

SCMP GROUP

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OFFICE OF INTERNATIONAL
CORPORATE FINANCE

Date: 6 June 2005

Exemption No. 33-51010

The U.S. Securities and Exchange Commission
Office of International Corporate Finance
450 Fifth Street, N.W.
Room 3099
Mail Shop 3-7, Washington D.C. 20549
U.S.A.

Attention: Ms Sandra Folsom



82-3327

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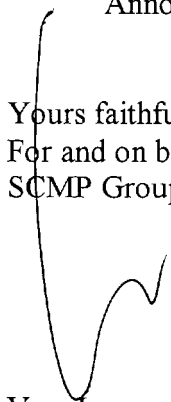
Dear Sirs,

SCMP Group Limited (Exemption No. 33-51010)

On behalf of SCMP Group Limited, a company listed in Hong Kong, I am furnishing the below listed document pursuant to Rule 12g3-2(b) (iii) under the Securities Exchange Act of 1934:

Announcement on Continuing Connected Transactions

Yours faithfully,
For and on behalf of
SCMP Group Limited


Vera Leung
Legal Counsel and Company Secretary

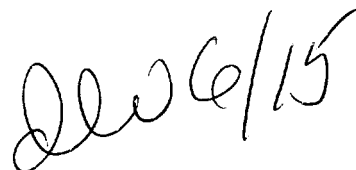
Enclosures

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THOMSON
FINANCIAL



SCMP Group Limited
SCMP集團有限公司

(Incorporated in Bermuda with limited liability)
(Stock Code: 583)

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss or damage in reliance upon the whole or any part of the contents of this announcement.

CONTINUING CONNECTED TRANSACTIONS

In 2004, the subsidiaries of the Company entered into transactions concerning the provision of advertising services, the provision of publication services and the provision of logistics services with subsidiaries of Kerry Group Limited. Subsidiaries of the Company continue to enter into such transactions with subsidiaries of Kerry Group Limited from time to time in 2005.

As Kerry Group Limited is a connected person of the Company, the transactions constituted and will constitute continuing connected transactions and are subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules, but do not require the approval of the Company's independent shareholders.

CONTINUING CONNECTED TRANSACTIONS

The subsidiaries of the Company have entered, and from time to time will enter into transactions concerning the provision of advertising services, the provision of publication services and the provision of logistics services with Kerry Holdings, Kerry Properties, Kerry Logistics and Kerry Real Estate, which are each a substantial shareholder (as defined in the Listing Rules) of the Company holding approximately 38.09% of the Company's issued share capital as at the date of this announcement. Kerry Holdings is subsidiary of Kerry Real Estate which in turn is a subsidiary of Kerry Group Limited. Kerry Logistics and Kerry Real Estate are subsidiaries of Kerry Properties. Accordingly, Kerry Group Limited, Kerry Holdings, Kerry Properties, Kerry Logistics and Kerry Real Estate are connected persons (as defined in the Listing Rules) of the Company and these transactions constituted and will constitute continuing connected transactions for the Company subject to reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules.

A. Advertising Services

SCMPP, a subsidiary of the Company involved in the business of publishing, printing and advertising of the *Sunday Morning Post* and *Sunday Morning Post*, entered into the following agreements with Kerry Holdings for the provision of advertising services.

- (a) An agreement dated 29 December 2003 made between SCMPP and Kerry Holdings whereby SCMPP agreed to provide classified advertising and corporate notices services to Kerry Holdings and other companies in the Kerry Group for a term of one year from 1 January 2004 to 31 December 2004. The service fee was based on the advertising services provided by reference to the prevailing commercial rates charged by SCMPP of other customers and are no more favourable to Kerry Holdings than those available to independent third party customers.
- (b) An agreement dated 23 October 2003 made between SCMPP and Kerry Holdings whereby SCMPP agreed to provide display advertising services to Kerry Holdings and other companies in the Kerry Group for a term of one year from 15 October 2003 to 14 October 2004. The service fee was based on the advertising services provided by reference to the prevailing commercial rates charged by SCMPP of other customers and are no more favourable to Kerry Holdings than those available to independent third party customers.
- (c) An agreement dated 11 October 2004 made between SCMPP and Kerry Holdings whereby SCMPP agreed to provide display advertising services to Kerry Holdings and other companies in the Kerry Group for a term of one year commencing from 17 October 2004 to 16 October 2005. The service fee shall be based on the advertising services provided by reference to the prevailing commercial rates charged by SCMPP of other customers and are no more favourable to Kerry Holdings than those available to independent third party customers.
- (d) An agreement dated 3 December 2004 made between SCMPP and Kerry Holdings whereby SCMPP agreed to provide classified advertising and corporate notices services to Kerry Holdings and other companies in the Kerry Group for a term of one year from 1 January 2005 to 31 December 2005. The service fee shall be based on the advertising services provided by reference to the prevailing commercial rates charged by SCMPP of other customers and are no more favourable to Kerry Holdings than those available to independent third party customers.

