
<b>Balance as at 31 December 2014</b>	<b>55,783</b>	<b>26,117</b>	<b>(21,017)</b>	<b>3,792</b>	<b>1,547</b>	<b>66,222</b>
Balance as at 1 January 2015	55,783	26,117	(21,017)	3,792	1,547	66,222
<b>Other comprehensive income</b>						
Available-for-sale financial assets						
– Fair value loss debited to equity	(45,419)	–	–	–	–	(45,419)
Currency translation difference on consolidation	–	–	304	–	–	304
Currency translation difference released upon partial disposal of interests in an associate	–	–	15,425	–	–	15,425
<b>Total comprehensive income</b>	<b>(45,419)</b>	<b>–</b>	<b>15,729</b>	<b>–</b>	<b>–</b>	<b>(29,690)</b>
Employee share-based compensation benefits	–	–	–	100	–	100
<b>Balance as at 31 December 2015</b>	<b>10,364</b>	<b>26,117</b>	<b>(5,288)</b>	<b>3,892</b>	<b>1,547</b>	<b>36,632</b>

## (b) Company

	Share premium <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Employee share-based compensation reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2014	41,126	1,081,112	3,403	102,800	1,228,441
Profit for the year	–	–	–	60,300	60,300
Employee share-based compensation benefits	–	–	389	–	389
2013 final dividend distribution	–	–	–	(65,564)	(65,564)
2014 interim dividend distribution	–	–	–	(34,343)	(34,343)
At 31 December 2014	<u>41,126</u>	<u>1,081,112</u>	<u>3,792</u>	<u>63,193</u>	<u>1,189,223</u>
At 1 January 2015	41,126	1,081,112	3,792	63,193	1,189,223
Profit for the year	–	–	–	20,301	20,301
Employee share-based compensation benefits	–	–	100	–	100
2014 final dividend distribution	–	–	–	(59,320)	(59,320)
2015 interim dividend distribution	–	–	–	(20,294)	(20,294)
Loss for the year	–	–	–	(19,770)	(19,770)
At 31 December 2015	<u>41,126</u>	<u>1,081,112</u>	<u>3,892</u>	<u>(15,890)</u>	<u>1,110,240</u>

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\$41,126,000 (2014: HK\$41,126,000) can be distributed as fully paid-up bonus shares or applied towards eliminating the accumulated losses of the Company.

**15. 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 16.5% (2014: 16.5%).

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Deferred income tax liabilities	17,959	85,566
Deferred income tax assets	–	(6,875)
Deferred income tax liabilities (net)	<u>17,959</u>	<u>78,691</u>

**APPENDIX II**
**FINANCIAL INFORMATION OF THE GROUP**

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

	<b>2015</b>	<b>2014</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January	78,691	90,659
Credited to profit for the year	4,359	(12,426)
Less: Liabilities of disposal group classified as held for sale	(65,091)	–
Acquisition of subsidiaries	–	461
Translation differences	–	(3)
	<u>17,959</u>	<u>78,691</u>
At 31 December	<u>17,959</u>	<u>78,691</u>

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:

Deferred income tax liabilities	Accelerated tax depreciation		Fair value gains on properties		Intangible assets		Others		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January	82,507	85,740	6,465	6,465	10,810	11,252	304	1,587	100,086	105,044
Credited to profit for the year	(254)	(3,233)	–	–	(855)	(900)	(304)	(1,283)	(1,413)	(5,416)
Acquisition of subsidiaries ( <i>Note 31</i> )	–	–	–	–	–	461	–	–	–	461
Translation differences	–	–	–	–	–	(3)	–	–	–	(3)
Liabilities of disposal group classified as held for sale	(64,355)	–	–	–	(9,955)	–	–	–	(74,310)	–
At 31 December	<u>17,898</u>	<u>82,507</u>	<u>6,465</u>	<u>6,465</u>	<u>–</u>	<u>10,810</u>	<u>–</u>	<u>304</u>	<u>24,363</u>	<u>100,086</u>

Deferred income tax asset	Provisions		Tax losses		Total	
	2015	2014	2015	2014	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January		(447)	(501)	(20,948)	(13,884)	(21,395)
(Credited)/charged to profit for the year		(92)	54	5,864	(7,064)	5,772
Assets of disposal group classified as held for sale		539	–	8,680	–	9,219
At 31 December		<u>–</u>	<u>(447)</u>	<u>(6,404)</u>	<u>(20,948)</u>	<u>(6,404)</u>
		<u>–</u>	<u>(447)</u>	<u>(6,404)</u>	<u>(20,948)</u>	<u>(21,395)</u>

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\$142,782,000 (2014: HK\$157,707,000) to carry forward against future taxable income and the expiry dates of these tax losses are shown as follows:

	2015 HK\$'000	2014 HK\$'000
Expiring within one year	4,388	19,566
Expiring in the second to fifth year	5,949	9,354
After the fifth year	132,445	128,787
	<u>142,782</u>	<u>157,707</u>

#### 16. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in accounts payable and accrued liabilities are the following accounts payable by invoice date:

	2015		2014	
	Balance HK\$'000	Percentage %	Balance HK\$'000	Percentage %
0 to 30 days	29,939	69.6	33,900	67.4
31 to 60 days	9,217	21.4	11,918	23.7
61 to 90 days	1,874	4.4	2,290	4.6
Over 90 days	1,961	4.6	2,172	4.3
	<u>42,991</u>		<u>50,280</u>	
Total accounts payable	42,991	100.0	50,280	100.0
Accrued liabilities	188,011		182,083	
	231,002		232,363	
Less: Liabilities of disposal group classified as held for sale (Note 34)	(190,541)		–	
Total accounts payable and accrued liabilities	<u>40,461</u>		<u>232,363</u>	

#### 17. LOANS FROM A NON-CONTROLLING SHAREHOLDER

The loans from a non-controlling shareholder as at 31 December 2015 (Note 34) and 2014 were unsecured, interest free and repayable within one year.

#### 18. STAFF COSTS

	Notes	2015 HK\$'000	2014 HK\$'000
<b>Staff costs of discontinued operations (including directors' remuneration (Note (a)))</b>	34		
Wages and salaries		482,977	496,485
Employee share-based compensation benefits		100	389
Unutilised leave pay		2,762	2,930
Pension costs – defined contribution plans		20,258	19,940
Less: Forfeited contributions		(80)	(235)
Net pension costs – defined contribution plans		20,178	19,705
Pension expense – defined benefit plan	24(a)	8,211	9,079
		<u>514,228</u>	<u>528,588</u>



**(a) Five highest paid individuals**

The five highest paid individuals during the year include the Chief Executive Officer, details of whose remuneration are set out in Part (c). Details of the remuneration of the remaining four highest paid individuals are set out below:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Salaries, allowances and benefits in kind	12,228	11,246
Retirement scheme contributions	181	210
Bonuses paid and payable	1,556	3,302
	<u>13,965</u>	<u>14,758</u>

The remuneration of the four (2014: four) highest paid individuals fell within the following bands:

	2015	2014
HK\$2,500,001 – HK\$3,000,000	3	–
HK\$3,000,001 – HK\$3,500,000	–	3
HK\$5,000,001 – HK\$5,500,000	–	1
HK\$5,500,001 – HK\$6,000,000	1	–
	<u>4</u>	<u>4</u>

**(b) Corporate executives' remuneration**

The remuneration of the corporate executives whom are included in the section headed “Corporate Executives” fell within the following bands:

	2015	2014
HK\$2,500,001 – HK\$3,000,000	2	–
HK\$3,000,001 – HK\$3,500,000	–	2
HK\$5,000,001 – HK\$5,500,000	–	1
HK\$5,500,001 – HK\$6,000,000	1	–
HK\$9,500,001 – HK\$10,000,000	1	–
HK\$17,500,001 – HK\$18,000,000	–	1
	<u>4</u>	<u>4</u>

The success of the Company hinges on the performance and commitment of our employees. As the Company continues to grow, the Company's compensation philosophy is designed to provide employees with the opportunity to excel and grow, while aligning with our business strategies and values. The Group's remuneration policy aims to recognize outstanding performance, retain and attract key talents and ensure alignment with the interests of our businesses, and thereby enhancing shareholder value.

The Company has a share option scheme which is designed to motivate the eligible persons, whose contributions are or will be beneficial to the performance, growth and success of the Group, to optimize their future contributions to the Group and reward them for their past contributions and enable the Group to attract and retain individuals with experience and ability. 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.

(c) **Directors' and Chief Executive Officer's remuneration**

The remuneration of every director and the chief executive is set out below:

For the year ended 31 December 2015:

**Emoluments paid or receivable in respect of a person's services as a director, whether of the company or its subsidiary undertaking:**

Name	Fees HK\$'000	Salary HK\$'000	Discretionary bonuses HK\$'000	Housing allowance HK\$'000	Estimated money value of other benefits HK\$'000	Employer's contribution to a retirement benefit scheme HK\$'000	Remuneration paid or receivable in respect of accepting office as director HK\$'000	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking HK\$'000	Total HK\$'000
<b>Non-Executive Directors</b>									
David J. Pang	300	-	-	-	-	-	-	-	300
Roberto V. Ongpin <sup>(1)</sup>	42	-	-	-	-	-	-	-	42
Khoo Kay Peng	100	-	-	-	-	-	-	-	100
<b>Independent Non-executive Directors</b>									
Fred Hu Zu Liu	200	-	-	-	-	-	-	-	200
David Li Kwok Po	250	-	-	-	-	-	-	-	250
Wong Kai Man	300	-	-	-	-	-	-	-	300
<b>Executive Director</b>									
Kuok Hui Kwong	-	-	-	-	-	-	-	-	-
<b>Chief Executive Officer</b>									
Robin Hu Yee Cheng	-	4,686	3,184	1,800	48	60	-	-	9,778
	1,192	4,686	3,184	1,800	48	60	-	-	10,970

Note:

(1) Mr. Roberto V. Ongpin retired as a Non-executive Director with effect from 1 June 2015.

For the year ended 31 December 2014 (Restated):

Emoluments paid or receivable in respect of a person's services as a director, whether of the company or its subsidiary undertaking:

Name	Fees	Salary	Discretionary	Housing	Estimated	Employer's	Remuneration	Emoluments paid	Total
	HK\$'000	HK\$'000	bonuses	allowance	money	contribution to	paid or	or receivable in	HK\$'000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	value of	a retirement	received in	respect of	HK\$'000
					other	benefit scheme	respect of	director's other	
					benefits		office as	services in	
					HK\$'000	HK\$'000	director	connection with	
					HK\$'000	HK\$'000	HK\$'000	the management	
							HK\$'000	of the affairs of	
								the company or	
								its subsidiary	
								undertaking	
								HK\$'000	HK\$'000
<b>Non-Executive Directors</b>									
David J. Pang	258	-	-	-	-	-	-	-	258
Roberto V. Ongpin <sup>(1)</sup>	100	-	-	-	-	-	-	-	100
Khoo Kay Peng	100	-	-	-	-	-	-	-	100
<b>Independent Non-executive Directors</b>									
Fred Hu Zu Liu	179	-	-	-	-	-	-	-	179
David Li Kwok Po	250	-	-	-	-	-	-	-	250
Wong Kai Man	300	-	-	-	-	-	-	-	300
Ronald J. Arculli <sup>(2)</sup>	126	-	-	-	-	-	-	-	126
<b>Executive Director</b>									
Kuok Hui Kwong	-	-	-	-	-	-	-	-	-
<b>Chief Executive Officer</b>									
Robin Hu Yee Cheng	-	4,684	11,385	1,800	47	60	-	-	17,976
	1,313	4,684	11,385	1,800	47	60	-	-	19,289

Note:

(2) Mr. Ronald J. Arculli retired as an Independent Non-executive Director and ceased to be a member and the Chairman of the Nomination Committee as well as a member of the Audit Committee and the Remuneration Committee with effect from 3 June 2014.

There was no arrangement under which a Director and/or the Chief Executive Officer 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 HK\$750,000 (2014: HK\$854,795). Directors' fees received or receivable by other Non-executive Directors during the year amounted to HK\$441,644 (2014: HK\$458,082). Save from the aforesaid, there were no other emoluments paid or payable to Non-executive Directors in 2015.

No options were granted to Directors and/or the Chief Executive Officer to acquire shares of the Company in 2014 and 2015.

The Executive Director serving on the Board and Board Committee has not drawn any director's fee in the year. The director's fee of each of the Non-executive Directors, including Independent Non-executive Directors, (2015: HK\$100,000; 2014: 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, including Independent Non-executive Director, serving on the Board Committees receives an additional fee (Audit Committee: 2015: HK\$100,000; 2014: HK\$100,000; Remuneration Committee: 2015: HK\$50,000; 2014: HK\$50,000; Nomination Committee: 2015: HK\$50,000; 2014: HK\$50,000; Strategy Committee: 2015: HK\$50,000; 2014: HK\$50,000).

The directors' remunerations are determined with reference to directors' remunerations paid by other companies in Hong Kong.

#### 19. OPERATING PROFIT

Operating profit of continuing operations is stated after charging and crediting:

	2015 HK\$'000	2014 HK\$'000 (Restated)
<b>Charging</b>		
Net loss on disposal of property, plant and equipment and intangible assets	3	2
Auditors' remuneration	134	134
	<u>134</u>	<u>134</u>
<b>Crediting</b>		
Dividend income from equity shares	2,149	1,845
Net rental income from investment properties	31,581	28,725
	<u>31,581</u>	<u>28,725</u>

#### 20. NET FINANCE INCOME

	2015 HK\$'000	2014 HK\$'000 (Restated)
Finance income of continuing operations		
– Interest income on available-for-sale financial assets	1,496	1,495
	<u>1,496</u>	<u>1,495</u>

**21. INCOME TAX EXPENSE**

Hong Kong profits tax of continuing operations has been provided for at the rate of 16.5% (2014: 16.5%) 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.

	<b>2015</b> <i>HK\$'000</i>	<b>2014</b> <i>HK\$'000</i> (Restated)
Current income tax		
– Hong Kong profits tax	6,120	6,489
– Over provision in prior year	(80)	(40)
– Overseas taxation	–	355
Deferred income tax		
– deferred tax credits	(1,220)	(2,139)
	<u>4,820</u>	<u>4,665</u>

The taxation on the profit before income tax of continuing operations 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:

	<b>2015</b> <i>HK\$'000</i>	<b>2014</b> <i>HK\$'000</i> (Restated)
Profit before income tax	<u>289,922</u>	<u>36,420</u>
Calculated at a taxation rate of 16.5% (2014: 16.5%)	47,837	6,009
Income not subject to taxation	(44,444)	(2,883)
Over provision in prior year	(80)	(40)
Reversal of deferred tax liabilities previously recognised in investment in an associate upon change in manner of recovery	(304)	–
Temporary difference derecognised on undistributed profit in associates	–	(1,283)
Tax losses not recognised	5	5
Expenses not deductible for taxation purposes	1,806	2,502
Withholding tax	–	355
Income tax expense	<u>4,820</u>	<u>4,665</u>

**22. DIVIDENDS****(a) Dividends attributable to the year:**

	<b>2015</b> <i>HK\$'000</i>	<b>2014</b> <i>HK\$'000</i>
Interim dividend paid, HK1.3 cents (2014: HK2.2 cents) per share	20,294	34,343
Final dividend proposed but not yet recognised, HK1.5 cents (2014: HK3.8 cents) per share	<u>23,416</u>	<u>59,320</u>
	<u>43,710</u>	<u>93,663</u>

*Note:* The proposed final dividend distribution of HK\$23,416,000 for the year ended 31 December 2015 is to be paid out of the Company's contributed surplus.