Payment terms

The service fees payable pursuant to the above agreements are payable in cash at the end of the month following the month in which SCMPP issued invoices.

Compliance with Listing Rules and Annual Cap

The aggregate amount of service fees for the above transactions paid for the financial year ended 31 December 2004 amounted to HK\$4,934,311.72. As the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules (other than the profits ratio) in respect of the transactions above for the financial year ended 31 December 2004 are more than 0.1% but less than 2.5%, they are subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules, but do not require the approval of the Company's independent shareholders.

In accordance with Rule 14A.34 of the Listing Rules, an announcement should have been made by the Company when the aggregate amount of advertising transactions for 2004 first exceeded HK\$1,000,000 and 0.1% of the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules (other than the profits ratio) in March 2004; the Company has not made announcement in a timely manner.

The Company was informed that the Stock Exchange is looking into the matters in respect of the delayed disclosure of the abovementioned advertising services in 2004.

The terms of the two agreements described under items (a) and (b) above have expired.

It is expected that the relevant percentage ratios as defined under Rule 14.07 of the Listing Rules (other than the profits ratio) in respect of the transactions entered into pursuant to the agreements described under items (c) and (d) above for the financial year ending 31 December 2005 will be more than 0.1% but less than 2.5%, and therefore subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules. The Company expects that the maximum aggregate amount of service fees payable under the agreement described under item (c) of the Listing Rules for the financial year ending 31 December 2005. Such maximum aggregate amount is estimated based on the advertising expenditure of the relevant subsidiaries of Kerry Holdings and other companies in the Kerry Group in the past three financial years ended 31 December 2002, 2003 and 2004, respectively, and the market's view over the increase in economic activity and consumer confidence in 2005 as well as the growth in the 2004 advertising expenditure compared with that of 2003. In accordance with Rule 14A.36 of the Listing Rules, the Company will re-comply its Rule 14.07(3) and (4) of the Listing Rules if the HK\$7 million cap is exceeded or when the agreements described under items (c) and (d) are renewed or there is a material change to the terms of the agreements.

The total advertising service fees received under the agreements described under items (c) and (d) from 1 January 2005 to 30 April 2005 was HK\$1,438,975 which had exceeded the HK\$7 million cap as defined under Rule 14.07 of the Listing Rules (other than the profit ratio).

B. Logistics Services

Kerry Logistics entered into the following agreements with subsidiaries of the Company for the provision of logistics services.

- (a) An agreement dated 16 September 2002 made between SCMP Retailing and Kerry Logistics, wherein Kerry Logistics was engaged to provide central warehouse storage facilities services to SCMP Retailing for a term of one year from 1 October 2002 to 30 September 2003. This term was extended on the same terms and conditions on several occasions, with the final extended term until 9 November 2004. SCMP Retailing and Kerry Logistics entered into another agreement dated 3 November 2004, wherein Kerry Logistics was engaged to provide central warehouse storage facilities services to SCMP Retailing for the period from 9 November 2004 to 31 December 2004, which was subsequently terminated on 30 November 2004. Under the agreements, Kerry Logistics charged a storage fee, payable in cash, according to the number of retail outlets served, urgency of delivery request or overflow storage space required.
- (b) An agreement dated 25 March 2003 made between SCMP Book Publishing and Kerry Logistics, wherein Kerry Logistics was engaged to provide distribution and delivery services for a term of one year from 1 March 2003 to 28 February 2004. The term was extended on the same terms and conditions on several occasions, with the final extended term until 31 January 2005. Under the agreement, Kerry Logistics charged a service fee, payable in cash, according to the volume of distribution and books involved.

Payment terms

The logistics service fees payable pursuant to the above agreements are payable in cash by SCMP Book Publishing and SCMP Retailing upon presentation of invoices by Kerry Logistics.

Compliance with Listing Rules

The aggregate amount of logistics service fee for the above transactions paid for the financial year ended 31 December 2004 amounted to HK\$2,232,965. As the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules (other than the profits ratio) in respect of the transactions above for the financial year ended 31 December 2004 are more than 0.1% but less than 2.5%, they are subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules, but do not require the approval of the Company's independent shareholders.

The aggregate amount of logistics service fee incurred by the Company for the financial year ended 31 December 2002 and 31 December 2003 is HK\$1,855,000 and HK\$2,650,000 respectively. Details of these transactions and the waiver from the Stock Exchange in respect of the listing are set out in the Company's announcement dated 3 October 2003 and disclosed in the Company's 2002 and 2003 annual reports.

Given that SCMP Retailing ceased trading in December 2004, the Company does not expect to incur, for the year ending 31 December 2005, logistics services fees which aggregate amount will give rise to any percentage ratio as defined under Rule 14.07 of the Listing Rules (other than the profits ratio) exceeding 0.1%. The Company will comply with the reporting, announcement and annual review requirements under the Listing Rules if the relevant percentage ratios as defined under Rule 14.07 of the Listing Rules (other than the profits ratio) in connection with the aggregate amount of fees paid or payable under the logistics services agreements exceeds 0.1%.