**(b) Dividends paid during the year:**

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Interim dividend in respect of 2015, HK1.3 cents per share	20,294	–
Final dividend in respect of 2014, HK3.8 cents per share	59,320	–
Interim dividend in respect of 2014, HK2.2 cents per share	–	34,343
Final dividend in respect of 2013, HK4.2 cents per share	–	65,564
	<u>79,614</u>	<u>99,907</u>

**23. EARNINGS PER SHARE**

The calculation of basic earnings per share is based on the profit for the year attributable to shareholders of HK\$316,232,000 (2014: HK\$136,768,000), the profit from continuing operations attributable to shareholders of HK\$285,102,000 (2014: HK\$31,755,000), the profit from discontinuing operations attributable to shareholders of HK\$31,130,000 (2014: HK\$105,013,000), and the weighted average of 1,561,057,596 shares in issue (2014: 1,561,057,596 shares in issue) during the year.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares arising from exercise of all outstanding share options granted under the Company's share option scheme. A calculation is done to determine the number of shares that could have been acquired at fair value (determined with reference to the latest available market share price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

The calculation of diluted earnings per share is based on 1,561,057,596 (2014: 1,561,057,596 shares in issue) which is the weighted average number of shares in issue during the year plus the weighted average of 1,206,841 shares (2014: 1,338,047 shares) deemed to be issued if all outstanding share options granted under the Company's share option scheme has been exercised.

**24. EMPLOYEE RETIREMENT SCHEMES**

The Group operates 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 hybrid retirement plan providing benefits based on the higher of contribution balances and a multiple of a member's final salary and service on leaving service, retirement, death and disability. The defined benefit scheme has been closed to new employees since 1 July 1997.

The defined benefit scheme was established under a trust arrangement. It is registered under the ORSO, and has been granted with MPF Exemption by the Mandatory Provident Fund Schemes Authority ("MPFA"). South China Morning Post Publishers Limited, a wholly-owned subsidiary of the Company, is the sole employer participating in the Plan.

The Group has an unconditional right to the surplus of the defined benefit scheme. As a result, the asset ceiling under paragraph 64 of HKAS 19 and the minimum funding requirements of IFRIC 14 do not apply to the defined benefit scheme.

The defined benefit scheme is administered by HSBC Institutional Trust Services (Asia) Limited who acts as the trustee to the defined benefit scheme. The key responsibilities of the trustee are to ensure that the defined benefit scheme is administered in accordance with the trust deed and rules and to act on behalf of all members impartially, prudently and in good faith.

Pension costs are assessed using the projected unit credit method. The pension costs are charged to the consolidated statement of comprehensive income 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 Towers Watson Hong Kong Limited, an independent qualified actuary, and the pension costs are charged to the consolidated statement of comprehensive income in accordance with their advice. The actuarial valuations indicate that the Group's obligations under this defined benefit scheme are 122% (2014: 126%) covered by plan assets held by the trustees.

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

	<b>2015</b> <i>HK\$'000</i>	<b>2014</b> <i>HK\$'000</i>
Present value of defined benefit obligations	(267,093)	(286,347)
Fair value of plan assets	325,875	360,311
Less: Assets of disposal group classified as held for sale ( <i>Note 34</i> )	(58,782)	–
Net asset	<u>–</u>	<u>73,964</u>

The movement in the net defined benefit plan's assets over the year is as follows:

	<b>Present value of obligation</b> <i>HK\$'000</i>	<b>Fair value of plan assets</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
At 1 January 2014	(306,882)	371,412	64,530
Current service cost	(10,594)	–	(10,594)
Interest (expense)/income	(6,786)	8,301	1,515
Total (expense)/income included in staff costs ( <i>Note 18</i> )	(17,380)	8,301	(9,079)
Remeasurements:			
– Return on plan assets, excluding amounts included in interest (expense)/income	–	6,013	6,013
– Gain from change in financial assumptions	9,025	–	9,025
– Experience gain	5,744	–	5,744
Total amount recognised in other comprehensive income	14,769	6,013	20,782
Contributions:			
– Plan participants	(2,662)	2,662	–
Payment from plans			
– Benefit payments	25,808	(25,808)	–
Transfer to other retirement funds	–	(2,269)	(2,269)
At 31 December 2014	<u>(286,347)</u>	<u>360,311</u>	<u>73,964</u>

	Present value of obligation <i>HK\$'000</i>	Fair value of plan assets <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2015	(286,347)	360,311	73,964
Current service cost	(9,642)	–	(9,642)
Interest (expense)/income	(5,340)	6,771	1,431
Total (expense)/income included in staff costs ( <i>Note 18</i> )	(14,982)	6,771	(8,211)
Remeasurements:			
– Loss on plan assets, excluding amounts included in interest (expense)/income	–	(15,191)	(15,191)
– Loss from change in financial assumptions	(8,672)	–	(8,672)
– Experience gain	19,028	–	19,028
Total amount recognised in other comprehensive income/(loss)	10,356	(15,191)	(4,835)
Contributions:			
– Plan participants	(2,728)	2,728	–
Payment from plans			
– Benefit payments	26,608	(26,608)	–
Transfer to other retirement funds	–	(2,136)	(2,136)
Less: Assets of disposal group classified as held for sale ( <i>Note 34</i> )	267,093	(325,875)	58,782
At 31 December 2015	–	–	–

There are no plan amendments, curtailments and settlements for the year ended 31 December 2015.

There are no reimbursement rights that should be recognised as an asset under paragraph 116 of HKAS 19.

The split of the defined benefit scheme's assets as at 31 December 2015 and 31 December 2014 into different major asset classes (as a percentage of total assets) are as follows:

Asset class	2015	2014
Equities	73%	74%
Bonds	22%	22%
Cash	5%	4%
Total	100%	100%

No portion of the defined benefit scheme's assets was invested in the Company's own financial instruments or properties as at 31 December 2015 (2014: Nil).

Currently, the Plan has a benchmark asset allocation of 70% in equities and 30% in bonds and cash. The long term strategic asset allocations of the defined benefit scheme are set and reviewed from time to time by the Plan's trustee taking into account the Plan's membership, liability profile, liquidity requirements, and the risk appetite of the Group.



The significant actuarial assumptions were as follows:

	2015	2014
	%	%
Discount rate	1.50	1.90
Long-term salary increase rate	4.00	4.00
Interest rate on balances	6.00	6.00

The sensitivity of the defined benefit obligation to changes in significant assumptions is:

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.25%	Decrease by 2.0%	Increase by 2.1%
Long-term salary increase rate	0.25%	Increase by 0.5%	Decrease by 0.5%
Interest rate on balances	0.25%	Increase by 1.6%	Decrease by 1.5%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, it is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the balance sheet.

The costs of benefits are jointly funded by the Company and the members. Members' contributions are based on a fixed percentage of basic salary as stipulated by the Rules of the defined benefit scheme. The Company's contributions are determined with reference to the funding valuation carried out by the defined benefit scheme's actuary in accordance with the ORSO requirements. The last funding valuation of the defined benefit scheme was carried out as at 1 April 2014.

Expected member contributions to post-employment benefit plans for the year ending 31 December 2015 are HK\$2,479,000 (2014: HK\$2,680,000).

The weighted average duration of the defined benefit obligation is 8.4 years.

Expected maturity analysis of undiscounted pension benefits:

At 31 December 2015	Less than a year	Between 1-2 years	Between 2-5 years	Between 5-10 years	Over 10 years	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Pension benefits	5,790	11,302	38,833	207,380	153,604	416,909

Through its defined benefit plan, the Group is exposed to a number of risks, the most significant of which are detailed below:

**Investment risk** Strong investment returns tend to increase the fair value of defined benefit scheme assets and therefore improve the defined benefit scheme's financial position as measured by the net defined benefit liability/asset, whilst poor or negative investment returns tend to weaken the position.

The defined benefit scheme assets are invested in a diversified portfolio of equities, bonds and cash, covering major geographical locations around the world. The diversification of asset classes and geographical location helps to reduce the concentration of risk associated with the defined benefit scheme investments.

Interest rate risk	The defined benefit obligation is calculated using a discount rate based on market bond yields. A decrease in the bond yields will increase the defined benefit obligation.
Salary risk	The defined benefit obligation is calculated with reference to the future salaries of members because the defined benefit scheme's benefits are salary-related. Salary increases that are higher than expected will increase the defined benefit obligation.

**(b) MPF scheme**

The Group makes regular contributions of 5% of the employees' relevant income (which is subject to an annual cap of HK\$30,000 (2014: HK\$30,000)) 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.

**25. SHARE-BASED PAYMENT TRANSACTIONS**

The Company has a share option scheme (the "Scheme") which was approved at the annual general meeting of the Company held on 24 May 2010. Under the Scheme, the Board of Directors of the Company (the "Board") may, at its discretion, grant options to the eligible persons as defined in the Scheme (the "Eligible Persons") to subscribe for shares of the Company. The basis of eligibility of any of the Eligible Persons to the grant of any options shall be determined by the Board from time to time on the basis of their contribution to the development and growth of the Group.

The period within which an option may be exercised will be determined by the Board at its absolute discretion but no option may be exercised later than 10 years from the date on which the option is granted. The minimum period for which an option must be held before it can be exercised is determined by the Board upon the grant of an option. The amount payable on acceptance of an option is HK\$1.

Movements in the number of options outstanding and their related weighted average exercise prices are as follows:

	No. of shares in respect of options granted		Weighted average exercise price per share	
	2015	2014	2015 HK\$	2014 HK\$
Outstanding at 1 January	6,988,000	7,288,000	1.484	1.484
Lapsed during the year	—	(300,000)	—	1.484
Outstanding at 31 December	6,988,000	6,988,000	1.484	1.484
Exercisable at 31 December	6,748,000	4,994,000	1.484	1.484

No options were granted, exercised or cancelled during the year.

Options outstanding at the end of the year have the following terms:

				2015	2014
	Tranche	Exercise period	Exercise price/share HK\$	No. of shares in respect of options granted	No. of shares in respect of options granted
Continuous contract employees	1	19/07/2012 – 27/11/2021	1.484	912,000	912,000
	2	19/10/2012 – 27/11/2021	1.484	342,000	342,000
	3	19/01/2013 – 27/11/2021	1.484	342,000	342,000
	4	19/04/2013 – 27/11/2021	1.484	366,000	366,000
	5	19/07/2013 – 27/11/2021	1.484	526,000	526,000
	6	19/10/2013 – 27/11/2021	1.484	487,000	487,000
	7	19/01/2014 – 27/11/2021	1.484	487,000	487,000
	8	19/04/2014 – 27/11/2021	1.484	487,000	487,000
	9	19/07/2014 – 27/11/2021	1.484	487,000	487,000
	10	19/10/2014 – 27/11/2021	1.484	558,000	558,000
	11	19/01/2015 – 27/11/2021	1.484	558,000	558,000
	12	19/04/2015 – 27/11/2021	1.484	558,000	558,000
	13	19/07/2015 – 27/11/2021	1.484	558,000	558,000
	14	19/10/2015 – 27/11/2021	1.484	80,000	80,000
	15	19/01/2016 – 27/11/2021	1.484	80,000	80,000
	16	19/04/2016 – 27/11/2021	1.484	80,000	80,000
	17	19/07/2016 – 27/11/2021	1.484	80,000	80,000
				6,988,000	6,988,000

No share options have been granted during the year ended 31 December 2015 and 2014. The fair value of the share options granted in 2011 was calculated by applying a binomial option pricing model. The major assumptions used in the model are:

Date of grant	19 July 2011	28 November 2011
Share price at date of grant	HK\$1.81	HK\$1.45
Exercise price	HK\$1.81	HK\$1.484
Expected volatility <sup>(i)</sup>	43%	44%
Annual risk-free interest rate <sup>(ii)</sup>	2.26%	1.39%
Life of options	10 years	10 years
Dividend yield <sup>(iii)</sup>	3%	5.5%

Notes:

- (i) The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily average share prices of the Company over approximately four years immediately preceding the grant date. The calculation is based on the assumption that there is no material difference between the expected volatility over the whole life of the options and the historical volatility of the underlying shares.
- (ii) The risk free rate is assumed to be equal to the yield of Hong Kong Exchange Fund Bills/Notes over the exercise period near the grant dates.
- (iii) Dividend yield was estimated based on the Company's most recent interim and final dividend paid and the prevailing share price at the grant date of the options.

In order to capture employee risk aversion, we model the early exercise behaviour of the employees by assuming that exercise takes place whenever a) an option has vested and b) the stock price reaches 200% above the exercise price.

## 26. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

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

	2015 HK\$'000	2014 HK\$'000
Operating profit	293,763	183,643
Fair value gain on investment properties	(191,400)	(11,400)
Depreciation and amortisation	63,058	67,644
Dividend income from equity shares	(2,149)	(1,845)
Net loss on disposal of property, plant and equipment and intangible assets	225	46
Pension expense	8,211	9,079
Transfer of DB plan assets to other retirement funds	2,136	2,269
Employee share-based compensation benefits	100	389
Increase/(decrease) in amounts due to associates	697	(179)
Decrease in inventories	4,949	4,325
Decrease in accounts receivable	17,679	18,293
Decrease/(increase) in prepayments, deposits and other receivables	4,356	(3,967)
Decrease in accounts payable and accrued liabilities	(2,818)	(7,131)
Increase/(decrease) in subscriptions in advance	8,471	(1,955)
	<u>207,278</u>	<u>259,211</u>
Cash generated from operations	<u>207,278</u>	<u>259,211</u>

## (b) Cash and cash equivalents

	2015 HK\$'000	2014 HK\$'000
Cash at bank and in hand	367,388	285,224
Short-term bank deposits with original maturity of less than three months	<u>240,238</u>	<u>178,913</u>
	607,626	464,137
Less: Assets of disposal group classified as held for sale (Note 34)	<u>(568,139)</u>	<u>–</u>
	<u>39,487</u>	<u>464,137</u>

## 27. CAPITAL RISK MANAGEMENT

The Group's primary objective when managing capital is to safeguard the Group's ability to continue its businesses as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Group structures its capital with due consideration to risk. The Group manages and adjusts its capital structure in the light of the changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, repurchase shares of the Company from shareholders, issue new shares, or increase or reduce borrowings.

As at 31 December 2015, the Group's net debt-to-capital ratio is zero (2014: zero), as the Group has no net debt on that day. For the purpose of calculating the net debt-to-capital ratio, the Group defines net debt as total debt (which includes bank overdrafts) less cash and bank balances, and capital as all components of equity.

**28. OPERATING LEASE COMMITMENTS**

As at 31 December 2015, the Group had future minimum lease payment under non-cancelable operating leases for land and buildings for the continuing operations as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Not later than one year	4,896	20,140
Later than one year but not later than five years	6,912	20,728
	<u>11,808</u>	<u>40,868</u>

**29. CAPITAL COMMITMENTS**

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Capital commitments for property, plant and equipment for the continuing operations		
Contracted, but not provided for	1,769	33,456
	<u>1,769</u>	<u>33,456</u>

**30. BALANCE SHEET OF THE COMPANY**

	<i>Note</i>	31 December 2015 <i>HK\$'000</i>	31 December 2014 <i>HK\$'000</i>
<b>ASSETS</b>			
Non-current asset			
Interests in subsidiaries		1,285,304	1,344,517
Current asset			
Cash and cash equivalents		812	812
		<u>812</u>	<u>812</u>
Assets of disposal group classified as held sale		–	–
		812	812
Total assets		<u>1,286,116</u>	<u>1,345,329</u>
<b>EQUITY</b>			
Capital and reserves			
Share capital		156,106	156,106
Reserves	<i>14(b)</i>	1,110,240	1,189,223
		1,266,346	1,345,329
<b>Liabilities</b>			
Current liabilities			
Accrued expenses		19,770	–
		<u>19,770</u>	<u>–</u>
Total equity and liabilities		<u>1,286,116</u>	<u>1,345,329</u>

**31. 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) Cash flow interest rate risk**

The Group's cash flow interest rate risk arises from cash balances placed with authorised 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.

At 31 December 2015, the Group had short-term bank deposits of HK\$240,238,000 (2014: HK\$178,913,000) with an effective interest rate of 1.3% (2014: 2.0%). It is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would increase/decrease the Group's profit for the year and total equity by approximately HK\$2,402,000 (2014: HK\$1,789,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the interest-bearing financial instruments in existence at that date.

**(b) Fair value interest rate risk**

The Group has an investment in debt instruments classified as available-for-sale financial assets. The investment carries a fixed coupon payment and thus, exposes the Group to fair value interest rate risk. The Group limits this risk by implementing strict investment policy. Any investment of significant amount must be approved by the Chief Executive Officer and the Board of Directors.

At 31 December 2015, the carrying amount of the debt instruments was HK\$24,522,000 (2014: HK\$25,470,000), implying a yield of 2.34% (2014: 2.24%). It is estimated that a general increase/decrease of 100 basis points in yield, with all other variables held constant, would decrease/increase the Group's total equity by approximately HK\$153,000 (2014: HK\$390,000)/HK\$156,000 (2014: HK\$400,000) respectively. The change in yield would not have any impact on the Group's profit or loss as the investment has been classified as available-for-sale financial assets.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the interest-bearing financial instruments in existence at that date.

**(c) Currency risk**

The financial assets and financial liabilities of the Group are denominated predominantly in Hong Kong Dollars, United States Dollars and Renminbi ("RMB"). The Group's only significant exposure to foreign exchange risk arises from its short-term bank deposits in RMB.

As at 31 December 2015, the Group had RMB deposits of HK\$54,335,000 (2014: HK\$82,966,000). If the RMB had strengthened/weakened by 10% against Hong Kong Dollars with all other variables held constant, it would increase/decrease the pre-tax profit for the year by HK\$5,434,000 (2014: HK\$8,297,000).

The sensitivity analysis above has been determined assuming that the change in exchange rate had occurred at the balance sheet date and had been applied to the short-term deposits held at that date.

**(d) Equity price risk**

The exposure of investments in shares to price changes is managed by closely monitoring changes in market conditions that may have an impact on market prices or factors affecting the fair value. If the fair value of the investments in shares was 10% higher/lower at the year end date, the Group's investment revaluation reserve and total equity would increase/decrease by approximately HK\$11,474,000 (2014: HK\$15,921,000).

**(e) Liquidity risk**

Liquidity risk refers to the risk that the Group will encounter difficulty in meeting its obligations associated with financial liabilities. The Group's objective in managing this risk is to maintain a balance between the continuity and the flexibility of funding through the use of bank loans and overdraft, if necessary. In addition, banking facilities have been put in place for contingency purposes.

The following table details the remaining contractual maturities at the balance sheet date of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates as at the balance sheet date) and the earliest date on which the Group can be required to pay:

	Loans from a non-controlling shareholder		Accounts payable and accrued liabilities ( <i>Note</i> )	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Within 1 year or on demand	2,240	7,040	77,743	85,280
More than 1 year but less than 2 years	–	–	–	–
More than 2 years but less than 5 years	–	–	–	–
More than 5 years	–	–	–	–
Total contractual undiscounted cash flow	<u>2,240</u>	<u>7,040</u>	<u>77,743</u>	<u>85,280</u>
Carrying amount	<u>2,240</u>	<u>7,040</u>	<u>77,743</u>	<u>85,280</u>

*Note:* The balance as at 31 December 2015 included accounts payable of HK\$42,743,000 (2014: HK\$50,280,000) and deposit from a customer of HK\$35,000,000 (2014: HK\$35,000,000) which were classified as financial liabilities.

**(f) Credit risk**

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

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 and cash deposits as collateral 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.

In order to minimise the credit risk arising from investment in debt instruments, the Group only selects issuers with high credit ratings.

At the balance sheet date, there is no concentration of credit risk as the Group's five largest customers accounted for 38% (2014: 36%) of total accounts receivable balance only.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from accounts receivable are set out in Note 12 to the financial statements.

**(g) Fair value estimation**

The Group's available-for-sale financial assets are measured at fair value. The Group classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following tables present the Group's financial assets and liabilities that are measured at fair value at 31 December 2015 and 2014. See Note 6 for disclosures of the investment properties that are measured at fair value.

	<b>2015</b>			<b>Total</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Available-for-sale financial assets</b>				
Equity securities				
– Hotel industry	92,488	–	–	92,488
– Real estate industry	17,559	–	–	17,559
– Logistics industry	4,691	–	–	4,691
– Others	11	–	–	11
Debt investments				
– Debt securities with fixed interest rates	24,522	–	–	24,522
	139,271	–	–	139,271
	139,271	–	–	139,271

	<b>2014</b>			<b>Total</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Available-for-sale financial assets</b>				
Equity securities				
– Hotel industry	130,730	–	–	130,730
– Real estate industry	23,371	–	–	23,371
– Logistics industry	5,106	–	–	5,106
– Others	10	–	–	10
Debt investments				
– Debt securities with fixed interest rates	25,470	–	–	25,470
	184,687	–	–	184,687
	184,687	–	–	184,687

The fair value of financial instruments in Level 1 is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. Instruments included in Level 1 comprise equity investments listed in Hong Kong and debt investment listed in Singapore, which are classified as available-for-sale.



## 32. SUBSIDIARIES AND ASSOCIATES

Particulars of the Company's principal subsidiaries and the Group's principal associates at 31 December 2015 are as follows:

**Subsidiaries**

Company	Place of incorporation/ registration and operations (Kind of legal entity)	Nominal value of issued/ registered share capital	Proportion held		Nature of business
			Direct	Indirect	
Brilliant Star Printing Services Limited	Hong Kong	Ordinary HK\$2	–	100%	Provision of printing services
Coastline International Limited	The Commonwealth of The Bahamas	Ordinary US\$2	–	100%	Property holding
Destination Macau Limited	Macau	Ordinary MOP\$26,000	–	100%	Magazine publishing
HK Magazine Media Limited	Hong Kong	Ordinary HK\$4	–	100%	Magazine publishing
HK Magazine Online Limited	Hong Kong	Ordinary HK\$101	–	100%	Advertising
Lytton Investment Limited	The Commonwealth of The Bahamas	Ordinary US\$2	–	100%	Property holding
Macheer Properties Limited	The British Virgin Islands	Ordinary US\$1	–	100%	Property holding
Peak HK Publishing Limited	Hong Kong	Ordinary HK\$300,000	–	80%	Magazine publishing
Recruitment Consulting Networks Limited	Hong Kong	Ordinary HK\$100,000	–	100%	Employment agent
SCMP (1994) Limited	Hong Kong	Ordinary HK\$2	100%	–	Investment holding
SCMP Hearst Hong Kong Limited	Hong Kong	Ordinary HK\$100,000	–	70%	Magazine publishing
SCMP Hearst Magazines Limited	Hong Kong	Ordinary HK\$10,000	–	60%	Magazine 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

Company	Place of incorporation/ registration and operations (Kind of legal entity)	Nominal value of issued/ registered share capital	Proportion held		Nature of business
			Direct	Indirect	
SCMP Magazines Publishing Limited	Hong Kong	Ordinary HK\$10,000	–	100%	Publication and advertising
SCMP Outdoor Media Limited	Hong Kong	Ordinary HK\$500,000	–	100%	Advertising
SCMP.com Holdings Limited <sup>#</sup>	The British Virgin Islands	Ordinary US\$1	100%	–	Investment holding
Shanghai Hu Ying Advertising Co., Ltd. <sup>#</sup>	The People's Republic of China (Wholly Foreign-owned Enterprise)	Registered capital US\$2,100,000	–	100%	Advertising agent
Shanghai Nan Hong Information Services Co., Ltd. <sup>#</sup>	The People's Republic of China (Wholly Foreign-owned Enterprise)	Registered capital US\$5,500,000	–	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
The List Magazine Media Limited	Hong Kong	Ordinary HK\$101	–	100%	Magazine publishing
Where Hong Kong Publishing Limited	Hong Kong	Ordinary HK\$775,001	–	100%	Magazine publishing

**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 <sup>#</sup>	Hong Kong	Ordinary HK\$7,700,000	45%	Bookshop operation

<sup>#</sup> 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 an associate 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 associate would, in the opinion of the Directors, result in particulars of excessive length.

### 33. RELATED PARTY TRANSACTIONS

Kerry Media Limited, a company incorporated in the British Virgin Islands, is the immediate holding company of the Company. Kerry Group Limited, a company incorporated in the Cook Islands, is the ultimate holding company of Kerry Media Limited. The Directors regard Kerry Group Limited as the ultimate holding company of the Company as of the balance sheet date.

#### (a) Transactions with Kerry Group

Significant transactions with Kerry Group Limited and its group of subsidiaries ("Kerry Group") and associated companies are as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Rendering of services		
– Advertising revenue	2,400	862
– Newspaper subscription	1,700	1,490
– Magazines and other publications production service fee	1,406	2,095
	<u>5,506</u>	<u>4,447</u>

#### (b) Balances arising from transactions with Kerry Group

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Receivables arising from advertising services	273	82
Receivables arising from newspaper subscription	103	213
Receivables arising from magazine production services	706	708
	<u>1,082</u>	<u>1,003</u>

#### (c) Key management personnel compensation

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Salaries and other short-term employee benefits	36,767	45,993
Employee share-based compensation benefits	71	267
Post-employment benefits	643	662
	<u>37,481</u>	<u>46,922</u>

**(d) Investment in guaranteed notes issued by a related party**

In June 2009, the Group acquired guaranteed notes of US\$3,000,000 in the secondary market at a consideration of US\$3,057,000 (equivalent to HK\$23,719,000). The notes were issued by Gain Silver Finance Limited, an indirect subsidiary of Kerry Group Limited, on 25 August 2006. They bear a coupon interest of 6.375% and will mature in 2016. The fair values of the notes were HK\$24,522,000 as at 31 December 2015 (31 December 2014: HK\$25,470,000).

**(e) Transactions with HCI Group**

Hearst Communications Inc. (“HCI”), a company formed under the laws of the State of Delaware in the United States of America exercises, through its subsidiaries, significant influence over SCMP Hearst Publications Limited and SCMP Hearst Hong Kong Limited, both indirect subsidiaries of the Company. During the year, the Group has the following significant transactions with HCI and its group of subsidiaries:

	<b>2015</b> <i>HK\$'000</i>	<b>2014</b> <i>HK\$'000</i>
Rendering of services		
– Royalty expenses	12,752	13,970
– Payment in respect of advertising sales/agency agreements	6,823	8,555
	<u>19,575</u>	<u>22,525</u>

**(f) Balances arising from transactions with HCI Group**

	<b>2015</b> <i>HK\$'000</i>	<b>2014</b> <i>HK\$'000</i>
Royalty expenses payable	2,818	3,899
Amount payable in respect of advertising sales/agency agreements	212	396
	<u>3,030</u>	<u>4,295</u>

**34. DISCONTINUED OPERATIONS AND NON-CURRENT ASSETS HELD FOR SALE**

- (a) On 14 December 2015, the Company announced that the Group and Alibaba Investment Limited (the “Purchaser”) entered into a sale and purchase agreement, pursuant to which the Company has agreed to sell and the Purchaser has agreed to purchase the media business of the Group for a cash consideration of HK\$2,060.6 million. The transaction will be effected by a sale of the entire issued share capital of SCMP Newspapers Limited, SCMP Publications Limited, SCMP.com Limited, SCMP Retailing Limited and SCMP.com Holdings Limited (the “Target Companies”). The transaction has been approved in the special general meeting on 14 March 2016 and the disposal is expected to be completed 5 April 2016.

Consequently, the assets and liabilities under the Target Companies were classified as disposal group held sale and their businesses were classified as discontinued operations.

The result of discontinued operations dealt with in the consolidated financial statements for the years ended 31 December 2015 and 2014 are summarized as follows:

	<i>Notes</i>	<b>Year ended 31 December</b>	
		<b>2015</b> <i>HK\$'000</i>	<b>2014</b> <i>HK\$'000</i> (Restated)
<b>Revenue</b>	<i>4</i>	1,068,819	1,194,247
Other income		2,119	2,723
Staff costs	<i>18</i>	(514,228)	(528,588)
Cost of production materials		(186,510)	(211,370)
Rental and utilities		(28,745)	(27,608)
Depreciation and amortisation		(57,853)	(62,455)
Advertising and promotion		(33,162)	(45,573)
Other operating expenses		(184,864)	(182,023)
		<u>65,576</u>	<u>139,353</u>
<b>Operating profit of discontinued operations</b>		65,576	139,353
Net finance income		3,395	3,290
Share of losses of associates		(4)	(3)
		<u>68,967</u>	<u>142,640</u>
<b>Profit before income tax from discontinued operations</b>		68,967	142,640
Income tax expense		(18,529)	(14,758)
		<u>50,438</u>	<u>127,882</u>
<b>Profit for the year from discontinued operations</b>		<u>50,438</u>	<u>127,882</u>

Operating profit of discontinued operations is stated after charging:

	<b>2015</b> <i>HK\$'000</i>	<b>2014</b> <i>HK\$'000</i> (Restated)
<b>Charging</b>		
Net loss on disposal of property, plant and equipment and intangible assets	222	44
Auditors' remuneration	2,716	2,855
	<u>2,938</u>	<u>2,900</u>

Finance income of discontinued operations is as follows:

Interest income on bank deposits	<u>3,395</u>	<u>3,290</u>
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The taxation on the profit before income tax of discontinued operations 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:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i> (Restated)
Profit before income tax	68,967	142,640
Calculated at a taxation rate of 16.5% (2014: 16.5%)	11,380	23,536
Income not subject to taxation	(250)	(126)
Recognition of previously unrecognised temporary difference	(5)	83
Effect of different taxation rates in other countries	114	31
Utilisation of previously unrecognised tax losses	(189)	(5,840)
Over provision in prior year	(350)	(15)
Tax losses not recognised	1,023	1,625
Expenses not deductible for taxation purposes	7,485	2,851
Temporary difference not recognised	(679)	(651)
Recognition of previously unrecognised deferred tax asset	–	(6,486)
Others	–	(250)
Income tax expense	18,529	14,758

The major classes of assets and liabilities of the disposal group classified as held for sale as at the end of reporting period as follows:

	<i>Notes</i>	2015 <i>HK\$'000</i>
<b>Assets</b>		
Intangible assets	7	173,038
Property, plant and equipment	5	402,499
Defined benefit plan's assets	24(a)	58,782
Investment in associates		320
Available-for-sale financial assets	10	11
Deposits paid for property, plant and equipment		1,118
Deferred income tax assets	15	587
Inventories	11	14,874
Accounts receivable	12	273,227
Prepayments, deposits and other receivables		20,440
Cash and bank balances		568,139
Assets of disposal group classified as held for sale		1,513,035
<b>Liabilities</b>		
Trade payable and accrued liabilities	16	190,541
Amount due to an associate		955
Current income tax liabilities		1,997
Subscriptions in advance		34,904
Loan from a non-controlling shareholder	17	2,240
Deferred income tax liabilities	15	65,678
Liabilities of disposal group classified as held for sale		296,315

The net cash flows of discontinued operations dealt with in the consolidated financial statements for the years ended 31 December 2015 and 2014 are as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Operating activities	184,006	190,471
Investing activities	(40,389)	(26,407)
Financing activities	(20,970)	(99,051)
	<u>                    </u>	<u>                    </u>
Net cash inflow attributable to discontinued operations	<u>122,647</u>	<u>65,013</u>

- (b) During the year, the Group has also disposed 12.8% of investment in Post Publishing Public Company Limited, an associate of the Group. The remaining portion of the interest in associate of HK\$13,193,000 is classified as asset held for sale.

### 35. SUBSEQUENT EVENT

Subject to the completion of the sale of media business as mentioned in Note 2(t), the Directors had also proposed a special cash payment in an aggregate amount of HK\$2,499.5 million to all of the Company's shareholders. Both the sale of media business and the special cash payment have been approved in the special general meeting on 14 March 2016.

### 36. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 14 March 2016.

### 3. UNAUDITED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2016

The following is the full text of the unaudited consolidated financial information of the Group for the six months ended 30 June 2016 as set forth in the interim report of the Company for the six months ended 30 June 2016.

## Condensed Consolidated Balance Sheet

		(Unaudited) 30 June 2016 HK\$'000	(Audited) 31 December 2015 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3	1,267	96,954
Investment properties	4	2,441,500	1,923,400
Investment in associates		3,905	4,350
Available-for-sale financial assets		–	114,738
		<u>2,446,672</u>	<u>2,139,442</u>
<b>Current assets</b>			
Prepayments, deposits and other receivables		4,851	2,341
Available-for-sale financial assets		24,058	24,522
Cash and bank balances		271,753	39,487
		<u>300,662</u>	<u>66,350</u>
Assets of disposal group classified as held for sale		–	1,526,228
		<u>300,662</u>	<u>1,592,578</u>
<b>Total assets</b>		<u><u>2,747,334</u></u>	<u><u>3,732,020</u></u>
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Share capital	5	156,775	156,106
Reserves		2,546,869	3,161,849
		<u>2,703,644</u>	<u>3,317,955</u>
Shareholders' funds		2,703,644	3,317,955
Non-controlling interests		–	56,534
		<u>2,703,644</u>	<u>56,534</u>
<b>Total equity</b>		<u><u>2,703,644</u></u>	<u><u>3,374,489</u></u>



		(Unaudited)	(Audited)
		30 June	31 December
	<i>Notes</i>	2016	2015
		<i>HK\$'000</i>	<i>HK\$'000</i>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred income tax liabilities		11,119	17,959
		<u>11,119</u>	<u>17,959</u>
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	7	26,566	40,461
Amounts due to associates		2,239	2,290
Current income tax liabilities		3,766	506
		<u>32,571</u>	<u>43,257</u>
Liabilities of disposal group classified as held for sale		–	296,315
		<u>32,571</u>	<u>339,572</u>
<b>Total liabilities</b>		<u>43,690</u>	<u>357,531</u>
<b>Total equity and liabilities</b>		<u><u>2,747,334</u></u>	<u><u>3,732,020</u></u>
<b>Net current assets</b>		<u><u>268,091</u></u>	<u><u>1,253,006</u></u>
<b>Total assets less current liabilities</b>		<u><u>2,714,763</u></u>	<u><u>3,392,448</u></u>

## Condensed Consolidated Statement of Comprehensive Income

		(Unaudited)	
		For the six months	
		ended 30 June	
	<i>Notes</i>	<b>2016</b>	<b>2015</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>
			(Restated)
<b>CONTINUING OPERATIONS</b>			
<b>Revenue</b>	2	26,848	26,182
Other income		33	1,264
Depreciation and amortisation		(1,413)	(2,602)
Other operating expenses		(12,760)	(5,071)
Fair value gain on investment properties	1	114,100	137,100
<b>Operating profit of continuing operations</b>		126,808	156,873
Net finance income	9	746	742
Share of losses of associates		(444)	(4,316)
Gain on disposal of available-for-sale financial assets		27,062	–
Gain on disposal of asset held for sale		30,089	–
Gain on disposal of interests in an associate		–	43,349
<b>Profit before income tax from continuing operations</b>		184,261	196,648
Income tax credit/(expense)	10	3,470	(2,949)
<b>Profit for the period from continuing operations</b>		187,731	193,699
<b>DISCONTINUED OPERATIONS</b>			
(Loss)/profit for the period from discontinued operations	15(a)	(12,999)	23,099
Gain on disposal of discontinued operations	15(c)	1,421,731	–
<b>Profit for the period from discontinued operations</b>		1,408,732	23,099
<b>Profit for the period</b>		1,596,463	216,798

	(Unaudited)	
	For the six months	
	ended 30 June	
Notes	2016	2015
	HK\$'000	HK\$'000 (Restated)
<b>Other comprehensive income</b>		
Items that will not be reclassified subsequently to profit or loss:		
Fair value gain recognised upon the transfer from leasehold land and buildings to investment properties	307,948	–
Remeasurement of defined benefit plan obligation	–	4,450
Share of remeasurement of defined benefit plan obligation of an associate	–	(721)
	<u>307,948</u>	<u>3,729</u>
Items that may be/have been reclassified subsequently to profit or loss:		
Fair value gain on available-for-sale financial assets	8,392	2,880
Fair value gain on available-for-sale financial assets released upon disposal	(18,616)	–
Currency translation difference on consolidation	(152)	520
Currency translation difference released upon disposal of asset held for sale	10,170	–
Currency translation difference released upon disposal of interests in an associate	–	10,011
Disposal of interests in subsidiaries	(4,337)	–
	<u>(4,543)</u>	<u>13,411</u>
<b>Other comprehensive income for the period, net of tax</b>	<u>303,405</u>	<u>17,140</u>
<b>Total comprehensive income for the period</b>	<u><u>1,899,868</u></u>	<u><u>233,938</u></u>
<b>Profit attributable to:</b>		
Continuing operations	187,731	193,699
Discontinued operations	1,407,641	14,962
Shareholders of the Company	1,595,372	208,661
Non-controlling interests – discontinued operations	1,091	8,137
	<u>1,596,463</u>	<u>216,798</u>
<b>Total comprehensive income attributable to:</b>		
Continuing operations	495,625	205,869
Discontinued operations	1,403,152	19,932
Shareholders of the Company	1,898,777	225,801
Non-controlling interests – discontinued operations	1,091	8,137
	<u>1,899,868</u>	<u>233,938</u>

		(Unaudited)	
		For the six months	
		ended 30 June	
	<i>Notes</i>	<b>2016</b>	<b>2015</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>
			(Restated)
<b>Earnings per share</b>			
Continuing operations	<i>11</i>	11.99 cents	12.41 cents
Discontinued operations		89.90 cents	0.96 cents
Basic		<u>101.89 cents</u>	<u>13.37 cents</u>
Continuing operations		11.99 cents	12.40 cents
Discontinued operations		89.88 cents	0.96 cents
Diluted		<u>101.87 cents</u>	<u>13.36 cents</u>
		<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Dividends</b>	<i>12</i>	<u>2,499,499</u>	<u>20,294</u>

## Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2016

	(Unaudited)						
	Attributable to shareholders			Non-			
	Share capital	Share premium	Contributed surplus	Other reserves	Retained profits	controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	(Note 6) HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Balance at 1 January 2016</b>	156,106	41,126	803,234	36,632	2,280,857	56,534	3,374,489
Profit for the period	–	–	–	–	1,595,372	1,091	1,596,463
Other comprehensive income	–	–	–	303,405	–	–	303,405
<b>Total comprehensive income</b>	–	–	–	303,405	1,595,372	1,091	1,899,868
<b>Transaction with shareholders:</b>							
Dividends declared and paid (Note 12)	–	–	(492,393)	–	(2,030,622)	(21,920)	(2,544,935)
Employee share-based compensation benefits	–	–	–	2	–	–	2
Shares issued upon exercise of share options	669	9,256	–	–	–	–	9,925
Disposal of subsidiaries	–	–	–	–	–	(35,705)	(35,705)
Transfer	–	–	–	(3,894)	3,894	–	–
<b>Total transactions with shareholders</b>	669	9,256	(492,393)	(3,892)	(2,026,728)	(57,625)	(2,570,713)
<b>Balance at 30 June 2016</b>	156,775	50,382	310,841	336,145	1,849,501	–	2,703,644

	(Unaudited)							
	Attributable to shareholders							
	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Other reserves (Note 6) HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
Balance at 1 January 2015	156,106	41,126	803,234	66,222	2,049,795	3,116,483	53,396	3,169,879
Profit for the period	-	-	-	-	208,661	208,661	8,137	216,798
Other comprehensive income	-	-	-	13,411	3,729	17,140	-	17,140
Total comprehensive income	-	-	-	13,411	212,390	225,801	8,137	233,938
Transaction with shareholders:								
Dividends declared and paid (Note 12)	-	-	-	-	(59,320)	(59,320)	-	(59,320)
Employee share-based compensation benefits	-	-	-	83	-	83	-	83
Total transactions with shareholders	-	-	-	83	(59,320)	(59,237)	-	(59,237)
Balance at 30 June 2015	156,106	41,126	803,234	79,716	2,202,865	3,283,047	61,533	3,344,580

## Condensed Consolidated Statement of Cash Flows

		(Unaudited)	
		For the six months	
		ended 30 June	
	<i>Note</i>	2016	2015
		<i>HK\$'000</i>	<i>HK\$'000</i>
Cash flows from operating activities			
Cash (used in)/generated from operations		(10,087)	118,217
Hong Kong profits tax paid		(5,527)	(7,881)
		<u>          </u>	<u>          </u>
Net cash (used in)/generated from operating activities		(15,614)	110,336
Cash flows from investing activities			
Purchase of property, plant and equipment, intangible assets		(10,954)	(20,335)
Interest received		1,398	2,829
Dividends received from listed investments		–	1,264
Proceeds from disposal of available-for-sale financial assets		132,734	–
Proceeds from disposal of asset held for sale		53,611	–
Proceeds from disposal of interests in an associate		–	66,504
Net cash inflow from disposal of interests in subsidiaries	<i>15(c)</i>	2,037,962	–
		<u>          </u>	<u>          </u>
Net cash generated from investing activities		2,214,751	50,262
Cash flows from financing activities			
Dividend paid to the Company's shareholders		(2,523,015)	(59,320)
Dividend paid to non-controlling shareholders of subsidiaries		(21,920)	–
Proceeds from shares issued		9,925	–
		<u>          </u>	<u>          </u>
Net cash used in financing activities		(2,535,010)	(59,320)
		<u>          </u>	<u>          </u>
Net (decrease)/increase in cash and cash equivalents		(335,873)	101,278
Cash and cash equivalents at 1 January		607,626	464,137
		<u>          </u>	<u>          </u>
Cash and cash equivalents at 30 June		<u>271,753</u>	<u>565,415</u>

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION****1. BASIS OF PREPARATION AND ACCOUNTING POLICIES**

The unaudited condensed consolidated interim financial information (“interim financial information”) for the six months ended 30 June 2016 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”).

The interim financial information should be read in conjunction with the consolidated financial statements for the year ended 31 December 2015, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

Except as described below, the accounting policies and methods of computation used in the preparation of this interim financial information are consistent with those used in the consolidated financial statements for the year ended 31 December 2015, including the restatement of the prior period comparatives in respect of the discontinued operations of the media business.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group’s accounting policies and the critical accounting estimates and judgements were the same as those that applied to the consolidated financial statements for the year ended 31 December 2015.

The investment properties were valued by an independent professional valuer to determine their fair value as at 30 June 2016. The Group has adopted such valuation and recognised a fair value gain of HK\$114,100,000 accordingly. During the period, Yue King Building was reclassified as investment property upon completion of the disposal of media business. The principal assumptions underlying management’s estimation of fair values of the investment properties and the basis of valuation are consistent with those applied in the consolidated financial statements for the year ended 31 December 2015, except for the rental rate estimated based on recent lettings of HK\$32 psf to HK\$100 psf (2015: HK\$79.5 psf to HK\$80.0 psf) for the office buildings. The lower the rents, the lower the fair value.

Amendments to HKFRSs effective for the financial year ending 31 December 2016 do not have a material impact on the Group.

**Key event**

On 5 April 2016, the Group has completed the sale of the entire issued voting shares of SCMP Newspapers Limited, SCMP Publications Limited, SCMP.com Limited, SCMP Retailing Limited and SCMP.com Holdings Limited (the “Target Companies”) to Alibaba Investment Limited for a cash consideration of HK\$2,133.3 million. Details of this disposal were set out in note 15(c) to the condensed consolidated financial information.

**2. REVENUE AND SEGMENT INFORMATION**

The chief operating decision-maker has been identified as the Managing Director of the Group, who reviews the Group’s internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The Group had three reportable segments: newspaper, magazine and property. Newspaper segment is engaged in the publication of South China Morning Post, Sunday Morning Post and other related print and digital publications. It derives its revenue mainly from advertising and sales of newspapers. Magazine segment is engaged in the publication of various magazines in Chinese and English language and related print and digital publications. Its



revenue is derived from advertising and sales of magazines. Both Newspaper and Magazine segments are classified as discontinued operations. As the sale of media business was completed on 5 April 2016, the revenue and results of operations of Newspaper and Magazine segment in 2016 only covered the period up to 5 April 2016 as compared with a six-month operating results in 2015. Property segment holds various commercial and industrial properties in Hong Kong. It derives revenue through leasing out its properties.

The operating results from advertising board of Yue King property under the continuing operations, which had been originally classified under “Others” in the previous period, have been transferred to “Property” in the segment information presented herein as this asset forms part of the continuing operations of the Group after the disposal of its media business. The segment information for the period ended 30 June 2015 has been restated accordingly.

The chief operating decision-maker assesses the performance of the operating segments based on a number of measures, including adjusted EBITDA (defined as earnings before interest, tax, depreciation and amortisation, other income and fair value gain on investment properties) and profit or loss after tax. The Group considers that the measurement principles for profit or loss after tax are most consistent with those used in measuring the corresponding amounts in the Group’s financial statements. Hence, profit or loss after tax is used for reporting segment profit or loss.

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies in the consolidated financial statements for the year ended 31 December 2015 and Note 1 above, except that interest in the profit or loss of associates is accounted for on the basis of dividend received or receivable in segment profit or loss while such interest is accounted for under the equity method in the Group’s consolidated financial statements.

The Group’s reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different marketing strategies. Transactions between reportable segments are accounted for on arm’s length basis.

Turnover consists of revenue from all of the Group’s reportable segments, which comprise newspaper, magazine, property, as well as other segments whose contributions to the Group’s revenue and profit or loss are below the quantitative threshold for separate disclosures. The turnover for the continuing and discontinued operations in the six months ended 30 June 2016 and 2015 were HK\$237,459,000 and HK\$549,277,000 respectively.

The segment information for the six months ended 30 June 2016 and 2015 is as follows:

(a) Reportable segment profit or loss

*For the six months ended 30 June 2016*

	(Unaudited)							
	Continuing operations			Discontinued operations				
	Property	Others	Sub-total	Newspaper	Magazine	Others	Sub-total	Total
	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Total segment revenue	27,534	–	27,534	152,739	58,254	1,762	212,755	240,289
Inter-segment revenue	(686)	–	(686)	(21)	(2,064)	(59)	(2,144)	(2,830)
Revenue from external customers	<u>26,848</u>	<u>–</u>	<u>26,848</u>	<u>152,718</u>	<u>56,190</u>	<u>1,703</u>	<u>210,611</u>	<u>237,459</u>
Reportable segment profit/(loss)	<u>135,485</u>	<u>22,723</u>	<u>158,208</u>	<u>(18,149)</u>	<u>5,342</u>	<u>(313)</u>	<u>(13,120)</u>	<u>145,088</u>

For the six months ended 30 June 2015

	Continuing operations		Discontinued operations				Sub-total HK\$'000 (Restated)	Total HK\$'000 (Restated)
	Property HK\$'000 (Restated)	Others HK\$'000 (Restated)	Sub-total HK\$'000 (Restated)	Newspaper HK\$'000 (Restated)	Magazine HK\$'000 (Restated)	Others HK\$'000 (Restated)		
Total segment revenue	27,559	–	27,559	373,039	138,316	15,934	527,289	554,848
Inter-segment revenue	(1,377)	–	(1,377)	(1,117)	(3,077)	–	(4,194)	(5,571)
Revenue from external customers	<u>26,182</u>	<u>–</u>	<u>26,182</u>	<u>371,922</u>	<u>135,239</u>	<u>15,934</u>	<u>523,095</u>	<u>549,277</u>
Reportable segment profit/(loss)	<u>152,174</u>	<u>1,996</u>	<u>154,170</u>	<u>(318)</u>	<u>26,378</u>	<u>(2,768)</u>	<u>23,292</u>	<u>177,462</u>

(b) Reconciliation of reportable segment profit or loss

	(Unaudited)					
	For the six months ended 30 June					
	2016		Total HK\$'000	2015		Total HK\$'000 (Restated)
Continuing operations HK\$'000	Discontinued operations HK\$'000	Continuing operations HK\$'000 (Restated)		Discontinued operations HK\$'000 (Restated)		
Profit/(loss) for reportable segments	135,485	(12,807)	122,678	152,174	26,060	178,234
Profit/(loss) for other segments	<u>22,723</u>	<u>(313)</u>	<u>22,410</u>	<u>1,996</u>	<u>(2,768)</u>	<u>(772)</u>
	158,208	(13,120)	145,088	154,170	23,292	177,462
Reconciling items:						
Elimination of inter-segment transactions	(122)	122	–	192	(192)	–
Share of losses of associates under equity method of accounting	(444)	(1)	(445)	(4,316)	(1)	(4,317)
Deferred tax on undistributed profit of an associate	–	–	–	304	–	304
Gain on disposal of discontinued operations	–	1,421,731	1,421,731	–	–	–
Gain on disposal of asset held for sale	30,089	–	30,089	–	–	–
Gain on disposal of interests in an associate	<u>–</u>	<u>–</u>	<u>–</u>	<u>43,349</u>	<u>–</u>	<u>43,349</u>
	<u>29,523</u>	<u>1,421,852</u>	<u>1,451,375</u>	<u>39,529</u>	<u>(193)</u>	<u>39,336</u>
Profit for the period	<u>187,731</u>	<u>1,408,732</u>	<u>1,596,463</u>	<u>193,699</u>	<u>23,099</u>	<u>216,798</u>

## 3. PROPERTY, PLANT AND EQUIPMENT

	(Unaudited)				
	Leasehold land and buildings <i>HK\$'000</i>	Plant & machinery <i>HK\$'000</i>	Other fixed assets <i>HK\$'000</i>	Assets in progress <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2016	89,617	38	6,637	662	96,954
Additions	–	–	483	1,295	1,778
Depreciation	(923)	(3)	(487)	–	(1,413)
Revaluation upon transfer to investment properties	307,948	–	–	–	307,948
Transfer to investment properties	(396,642)	(35)	(7,323)	–	(404,000)
Reclassification	–	–	1,957	(1,957)	–
Net book value at 30 June 2016	<u>–</u>	<u>–</u>	<u>1,267</u>	<u>–</u>	<u>1,267</u>
At 30 June 2016					
Cost	–	–	4,792	–	4,792
Accumulated depreciation	–	–	(3,525)	–	(3,525)
Net book value at 30 June 2016	<u>–</u>	<u>–</u>	<u>1,267</u>	<u>–</u>	<u>1,267</u>

## 4. INVESTMENT PROPERTIES

	(Unaudited)	(Audited)
	30 June 2016 <i>HK\$'000</i>	31 December 2015 <i>HK\$'000</i>
Opening balance	1,923,400	1,732,000
Transfer from property, plant and equipment	404,000	–
Fair value gain	114,100	191,400
Ending balance	<u>2,441,500</u>	<u>1,923,400</u>

## 5. SHARE CAPITAL

	(Unaudited)		(Audited)	
	30 June 2016	31 December 2015	30 June 2016	31 December 2015
	Number of shares	Amount <i>HK\$'000</i>	Number of shares	Amount <i>HK\$'000</i>
Authorised:				
Ordinary shares of HK\$0.10 each	<u>5,000,000,000</u>	<u>500,000</u>	<u>5,000,000,000</u>	<u>500,000</u>
Issued and fully paid:				
Opening balance	1,561,057,596	156,106	1,561,057,596	156,106
Shares issued under share option scheme	<u>6,688,000</u>	<u>669</u>	<u>–</u>	<u>–</u>
Ending balance	<u>1,567,745,596</u>	<u>156,775</u>	<u>1,561,057,596</u>	<u>156,106</u>

Pursuant to the employee share option scheme of the Group, 6,688,000 options were exercised during the period ended 30 June 2016 which resulted in the equal number of shares being issued, with cash proceeds of HK\$9,925,000. There were no shares issued under share option scheme for the period ended 30 June 2015.

## 6. OTHER RESERVES

	(Unaudited)					
	Investment revaluation reserve <i>HK\$'000</i>	Asset revaluation reserve <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Employee share-based compensation reserve <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2016	10,364	26,117	(5,288)	3,892	1,547	36,632
Other comprehensive income/(losses)						
Fair value gain recognised upon the transfer from leasehold land and buildings to investment properties ( <i>Note 3</i> )	–	307,948	–	–	–	307,948
Available-for-sale financial assets						
– Fair value gain credited to equity	8,392	–	–	–	–	8,392
– Fair value gain released upon disposal	(18,616)	–	–	–	–	(18,616)
Currency translation difference on consolidation	–	–	(152)	–	–	(152)
Currency translation difference released upon disposal of asset held for sale	–	–	10,170	–	–	10,170
Disposal of interests in subsidiaries	4	–	(4,341)	–	–	(4,337)
Total other comprehensive (losses)/income	(10,220)	307,948	5,677	–	–	303,405
Employee share-based compensation benefits	–	–	–	2	–	2
Transfer to retained earnings	–	–	–	(3,894)	–	(3,894)
At 30 June 2016	<u>144</u>	<u>334,065</u>	<u>389</u>	<u>–</u>	<u>1,547</u>	<u>336,145</u>

	(Unaudited)					
	Investment revaluation reserve HK\$'000	Asset revaluation reserve HK\$'000	Translation reserve HK\$'000	Employee share-based compensation reserve HK\$'000	Capital reserve HK\$'000	Total HK\$'000
At 1 January 2015	55,783	26,117	(21,017)	3,792	1,547	66,222
Other comprehensive income						
Available-for-sale financial assets						
– Fair value gain credited to equity	2,880	–	–	–	–	2,880
Currency translation difference on consolidation	–	–	520	–	–	520
Currency translation difference released upon partial disposal of interests in an associate	–	–	10,011	–	–	10,011
Total other comprehensive income	2,880	–	10,531	–	–	13,411
Employee share-based compensation benefits	–	–	–	83	–	83
At 30 June 2015	<u>58,663</u>	<u>26,117</u>	<u>(10,486)</u>	<u>3,875</u>	<u>1,547</u>	<u>79,716</u>

## 7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in accounts payable and accrued liabilities are the following accounts payable by invoice date:

	(Unaudited) 30 June 2016		(Audited) 31 December 2015	
	Balance HK\$'000	Percentage %	Balance HK\$'000	Percentage %
0 to 30 days	–	–	29,939	69.6
31 to 60 days	–	–	9,217	21.4
61 to 90 days	–	–	1,874	4.4
Over 90 days	–	–	1,961	4.6
Total accounts payable	–	–	42,991	100.0
Accrued liabilities	26,566		188,011	
	26,566		231,002	
Less: Liabilities of disposal group classified as held for sale	–		(190,541)	
Total accounts payable and accrued liabilities	<u>26,566</u>		<u>40,461</u>	

**8. CAPITAL COMMITMENTS**

	(Unaudited) 30 June 2016 HK\$'000	(Audited) 31 December 2015 HK\$'000
Capital commitments for property, plant and equipment for the continuing operations		
Contracted, but not provided for	–	1,769
	<u>                    </u>	<u>                    </u>

**9. NET FINANCE INCOME**

	(Unaudited) For the six months ended 30 June 2016 HK\$'000	2015 HK\$'000 (Restated)
Finance income of continuing operations		
– Interest income on available-for-sale financial assets	746	742
	<u>                    </u>	<u>                    </u>

**10. INCOME TAX (CREDIT)/EXPENSE**

Hong Kong profits tax of continuing operations has been provided for at a rate of 16.5% (2015: 16.5%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

Income tax expense is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year.

	(Unaudited) For the six months ended 30 June 2016 HK\$'000	2015 HK\$'000 (Restated)
Current income tax		
Hong Kong profits tax	3,370	3,617
Deferred income tax		
Deferred tax credits	(6,840)	(668)
	<u>                    </u>	<u>                    </u>
	<u>                    </u>	<u>                    </u>
	(3,470)	2,949
	<u>                    </u>	<u>                    </u>

**11. Earnings per share**

The calculation of basic earnings per share is based on the profit for the period attributable to shareholders of HK\$1,595,372,000 (2015: HK\$208,661,000), the profit from continuing operations attributable to shareholders of HK\$187,731,000 (2015: HK\$193,699,000), the profit from discontinued operations attributable to shareholders of HK\$1,407,641,000 (2015: HK\$14,962,000) and the weighted average of 1,565,727,948 shares in issue (2015: 1,561,057,596 shares in issue) during the period.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares arising from exercise of all outstanding share options granted under the Company's share option scheme. A calculation is done to determine the number of shares that could have been acquired at fair value (determined with reference to the latest closing market share price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

The calculation of diluted earnings per share is based on 1,565,727,948 shares (2015: 1,561,057,596 shares) which is the weighted average number of shares in issue during the period plus the weighted average of 470,031 shares (2015: 1,263,940 shares) deemed to be issued if all outstanding share options granted under the Company's share option scheme has been exercised.

## 12. DIVIDENDS

A 2015 final dividend of HK1.5 cents per share, totaling HK\$23,516,000 was paid out of the Company's contributed surplus in June 2016. A 2014 final dividend of HK3.8 cents per share, totaling HK\$59,320,000 was paid out of the Company's retained profits in June 2015.

A special cash payment of HK\$1.594327 per share, totaling HK\$2,499,499,000 was paid out of the Company's retained profits and contributed surplus in April 2016.

The Directors have resolved not to declare any interim dividend for the six months ended 30 June 2016 (2015: HK1.3 cents per share, totaling HK\$20,294,000).

## 13. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

### (a) Financial assets measured at fair value

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the Group's financial assets that are measured at fair value at 30 June 2016 and 31 December 2015.

	Level 1 30 June 2016 HK\$'000	Level 1 31 December 2015 HK\$'000
Financial assets:		
Available-for-sale financial assets		
– Equity securities	–	114,749
– Debt investments	24,058	24,522
	<u>24,058</u>	<u>24,522</u>
	<u>24,058</u>	<u>139,271</u>

### (b) Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial assets and liabilities carried at amortised cost, including other receivables, amounts due to associates, cash and bank balances and accounts payable are not materially different from their fair values as at 30 June 2016 and 31 December 2015.

**14. RELATED PARTY TRANSACTIONS**

Kerry Media Limited, a company incorporated in the British Virgin Islands, is the immediate holding company of the Company. Kerry Group Limited, a company incorporated in the Cook Islands, is the ultimate holding company of Kerry Media Limited. The directors regard Kerry Group Limited as the ultimate holding company of the Company as of the balance sheet date.

**(a) Transactions with Kerry Group**

Significant transactions with Kerry Group Limited and its subsidiaries (“Kerry Group”), which were carried out in the normal course of the Group’s business at terms determined and agreed by the underlying parties, are as follows:

	(Unaudited) For the six months ended 30 June	
	2016 HK\$'000	2015 HK\$'000
Rendering of services		
– Advertising revenue	400	722
– Newspaper subscription	408	839
	808	1,561
Sales proceeds from disposal of available-for-sale financial assets	1,345	–
Agency fee expense		
Consultancy fee expense	209	–
	150	–
	359	–

**(b) Balances arising from transactions with Kerry Group**

	(Unaudited) 30 June 2016 HK\$'000	(Audited) 31 December 2015 HK\$'000
Receivables arising from advertising services	–	273
Receivables arising from newspaper subscription	–	103
Receivables arising from magazine production services	–	706
Receivables arising from disposal of available-for-sale financial assets	1,345	–
Payables arising from consultancy fee expense	(75)	–
	1,270	1,082



**(c) Transactions with HCI group**

Hearst Communications Inc. (“HCI”), a company formed under the laws of the State of Delaware in the United States of America, through its subsidiaries, exercises significant influence over SCMP Hearst Publications Limited and SCMP Hearst Hong Kong Limited, both are indirect subsidiaries of the Company. After the disposal of the Target Companies on 5 April 2016, HCI is no longer a related party of the Group. During the period, the Group had significant transactions with HCI and its subsidiaries, which were carried out in the normal course of the Group’s business at terms determined and agreed by the underlying parties up to 5 April 2016, as follows:

	<b>(Unaudited)</b>	
	<b>For the six months</b>	
	<b>ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Rendering of services		
– Royalty expenses	2,528	5,950
– Payment in respect of advertising sales/agency agreement	1,326	3,867
	3,854	9,817
	3,854	9,817

**(d) Balances arising from transactions with HCI group**

	<b>(Unaudited)</b>	<b>(Audited)</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2016</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Royalty expenses payable	–	2,818
Amount payable in respect of advertising sales/agency agreements	–	212
	–	3,030
	–	3,030

**(e) Key management personnel compensation**

	<b>(Unaudited)</b>	
	<b>For the six months</b>	
	<b>ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries and other short-term employee benefits	6,779	15,509
Post-employment benefits	160	331
Employee share-based compensation benefits	2,812	55
	9,751	15,895
	9,751	15,895

## 15. DISCONTINUED OPERATIONS

The results of the Target Companies together with the related gain on disposal have been presented as discontinued operations in the condensed consolidated statement of comprehensive income for the six months ended 30 June 2016. The prior period comparatives of the discontinued operations have been restated accordingly.

(a) Analysis of the results of the discontinued operations is as follows:

	(Unaudited)	
	For the six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
		(Restated)
<i>Revenue</i>	210,611	523,095
Other income	353	1,006
Staff costs	(137,731)	(270,126)
Cost of production materials	(35,148)	(89,643)
Rental and utilities	(6,405)	(14,861)
Depreciation and amortisation	–	(29,794)
Advertising and promotion	(8,028)	(15,293)
Other operating expenses	(34,884)	(77,550)
	<u>          </u>	<u>          </u>
<i>Operating (loss)/profit of discontinued operations</i>	(11,232)	26,834
Net finance income	507	1,865
Share of losses of associates	(1)	(1)
	<u>          </u>	<u>          </u>
<i>(Loss)/profit before income tax from discontinued operations</i>	(10,726)	28,698
Income tax expense	(2,273)	(5,599)
	<u>          </u>	<u>          </u>
<i>(Loss)/profit for the period from discontinued operations</i>	<u>          </u> <u>          </u>	<u>          </u> <u>          </u>

Operating (loss)/profit of discontinued operations is stated after charging/crediting:

	(Unaudited)	
	For the six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
		(Restated)
<b>Charging</b>		
Net loss on disposal of property, plant and equipment and intangible assets	2	5
Auditors' remuneration	599	1,466
	<u>          </u>	<u>          </u>
<b>Crediting</b>		
Interest income on bank deposit	507	1,865
	<u>          </u>	<u>          </u>

**(b) Analysis of the cash flows of discontinued operations:**

	(Unaudited)	
	For the six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
Net cash (outflow)/inflow from operating activities	(8,152)	93,102
Net cash outflow from investing activities	(8,368)	(18,216)
Net cash (outflow)/inflow from financing activities	(459,367)	13,390
	<u>                    </u>	<u>                    </u>
Net cash (outflow)/inflow from discontinued operations	<u>(475,887)</u>	<u>88,276</u>

**(c) Disposal of subsidiaries (the Target Companies)**

	(Unaudited)
	HK\$'000
<b>Net assets disposed of:</b>	
Intangible assets	176,630
Property, plant and equipment	406,024
Defined benefit plan's assets	56,328
Interests in associates	319
Available-for-sale financial assets	11
Deposit paid for property, plant and equipment	1,077
Inventories	14,849
Accounts receivable	229,574
Prepayments, deposits and other receivables	24,349
Taxation recoverable	1,800
Cash and bank balances	92,252
Trade payables and accrued liabilities	(157,447)
Amount due to an associate	(955)
Subscription in advance	(30,780)
Loan from a non-controlling shareholder	(2,240)
Deferred income tax liabilities	(63,266)
Non-controlling interests	(35,705)
	<u>                    </u>
	712,820
Translation reserve	(4,341)
Investment revaluation reserve	4
	<u>                    </u>
	708,483
Expenses incurred on disposal during the current period	3,094
	<u>                    </u>
	711,577
Cash consideration	2,133,308
	<u>                    </u>
Profit on disposal of subsidiaries	<u>1,421,731</u>

An analysis of net cash inflow in respect of the disposal of the subsidiaries is as follows:

	<b>(Unaudited)</b> <i>HK\$'000</i>
Cash consideration	2,133,308
Cash and bank balances disposed of	(92,252)
Expenses incurred on disposal during the current period	<u>(3,094)</u>
Net cash inflow in respect of disposal of subsidiaries	<u><u>2,037,962</u></u>

## 16. SUBSEQUENT EVENTS

On 12 August 2016, the Company and Great Wall Pan Asia (BVI) Holding Limited (“Great Wall”) jointly announced that, Kerry Media Limited (“KML”), the controlling shareholder of the Company, has signed a share purchase agreement with Great Wall Pan Asia International Investment Co., Limited (“Purchaser”) pursuant to which it has agreed to sell (and procure the sale of) 1,163,151,308 shares in the Company (representing approximately 74.19% of the total issued voting shares of the Company) to the Purchaser (“Share Purchase Agreement”). As stated in the joint announcement on 12 August 2016, it is intended by the Purchaser that upon completion, the shares in the Company acquired by the Purchaser will be held by Great Wall, a wholly-owned subsidiary of the Purchaser.

On the same day, in connection with the Share Purchase Agreement, Armada Property Investment Limited (“Armada Property”), a wholly-owned subsidiary of the Company, signed a sale and purchase agreement (“First Coastline SPA”) with Wealth Luck Holdings Limited (“Wealth Luck”), a wholly-owned subsidiary of Kerry Properties Limited, for the sale of Armada Property’s entire interest in Coastline International Limited (“Coastline”), representing the entire issued voting shares of Coastline (“Coastline Shares”). The consideration under the First Coastline SPA was HK\$930 million. Pursuant to the First Coastline SPA, Armada Property had the right to solicit, discuss and negotiate with any third party a possible sale of the Coastline Shares to such third party within a period of 21 days from the date of the First Coastline SPA (which expired on 2 September 2016), provided that the binding sale and purchase agreement with such third party must contain terms identical to those in the First Coastline SPA (except for the details of the purchaser, the consideration (which must be higher than HK\$930 million), exclusion of an equivalent “go-shop” right and “price-matching” right and any amendments required by the Listing Rules or the Takeovers Code). If Armada Property entered into a binding sale and purchase agreement with a third party for a sale of the Coastline Shares on such terms, the First Coastline SPA would terminate immediately.

Details of the sale of the Company’s shares, the First Coastline SPA and conditions are set out in the joint announcement issued by the Company and Great Wall on 12 August 2016.

## 17. APPROVAL OF THE INTERIM FINANCIAL INFORMATION

This interim financial information was approved by the Board of Directors on 30 August 2016.

#### 4. INDEBTEDNESS STATEMENT

As at 30 September 2016, being the latest practicable date prior to the printing of this document for ascertaining information for inclusion in this indebtedness statement, apart from intra-group liabilities and normal trade payables in the normal course of business, the Group did not have any bank overdrafts or loans, or other similar indebtedness, mortgages, charges, or guarantees or other material contingent liabilities.

The Directors have confirmed that there had been no material changes in the indebtedness position of the Group since 30 September 2016 and up to the Latest Practicable Date.

#### 5. MATERIAL CHANGES

On 5 April 2016, the Group completed the sale of the Target Media Companies (the “Media Business Disposal”) for a cash consideration of approximately HK\$2,133.3 million in cash, and recorded a gain of approximately HK\$1,421.7 million. On 6 April 2016, the Media Special Cash Dividend of approximately HK\$2,499.5 million (equivalent to HK\$1.594327 per Share) was paid. Upon completion of the Media Business Disposal, the Yue King Building was reclassified from leasehold land and buildings to investment properties, and a fair value gain of approximately HK\$307.9 million was recognised.

On 12 August 2016, the Purchaser and the Seller, at the time a substantial shareholder of the Company, signed the Share Purchase Agreement. Completion took place on 31 October 2016, following which the Offer is made by BOCI on behalf of the Offeror, as set out in the Composite Document. As stated in this Composite Document, the Offeror and the new Directors of the Company intend to restore trading of the Company’s shares and subject to the results of the business review being conducted on the Group, the Purchaser will consider introducing new businesses to the Group, which both could have significant impact on the business outlook of the Group.

On 28 September 2016, the Group completed the sale of Coastline, a subsidiary of the Company which held the TV City Property, for a cash consideration of HK\$990.0 million. Upon completion of the Coastline Disposal and the Media Business Disposal, the remaining business of the Group represents its investments in four properties in Hong Kong for rental income.

On 17 October 2016, the Coastline Special Cash Dividend of approximately HK\$976.0 million (equivalent to approximately HK\$0.6225 per Share) and the Pre-Completion Dividend of approximately HK\$195.0 million (equivalent to approximately HK\$0.1244 per Share) were paid.

During the six months ended 30 June 2016, the Group recorded gains of approximately HK\$57.2 million in relation to the disposals of available-for-sale financial assets and an asset held for sale, and a gain on the fair value of the Group’s investment properties of HK\$114.1 million. As stated in the letter from the Board in this Composite Document, subsequent to the

six months ended 30 June 2016, the Group is expected to record a valuation deficit of in aggregate HK\$22.5 million, based on the valuation reports of the TV City Property as at 31 July 2016 and the Group's other four investment properties as at 31 August 2016.

Save as disclosed above, the Directors confirmed that there have been no material changes in the financial or trading position or outlook of the Group since 31 December 2015, the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

## 1. RESPONSIBILITY STATEMENT

This Composite Document includes particulars given in compliance with the Listing Rules and the Takeovers Code for the purpose of giving information with regard to the Company and the Offeror.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than that relating to the Offeror and its Concert Parties) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the Offeror and its Concert Parties) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statements in this Composite Document misleading.

The sole director of the Offeror accepts full responsibility for the accuracy of the information contained in this Composite Document (other than any information relating to the Group, the Seller, the Coastline Purchaser or any of their associates or any parties acting in concert with any of them) and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this Composite Document (other than those expressed by the Group, the Seller, the Coastline Purchaser or any of their associates or any parties acting in concert with any of them) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document the omission of which would make any statements in this Composite Document misleading.

The directors of the Purchaser jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than any information relating to the Group, the Seller, the Coastline Purchaser or any of their associates or any parties acting in concert with any of them) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the Group, the Seller, the Coastline Purchaser or any of their associates or any parties acting in concert with any of them) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document the omission of which would make any statements in this Composite Document misleading.

## 2. SHARE CAPITAL OF THE COMPANY

### (a) Share capital

As at the Latest Practicable Date, the authorised share capital and the issued share capital of the Company were as follows:

<i>Authorised Share Capital:</i>		<i>HK\$</i>
<u>5,000,000,000</u>	Shares	<u>500,000,000</u>
<i>Issued and fully paid-up Share Capital:</i>		
<u>1,567,745,596</u>	Shares	<u>156,774,559.60</u>

All the Shares currently in issue rank pari passu in all respects with each other, including, in particular, as to rights in respect of capital and dividends and voting.

As at the Latest Practicable Date, 6,688,000 new Shares have been issued by the Company since 31 December 2015 (being the date to which its latest published audited financial statements were prepared).

As at the Latest Practicable Date, there were no outstanding warrants or options or other securities carrying rights of conversion into or exchange or subscription for the Shares or derivatives issued by the Company.

**(b) Listing**

The Shares (including the Shares underlying the ADSs) are listed and traded on the main board of the Stock Exchange. No part of the Shares are listed or dealt in, nor is any listing of or permission to deal in the Shares being or proposed to be sought on any other stock exchange.

**3. MARKET PRICES**

Trading in the Shares had been suspended due to insufficient public float for the Shares since 26 February 2013. In this regard, no reference is made to the closing prices per Share as quoted on the Stock Exchange on the last Business Day in each of the calendar months during the period commencing six months preceding the date of the Initial Announcement and ending on the Latest Practicable Date. The closing price per Share as at the Last Trading Date, being the full trading day immediately prior to the suspension of trading in Shares on the Stock Exchange, was HK\$1.95 per Share (Note 1). During the six-month period preceding the Last Trading Date and up to the date of this Composite Document, the highest closing price of Shares was HK\$2.15 on 18 February 2013 (Note 1), and the lowest closing price of Shares was HK\$1.45 on 27 August 2012 (Note 1).

*Note 1:* As dealings in the Shares has been suspended due to insufficient public float for the Shares since 26 February 2013, the information relating to the historical closing price of the Shares set out above is no longer publicly available from the Stock Exchange. The above information relating to the historical closing price of the Shares is therefore based on the Company's internal records prior to such suspension.

**4. DISCLOSURE OF INTERESTS IN SHARES AND COMMITMENTS WITH RESPECT TO THE OFFER**

- (a) As at the Latest Practicable Date, none of the Directors was interested within the meaning of Part XV of the SFO in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares.
- (b) As at the Latest Practicable Date, save as disclosed below, the Offeror did not own any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares.



Name of Shareholder	Capacity	Number of issued Shares held	Total interest in Shares	Percentage of total number of issued Shares (%)
Great Wall Pan Asia (BVI) Holding Limited	Beneficial owner	1,163,151,308	1,163,151,308	74.19

- (c) As at the Latest Practicable Date, none of the directors of the Offeror was interested within the meaning of Part XV of the SFO in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares.
- (d) As at the Latest Practicable Date, save and except the holdings by exempt persons under the Takeovers Code, none of the Concert Parties of the Offeror owned or controlled any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares.
- (e) As at the Latest Practicable Date, other than Silchester (in its capacity as investment manager and agent for certain client accounts) pursuant to the Silchester Undertaking, no person who owned or controlled any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares had, prior to the Despatch Date, irrevocably committed themselves to accept or reject the Offer.
- (f) As at the Latest Practicable Date, other than Silchester (in its capacity as investment manager and agent for certain client accounts) pursuant to the Silchester Undertaking, no person with whom the Offeror or any of its Concert Parties had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code owned or controlled any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares.
- (g) As at the Latest Practicable Date, none of the subsidiaries of the Company, pension funds of the Company or of a subsidiary of the Company or an adviser to the Company as specified in class (2) of the definition of “associate” in the Takeovers Code but excluding any exempt principal trader, owned or controlled any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares.
- (h) As at the Latest Practicable Date, no fund managers (other than exempt fund managers) connected with the Company had managed any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares on a discretionary basis.
- (i) As at the Latest Practicable Date, as none of the Directors was interested in any Shares or any convertible securities, warrants, options or derivatives or any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in respect of any Shares, none of the Directors had committed themselves to accept or reject the Offer.

- (j) As at the Latest Practicable Date, save and except for certain borrowings or lendings by exempt persons under the Takeovers Code, none of the Offeror or its Concert Parties had borrowed or lent any Shares or any convertible securities, warrants, options or derivatives or any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in respect of any Shares, save for any borrowed Shares or any convertible securities, warrants, options or derivatives in respect of any Shares which had been either on-lent or sold.
- (k) As at the Latest Practicable Date, none of the Company or the Directors had borrowed or lent any Shares or any convertible securities, warrants, options or derivatives or relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in respect of any Shares.

## **5. DISCLOSURE OF INTERESTS IN SHARES OF THE OFFEROR**

- (a) As at the Latest Practicable Date, neither the Company, nor any member of the Group, was interested in any shares of the Offeror or any warrants, options, convertible securities or derivatives in respect of any shares of the Offeror.
- (b) As at the Latest Practicable Date, none of the Directors was interested within the meaning of Part XV of the SFO in any shares of the Offeror or any warrants, options, convertible securities or derivatives in respect of any shares of the Offeror.

## **6. DEALINGS IN SHARES**

- (a) During the Relevant Period, none of the Directors had dealt for value in any Shares, convertible securities, warrants, options, or derivatives in respect of any Shares.
- (b) During the Offer Period and up to the Latest Practicable Date, none of the subsidiaries of the Company, or pension funds of the Company or of a subsidiary of the Company or, any adviser to the Company as specified in class (2) of the definition of “associate” in the Takeovers Code but excluding exempt principal traders (except as otherwise indicated) had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares.
- (c) During the Relevant Period, save for (i) entering into the Share Purchase Agreement and (ii) certain dealings by exempt persons under the Takeovers Code and excluding dealings on a non-discretionary basis by the associates of the Offeror, which are subject to private disclosure under the Takeovers Code, none of the Seller, the Purchaser, the Offeror, the directors of the Offeror or its Concert Parties had dealt for value in any Shares or any other convertible securities, warrants, options or derivatives in respect of any Shares.
- (d) During the Offer Period and up to the Latest Practicable Date, no fund managers connected with the Company (other than exempt fund managers) who managed funds on a discretionary basis had dealt for value in any Shares or any other convertible securities, warrants, options or derivatives in respect of any Shares.

**7. DEALINGS IN SHARES OF THE OFFEROR**

During the Relevant Period, neither the Company, any of its subsidiaries, nor any Directors had dealt for value in any shares of the Offeror or any other convertible securities, warrants, options or derivatives or any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in respect of any shares of the Offeror.

**8. SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had entered into any service contracts with the Company or any of its subsidiaries or associated companies which (i) (including both continuous and fixed terms contracts) have been entered into or amended within 6 months preceding the commencement of the Offer Period; (ii) are continuous contracts with a notice period of 12 months or more; or (iii) are fixed term contracts with more than 12 months to run irrespective of the notice period.

**9. LITIGATION**

As at the Latest Practicable Date, none of the Company and its subsidiaries was engaged in any litigation or arbitration or claim of material importance and no litigation or claim of material importance was pending or threatened by or against the Company or any other member of the Group.

**10. MATERIAL CONTRACTS**

The following contracts, not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries, were entered into by a member of the Group during the period from the date falling two years before the commencement of the Offer Period up to and including the Latest Practicable Date and are or may be material:

- (a) the agreement dated 31 October 2014 relating to the sale of 20% of the issued share capital of Peak HK Publishing Limited to HMI China, Inc for a consideration of HK\$800,000 between HMI China, Inc., SCMP Retailing Limited and SCMP Nominees Limited (now known as Armada Nominees Limited), and the related shareholders' agreement and shareholder loan agreement. At the time of the agreement, Peak HK Publishing Limited and SCMP Retailing Limited were subsidiaries of the Group, and ceased to be subsidiaries of the Group upon completion of the Media Disposal. As at the Latest Practicable Date, Armada Nominees Limited was a subsidiary of the Group;
- (b) the sale and purchase and subscription agreement dated 19 October 2015 between Affleck Limited, a wholly-owned subsidiary of the Company, and among others, MyDress AME Group Limited and MyDress Holdings Limited, pursuant to which Affleck Limited conditionally agree to acquire 31% of the existing issued shares in the capital of MyDress Holdings Limited from MyDress AME Group Limited and subscribe for a further 37.18% of the enlarged issued share capital of MyDress

Holdings Limited and the HK\$3 million note convertible into shares in MyDress Holdings Limited, which was subsequently terminated by the termination agreement dated 11 December 2015;

- (c) the sale and purchase agreement dated 11 December 2015 between the Company and Alibaba Investment Limited, pursuant to which the Company agreed to sell and Alibaba Investment Limited agreed to purchase the media business of the Group for a cash consideration of HK\$2,060.6 million;
- (d) the deed of adherence dated 5 April 2016 executed by the Company, pursuant to which the Company agreed to be bound by and comply with the shareholders agreement dated 1 November 1997 between Dymocks Franchise Systems (NSW) Pty Limited, South China Morning Post Finance (Cayman) Limited, New Trend International Limited and Dymocks Franchise Systems (China) Limited with respect to New Trend International Limited;
- (e) the novation agreement dated 11 April 2016 between SCMP Retailing Limited (as the retiring party), Dymocks Franchise Systems (China) Limited (as the continuing party) and the Company (as the new party), pursuant to which the parties agreed to transfer by novation from SCMP Retailing Limited to the Company the rights and obligations under a loan agreement dated 24 February 2009;
- (f) the First Coastline SPA;
- (g) the deed of indemnity dated 12 August 2016 executed by the Seller and the Company under which the Seller granted an indemnity in favour of the Company in connection with the sale of the Coastline Shares; and
- (h) the Third Party Coastline SPA.

## 11. EXPERTS

The following are the qualifications of the experts who have been named in this Composite Document and/or given opinion or advice which are contained in this Composite Document:

<b>Name</b>	<b>Qualification</b>
BOCI	a corporation licensed to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Somerley Capital Limited	a corporation licensed to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Savills	professional surveyor and valuer

**12. CONSENTS**

- (a) BOCI has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of the text of its letter and references to its name in the form and context in which they are included.
- (b) Somerley Capital Limited, the Independent Financial Adviser, has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of the text of its letter, recommendation, opinion and/or references to its name in the form and context in which they are included.
- (c) Savills, the independent property valuer, has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of the text of its letter, report, recommendation, opinion and/or references to its name in the form and context in which they are included.

**13. MISCELLANEOUS**

- (a) As at the Latest Practicable Date, no arrangement was in place for any benefit (other than statutory compensation) to be given to any Directors as compensation for loss of office or otherwise in connection with the Offer.
- (b) As at the Latest Practicable Date, there was no agreement or arrangement between any Directors and any other person which was conditional on or dependent upon the outcome of the Offer or is otherwise connected with the Offer.
- (c) As at the Latest Practicable Date, there was no material contract entered into by the Offeror in which any Director has a material personal interest.
- (d) As at the Latest Practicable Date, save for the Silchester Undertaking, there was no arrangement of the kind referred to in the third paragraph of Note 8 to Rule 22 of the Takeovers Code which existed between the Offeror, or its Concert Parties, and any other person.
- (e) As at the Latest Practicable Date, there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code which existed between the Company, or any of the Company's associates by virtue of classes (1), (2), (3) or (4) of the definition of "associate" under the Takeovers Code, and any other person.
- (f) As at the Latest Practicable Date, save for the Share Purchase Agreement and the Silchester Undertaking, there is no agreement, arrangement or understanding (including any compensation arrangement) between the Offeror or any of its Concert Parties, on the one hand, and any Directors, recent directors of the Company, Shareholders or recent shareholders of the Company, on the other hand, having any connection with or dependence upon or is otherwise connected with the Offer.

- (g) The Shares acquired in the Offer will not be charged or pledged to any other persons; and except as required by the Listing Rules with regard to the public float requirements, the Offeror has no intention to transfer any such Shares acquired in the Offer. As trading in the Shares will continue to be suspended until a sufficient level of public float is restored, the Offeror will take appropriate steps to restore the public float in the Shares after closing of the Offer, which may include the Offeror selling some of its Shares. Given that the Offeror holds approximately 74.19% of the Shares and will acquire at least a further 14.12% of the Shares pursuant to the Silchester Undertaking, the Offeror intends to restore the public float of the Company by disposing of part of its shareholding in the Company to independent third party investors not connected with the Company or its connected persons after the end of the Offer Period (the “**Placings**”). Subject to the Offeror’s compliance with the applicable requirements of the Takeovers Code and other applicable laws and regulations, the Offeror has commenced the process of identifying potential investors for the Placings with a view that, upon completion of such Placings, the public float of the Company will be restored. Subject to market conditions at the relevant time and agreement between the Offeror and the relevant third party investors, the Offeror intends to enter into definitive agreements in relation to the Placings as soon as reasonably practicable after the end of the Offer Period.
- (h) The Offeror is an indirectly wholly-owned subsidiary of the Purchaser. The directors of the Purchaser are Mr Xue Jian, Mr Yu He Yan, Mr Huang Hu, Mr Ou Peng and Mr Xu Yongle. The sole director of the Offeror is Mr Ou Peng.
- (i) The registered address of the Offeror is P.O. Box 957, Offshore Incorporations Centre, Road Town Tortola, British Virgin Islands.
- (j) The registered address of the Purchaser is Unit Nos. 6503 & 6505-6506, 65/F, The Center, 99 Queen’s Road Central, Hong Kong.
- (k) The registered address of the Company is Canon’s Court, 22 Victoria Street, Hamilton HM12, Bermuda.
- (l) The head office and principal place of business of the Company in Hong Kong is at 31/F, Kerry Centre, 683 King’s Road, Quarry Bay, Hong Kong.
- (m) The principal business address of BOCI is 26/F, Bank of China Tower, 1 Garden Road, Central, Hong Kong.
- (n) The principal business address of the Independent Financial Adviser is 20/F China Building, 29 Queen’s Road Central, Hong Kong.
- (o) The Offer is unconditional in all respects; and, as such, there is no agreement or arrangement to which the Offeror is party which relates to the circumstances in which it may or may not invoke or seek to invoke a condition to the Offer.

**14. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection (i) on the website of the SFC at <http://www.sfc.hk>; (ii) on the website of the Company at [www.armada.com.hk](http://www.armada.com.hk); and (iii) (during normal business hours from 9:00 a.m. to 5:00 p.m. (except Saturdays, Sundays and gazetted public holidays in Hong Kong)) (Hong Kong time) at the registered office of the Purchaser in Hong Kong at Unit Nos. 6503 & 6505-6506 on the 65th Floor, The Center, 99 Queen's Road Central, Hong Kong, from the date of this Composite Document up to the Closing Date:

- (a) the memorandum of association and Bye-laws of the Company;
- (b) the memorandum of association and articles of association of the Offeror;
- (c) the annual reports of the Company for each of the years ended 31 December 2015, 31 December 2014 and 31 December 2013;
- (d) the interim report of the Company for the six months ended 30 June 2016;
- (e) the letter from BOCI dated 4 November 2016, the text of which is set out on pages 8 to 18 of this Composite Document;
- (f) the letter from the Board dated 4 November 2016 to the Independent Shareholders, the text of which is set out on pages 19 to 24 of this Composite Document;
- (g) the letter from the Independent Board Committee dated 4 November 2016 to the Independent Shareholders, the text of which is set out on pages 25 to 26 of this Composite Document;
- (h) the letter from the Independent Financial Adviser dated 4 November 2016 to the Independent Board Committee, the text of which is set out on pages 27 to 45 of this Composite Document;
- (i) the material contracts referred to in paragraph 10 of this Appendix III;
- (j) the valuation report from Savills, the text of which is set out in "Appendix IV – Property Valuation Report" to this Composite Document;
- (k) the written consents referred to in paragraph 12 of this Appendix III;
- (l) the Silchester Undertaking; and
- (m) the Facility Agreement.

The Directors  
c/o Armada Holdings Limited  
31st Floor  
Kerry Centre  
683 King's Road  
Quarry Bay  
Hong Kong

Savills Valuation and  
Professional Services Limited  
23/F Two Exchange Square  
Central, Hong Kong  
  
T: (852) 2801 6100  
F: (852) 2530 0756

EA LICENCE: C-023750  
savills.com

4 November 2016

Dear Sirs

- Re: (1) 20th and 21st Floors and Car Parking Spaces Nos. 21, 22 and 23 on 4/F, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong**
- (2) The Ground Floor in Block B, Ko Fai Industrial Building, 7 Ko Fai Road, Yau Tong, Kowloon**
- (3) 8th Floor of Block C, Sea View Estate, 8 Watson Road, North Point, Hong Kong**
- (4) The Whole 1st Floor in Block B, Ko Fai Industrial Building, 7 Ko Fai Road, Yau Tong, Kowloon**
- (5) The lobby on G/F and the front (or southern) portions of the 1st, 2nd and 3rd Floors including the staircase therein leading up to the 3rd Floor and the lift therein serving the 1st, 2nd and 3rd Floors only and portion of the canopy on the 1st Floor level, Yue King Building, 26, 26A, 27, 28, 29 & 30 Canal Road West, 1-7 Leighton Road and 41-47 Morrison Hill Road, Wanchai, Hong Kong**

**(Collectively known as "The Properties")**

In accordance with your instructions for us to value the Properties held by Armada Holdings Limited ("the Company") or its subsidiaries for investment purposes, we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the respective market values of the Properties as at 31 August 2016 for the purposes of inclusion in the composite offer and response document to be jointly issued by Great Wall Pan Asia (BVI) Holding Limited ("Great Wall") and the Company in connection with the mandatory unconditional cash offer by Great Wall to acquire all of the issued shares in the Company not already owned by Great Wall or its concert parties.



**BASIS OF VALUATION**

Our valuation is our opinion of the market value of each of the Properties which we would define as intended to mean “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

Market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

We are independent of the Company and our valuation is prepared in accordance with “The HKIS Valuation Standards (2012 Edition)” published by The Hong Kong Institute of Surveyors. We have also complied with the requirements set out in Chapter 5 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Rule 11 of The Codes on Takeovers and Mergers and Share Buy-backs published by the Securities and Futures Commission.

**VALUATION METHODOLOGY**

In undertaking our valuation for the Properties, we have made reference to sale evidence as available in the market and where appropriate on the basis of capitalisation of the net income shown on schedules handed to us by the Company. We have allowed for outgoings and, in appropriate cases, made provisions for reversionary income potential.

**TITLE INVESTIGATIONS**

We have not been provided with any title documents relating to the Properties but we have caused searches to be made at the Land Registry. We have not, however, searched the original documents to verify ownership or to ascertain the existence of any amendment which does not appear on the copies handed to us. We do not accept liability for any interpretation which we have placed on such information which is more properly the sphere of your legal advisers. As advised by the Company, except for two orders issued by the Building Authority against property (5), there are no investigations, notices, pending litigation, breaches of law or title defects against the Properties.

**VALUATION CONSIDERATION AND ASSUMPTIONS**

We have relied to a very considerable extent on information given by the Company and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, occupancy status, lettings and all other relevant matters.

We have inspected the exterior of the Properties valued. Our inspections were carried out by Mr Eric Lau, BEnv, on 5 August 2016. However, no structural survey has been made and we are not able to report whether the Properties are free from rot, infestation or any other

structural defects. No tests were carried out to any of the services. Moreover, no environmental study for the Properties has been made. In undertaking our valuation, we have assumed that the interiors of the Properties are finished and maintained in reasonable conditions commensurate with their ages and uses and equipped with normal building services. We have also assumed that the Properties are in their original or approved layouts without any unauthorized structures, alterations or extensions.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the Properties nor for any expenses or taxation which may be incurred in effecting the sales. Unless otherwise stated, it is assumed that the Properties are free from encumbrances, restrictions, and outgoings of an onerous nature which could affect their values.

As advised by the Company, disposal of the Properties is effected by a sale of shares of the Company for which its subsidiaries is holding the Properties. This transaction should be capital in nature and is not subject to Hong Kong profits tax.

We enclose herewith our summary of values and valuation certificate.

Yours faithfully  
For and on behalf of  
**Savills Valuation and Professional Services Limited**  
**Charles C K Chan**  
**MSc FHKIS FRICS MCI Arb RPS(GP)**  
*Managing Director*

Enc

*Note:* Charles C K Chan is a chartered surveyor and has about 32 years experience in the valuation of properties in Hong Kong.

## SUMMARY OF VALUES

<b>Property</b>	<b>Market value in existing state as at 31 August 2016</b>
1. 20th and 21st Floors and Car Parking Spaces Nos. 21, 22 and 23 on 4/F, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong.	HK\$845,000,000
2. The Ground Floor in Block B, Ko Fai Industrial Building, 7 Ko Fai Road, Yau Tong, Kowloon.	HK\$115,000,000
3. 8th Floor of Block C, Sea View Estate, 8 Watson Road, North Point, Hong Kong.	HK\$86,000,000
4. The Whole 1st Floor in Block B, Ko Fai Industrial Building, 7 Ko Fai Road, Yau Tong, Kowloon.	HK\$53,000,000
5. The lobby on G/F and the front (or southern) portions of the 1st, 2nd and 3rd Floors including the staircase therein leading up to the 3rd Floor and the lift therein serving the 1st, 2nd and 3rd Floors only and portion of the canopy on the 1st Floor level, Yue King Building, 26, 26A, 27, 28, 29 & 30 Canal Road West, 1-7 Leighton Road and 41-47 Morrison Hill Road, Wanchai, Hong Kong.	HK\$435,000,000
<b>Total:</b>	<hr/> <b>HK\$1,534,000,000</b> <hr/>

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2016
1. 20th and 21st Floors and Car Parking Spaces Nos. 21, 22 and 23 on 4/F, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong.  283/10,000th parts or shares of and in Inland Lot No. 8294.	Bank of America Tower is a 34-storey office building erected upon a 2-storey car park and 4-storey (including a basement) commercial podium completed in 1975.  The building is sandwiched between Harcourt Road and Lambeth Walk at their junctions with Cotton Tree Drive in Central District, which is a well-known central business district. Developments in the locality comprise high-rise office buildings of various ages.	The property is let under 2 tenancies with tenancies due to expire in January 2017. The total monthly rent is about HK\$1,943,000 exclusive of rates, management fees and other outgoings.	HK\$845,000,000  (Hong Kong Dollars Eight Hundred and Forty Five Million)

The property comprises the office space on the whole of the 20th and 21st floors and 3 private car parking spaces on the 4th floor of the building.

The saleable areas of the property are as follows:—

Floor	Approximate saleable area	
	<i>sq ft</i>	<i>sq m</i>
20th	12,273	1,140.19
21st	12,273	1,140.19
Total:	<u>24,546</u>	<u>2,280.38</u>

The property is held from the Government under Condition of Sale No. UB10225 for a term of 75 years from 29 September 1972 and renewable for a further term of 75 years. The current Government rent payable for the lot is HK\$8,306 per annum.

*Notes:*

- (1) The registered owner of 20th Floor and Car Parking Space No. 21 on 4th Floor of the property is Sunny Bright Development Limited, which is a wholly-owned subsidiary of the Company.
- (2) The registered owner of 21st Floor and Car Parking Spaces Nos. 22 and 23 on 4th Floor of the property is Sunny Success Development Limited which is a wholly-owned subsidiary of the Company.
- (3) The property is, inter alia, subject to the following encumbrances:–
  - i. Deed of Mutual Covenant dated 5 June 1981, registered vide memorial no. UB2095606;
  - ii. Supplemental Deed of Mutual Covenant dated 30 November 1993, registered vide memorial no. UB5856626 (for 20th and 21st Floors only); and
  - iii. Sub-Deed of Mutual Covenant dated 1 December 1993, registered vide memorial no. UB5898696 (for Car Parking Space Nos. 21, 22 and 23 on 4th Floor only).
- (4) The property lies within an area zoned “Commercial” under Central District Outline Zoning Plan No. S/H4/15 gazetted on 11 December 2015.
- (5) As advised by the Company, there is no present plan for construction, renovation, improvement or development of the property.
- (6) As advised by the Company, there is no present plan to dispose of or change the use of the property.

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2016
<p>2. The Ground Floor in Block B, Ko Fai Industrial Building, 7 Ko Fai Road, Yau Tong, Kowloon.</p> <p>289/7,300th parts or shares of and in Yau Tong Inland Lot Nos. 10 and 11.</p>	<p>Ko Fai Industrial Building is an industrial development comprising three contiguous 12-storey industrial blocks. Block B was completed in 1978.</p> <p>The development is situated on the south-eastern side of Ko Fai Road near its junction with Cha Kwo Ling Road in Yau Tong District. The locality is an established industrial area which has been gradually transformed into a commercial/residential area. Developments in the locality comprise aged industrial buildings intermingled with some new residential buildings.</p> <p>The property comprises a workshop unit on the whole of the Ground floor of Block B of the development.</p> <p>The saleable area of the property is approximately 18,121 sq ft (1,683.48 sq m).</p> <p>The property is held from the Government under Conditions of Sale Nos. 9561 and 9576 each for a term of 99 years less 3 days commencing on 1 July 1898 and statutorily extended to 30 June 2047 without premium but at a revised annual Government rent at 3% of the rateable value for the time being of the property.</p>	<p>The property is let under a tenancy for a term of 3 years from 1 August 2014 to 31 July 2017 at a monthly rent of about HK\$400,000 exclusive of rates, management fees and other outgoings.</p>	<p>HK\$115,000,000 (Hong Kong Dollars One Hundred and Fifteen Million)</p>

*Notes:*

- (1) The registered owner of the property is China Victory Limited (now known as Nanchao Yau Tong Limited), which is a wholly-owned subsidiary of the Company.
- (2) The property is, inter alia, subject to the following encumbrances:–
  - i. Modification Letter dated 20 June 1978, registered vide memorial no. UB1543654;
  - ii. Modification Letter dated 20 June 1978, registered vide memorial no. UB1543655; and
  - iii. Deed of Covenant dated 16 October 1978, registered vide memorial no. UB1610280.
- (3) The property lies within an area zoned “Commercial” under Cha Kwo Ling, Yau Tong, Lei Yue Mun Outline Zoning Plan No. S/K15/24 gazetted on 24 June 2016. The existing zoning does not affect the property being used as a workshop unit.
- (4) As advised by the Company, there is no present plan for construction, renovation, improvement or development of the property.
- (5) As advised by the Company, there is no present plan to dispose of or change the use of the property.

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2016
<p>3. 8th Floor of Block C, Sea View Estate, 8 Watson Road, North Point, Hong Kong.</p> <p>1,282/95,000th parts or shares of and in Section A of Marine Lot No. 293 and Inland Lot No. 1780.</p>	<p>Sea View Estate is an industrial development comprising three contiguous 15-storey industrial blocks. Block C was completed in 1966.</p> <p>The development is situated on the north-eastern side of Watson Road at its junction with Electric Road in North Point District. The locality is a commercial/residential area where developments are in the form of medium to high-rise commercial/residential composite buildings, private residential developments intermingled with some office buildings and hotels.</p> <p>The property comprises a workshop unit on the whole of the 8th floor of Block C of the development.</p> <p>The saleable area of the property is approximately 10,400 sq ft (966.18 sq m).</p> <p>The property is held from the Government under two Government leases each for a term of 75 years commencing on 5 November 1906 and 23 December 1907 respectively and both renewed for further terms of 75 years. The current Government rent payable for the property is HK\$5,400 per annum.</p>	<p>The property is let under a tenancy for a term of 3 years from 1 March 2016 to 28 February 2019 at a monthly rent of about HK\$255,000 exclusive of rates, management fees and other outgoings.</p>	<p>HK\$86,000,000 (Hong Kong Dollars Eighty Six Million)</p>



*Notes:*

- (1) The registered owner of the property is Macheer Properties Limited, which is a wholly-owned subsidiary of the Company.
- (2) The property is, inter alia, subject to the following encumbrances:–
  - i. Deed of Mutual Covenant dated 23 January 1982, registered vide memorial no. UB2226951; and
  - ii. Management Agreement dated 31 March 1989, registered vide memorial no. UB4038462.
- (3) The property lies within an area zoned “Commercial (1)” under North Point Outline Zoning Plan No. S/H8/25 gazetted on 5 August 2016. The existing zoning does not affect the property being used as a workshop unit.
- (4) As advised by the Company, there is no present plan for construction, renovation, improvement or development of the property.
- (5) As advised by the Company, there is no present plan to dispose of or change the use of the property.

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2016
<p>4. The Whole 1st Floor in Block B, Ko Fai Industrial Building, 7 Ko Fai Road, Yau Tong, Kowloon.</p> <p>208/7,300th parts or shares of and in Yau Tong Inland Lot Nos. 10 and 11.</p>	<p>Ko Fai Industrial Building is an industrial development comprising three contiguous 12-storey industrial blocks. Block B was completed in 1978.</p> <p>The development is situated on the south-eastern side of Ko Fai Road near its junction with Cha Kwo Ling Road in Yau Tong District. The locality is an established industrial area which has been gradually transformed into a commercial/residential area. Developments in the locality comprise aged industrial buildings intermingled with some new residential buildings.</p> <p>The property comprises a workshop unit on the whole of the 1st floor of Block B of the development.</p> <p>The saleable area of the property is approximately 18,061 sq ft (1,677.91 sq m).</p> <p>The property is held from the Government under Conditions of Sale Nos. 9561 and 9576 for common term of 99 years less 3 days commencing on 1 July 1898 and statutorily extended to 30 June 2047 without premium but at a revised annual Government rent at 3% of the rateable value for the time being of the property.</p>	<p>The property is let under a tenancy for a term of 4 years from 1 June 2016 to 31 May 2020 at a monthly rent of about HK\$162,000 exclusive of rates, management fees and other outgoings.</p>	<p>HK\$53,000,000 (Hong Kong Dollars Fifty Three Million)</p>

*Notes:*

- (1) The registered owner of the property is China Victory Limited (now known as Nanchao Yau Tong Limited, which is a wholly-owned subsidiary of the Company.
- (2) The property is, inter alia, subject to the following encumbrances:–
  - i. Modification Letter dated 20 June 1978, registered vide memorial no. UB1543654;
  - ii. Modification Letter dated 20 June 1978, registered vide memorial no. UB1543655; and
  - iii. Deed of Covenant dated 16 October 1978, registered vide memorial no. UB1610280.
- (3) The property lies within an area zoned “Commercial” under Cha Kwo Ling, Yau Tong, Lei Yue Mun Outline Zoning Plan No. S/K15/24 gazetted on 24 June 2016. The existing zoning does not affect the property being used as a workshop unit.
- (4) As advised by the Company, there is no present plan for construction, renovation, improvement or development of the property.
- (5) As advised by the Company, there is no present plan to dispose of or change the use of the property.

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2016								
<p>5. The lobby on G/F and the front (or southern) portions of the 1st, 2nd and 3rd Floors including the staircase therein leading up to the 3rd Floor and the lift therein serving the 1st, 2nd and 3rd Floors only and portion of the canopy on the 1st Floor level, Yue King Building, 26, 26A, 27, 28, 29 &amp; 30 Canal Road West, 1-7 Leighton Road and 41-47 Morrison Hill Road, Wanchai, Hong Kong.</p> <p>35/261st parts or shares of and in Section A and The Remaining Portion of Inland Lot No. 1294, Inland Lot No. 1365 and Inland Lot No. 8923.</p>	<p>Yue King Building is a private residential building erected above a 4-storey commercial podium completed in 1971.</p> <p>The building is sandwiched between Morrison Hill Road and Canal Road West at their junctions with Leighton Road in Wanchai District. The locality is an established commercial and residential area. Developments in the locality comprise composite commercial/residential buildings and commercial buildings of various ages.</p> <p>The property comprises a shop/lobby area on the Ground Floor (which provides exclusive access to the front portion of the 1st, 2nd and 3rd Floors), office units on the front portion of the 1st, 2nd and 3rd Floors and an advertising billboard on the external wall of the 1st, 2nd and 3rd Floors of the building.</p> <p>The saleable area of the property is approximately 31,109 sq ft (2,890.10 sq m).</p> <p>The property is held from the Government under three Government leases for the following terms:–</p> <table border="1" data-bbox="512 1389 839 1619"> <thead> <tr> <th data-bbox="512 1389 555 1417">Lot</th> <th data-bbox="659 1389 715 1417">Term</th> </tr> </thead> <tbody> <tr> <td data-bbox="512 1449 608 1476">I.L. 1294</td> <td data-bbox="659 1449 839 1506">999 years from 22 February 1892</td> </tr> <tr> <td data-bbox="512 1506 608 1534">I.L. 1365</td> <td data-bbox="659 1506 839 1564">999 years from 22 February 1892</td> </tr> <tr> <td data-bbox="512 1564 608 1591">I.L. 8923</td> <td data-bbox="659 1564 815 1621">50 years from 29 August 1997</td> </tr> </tbody> </table> <p>The Government rents payable for I.L. 1294 and I.L. 1365 are, in aggregate, HK\$152 per annum whilst the Government rent payable for I.L. 8923 is an amount equal to 3% of the rateable value for the time being of the lot per annum.</p>	Lot	Term	I.L. 1294	999 years from 22 February 1892	I.L. 1365	999 years from 22 February 1892	I.L. 8923	50 years from 29 August 1997	<p>Except for an area of about 547 sq ft which is vacant, the remainder of the shop/lobby area and office units of the property is let from April 2016 to March 2018 at a monthly rent of about HK\$963,300 exclusive of rates, management fees and other outgoings.</p> <p>The total gross revenue for the advertising sign from January 2016 to June 2016 was about HK\$7,851,000.</p>	<p>HK\$435,000,000 (Hong Kong Dollars Four Hundred and Thirty Five Million)</p>
Lot	Term										
I.L. 1294	999 years from 22 February 1892										
I.L. 1365	999 years from 22 February 1892										
I.L. 8923	50 years from 29 August 1997										

*Notes:*

- (1) The registered owner of the property is Lyton Investment Limited, which is a wholly-owned subsidiary of the Company.
- (2) The property is, inter alia, subject to the following encumbrances:–
  - i. Occupation Permit (No. H266/71) dated 31 December 1971, registered vide memorial no. UB858330;
  - ii. Deed of Covenant dated 10 January 1972, registered vide memorial no. UB867372;
  - iii. Order No. UBSCN/02-09/0057/12 under Section 24(1) of the Buildings Ordinance by the Building Authority dated 11 December 2015, registered vide memorial no. 16051100390190; and
  - iv. Order No. UBSCN/02-09/0061/12 under Section 24(1) of the Buildings Ordinance by the Building Authority dated 21 July 2016.
- (3) As advised by the Company, the above Order dated 11 December 2015 regarding a canopy attached to the external wall of a common light well on 1st Floor of the building will be rectified by The Incorporated Owners of Yue King Building at its cost.
- (4) As advised by the Company, the above Order dated 21 July 2016 regarding a structure on and over a portion of the flat roof on 4th Floor of the building will be rectified by the registered owner of the property, and the estimated cost of rectification works is about HK\$1,500,000. We have allowed for this estimated cost in our valuation and assumed that all necessary approvals for the works can be obtained from the relevant Government authorities without onerous conditions.
- (5) The property currently lies within an area zoned “Other Specified Uses (Mixed Use)” under Wan Chai Outline Zoning Plan No. S/K5/27 gazetted on 3 August 2012.
- (6) As advised by the Company, there is no present plan for construction, renovation, improvement or development of the property.
- (7) As advised by the Company, there is no present plan to dispose of or change the use of the property.

\* \* \* \* \*