C. Publication Services

SCMPP entered into the following agreements with Kerry Real Estate and Kerry Properties for the provision of publication services.

- (a) An agreement dated 5 December 2003 made between SCMPP and Kerry Real Estate, whereby SCMPP was engaged to publish one issue of the magazine, "The Dress Circle" for Kerry Real Estate, in June 2004. Under the agreement, Kerry Properties will pay a production fee and management fee (or advertising cost) upon publication of each issue. In addition, printing costs, pagination costs and colour separation charges are variable charges to be determined and agreed upon at the time of publication of each issue. The agreement has been fully performed and the amount received was HK\$303,000.
- (b) An agreement dated 11 June 2004 made between SCMPP and Kerry Real Estate, whereby SCMPP was engaged to publish one issue of the magazine, "The Dress Circle" for Kerry Real Estate, in August 2004. Under the agreement, Kerry Real Estate will pay an editorial production fee for second issue upon publication of each issue. In addition, printing costs, pagination costs and colour separation charges are variable charges to be determined and agreed upon at the time of publication of each issue. The agreement has been fully performed and the amount received was HK\$389,000.
- (c) An agreement dated 14 October 2004 made between SCMPP and Kerry Properties, whereby SCMPP was engaged to publish two issues of the magazine, "The Dress Circle" for Kerry Properties. Two issues of the magazine have been published – the first issue in December 2004 and the second in April 2005. Under the agreement, Kerry Properties will pay an editorial production fee and management fee upon publication of each issue. In addition, printing costs, pagination costs and colour separation charges are variable charges to be determined and agreed upon at the time of publication of each issue. All charges are payable in cash. SCMPP received for the first issue HK\$49,300 for the first issue and HK\$49,000 for the second issue. Two more issues of the magazine are outstanding and remain to be published under the agreement.
- (d) SCMPP entered into a transaction with Kerry Properties to produce a year calendar in November 2004. The amount received for production of the calendar was HK\$162,906.

Payment terms

The fees payable pursuant to the above agreements are payable by the end of the month following the month in which SCMPP issued invoices.

Compliance with Listing Rules and Annual Cap

The Group did not provide publication services to the Kerry Group in 2003. The aggregate amount received in the financial year ended 31 December 2004 for the above transactions amounted to HK\$1,355,211. The aggregate amount received from the Kerry Group for the publication services first exceeded HK\$1,000,000 and 0.1% of the applicable ratio towards the end of 2004. As the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules (other than the profits ratio) in respect of the transactions above for the financial year ended 31 December 2004 are more than 0.1% but less than 2.5%, they are subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules, but do not require the approval of the Company's independent shareholders.

As stated above, the agreements described under items (a), (b) and (d) above have been fully performed.

It is expected that the relevant percentage ratios as defined under Rule 14.07 of the Listing Rules (other than the profits ratio) in respect of the agreement described under item (c) above for the financial year ending 31 December 2005 will be more than 0.1% but less than 2.5%, and therefore subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules. The Company expects that the maximum amount of publication services payable under this agreement will be HK\$2 million for the financial year ending 31 December 2005. Such maximum aggregate amount is estimated based on the amount received by SCMPP for the publication of the first issue of the above items (a), (b) and (c) and the expected increase in printed copies and contents of the magazine in 2005. In accordance with Rule 14A.36 of the Listing Rules, the Company will re-comply with Rule 14.07 of the Listing Rules if the HK\$2 million cap is exceeded or when the agreement described under item (c) above is renewed or there is a material change to the terms of the agreement.

The amount of fees received pursuant to the agreement under item (c) from 1 January 2005 to 30 April 2005 is HK\$490,000.

OPINION OF THE DIRECTORS

The Directors, including independent non-executive Directors of the Company, are of the view that the above transactions are and will be conducted on normal commercial terms that are no less favourable to the Group than terms available to or from independent third party customers or suppliers, are fair and reasonable so far as the Company and the shareholders of the Company are concerned and are in the interests of the Company and the shareholders of the Company as a whole.

REASONS FOR THE CONTINUING CONNECTED TRANSACTIONS

The Company is an investment holding company. The principal activities of the Group consist of the publishing and distribution of the *Sunday Morning Post*, *Sunday Morning Post*, *Sunday Morning Post* and other print and digital publications in Hong Kong. The Group is also involved in video and film post-production and property investment through its subsidiaries in Hong Kong.

SCMPP, an indirect wholly owned subsidiary of the Company, is the newspaper and magazine publishing business. Publications include the *Sunday Morning Post*, *Sunday Morning Post* and other print and digital publications in Hong Kong. SCMP Retailing, an indirect wholly owned subsidiary of the Company, was until December 2004, in the operation of retail outlets business. SCMP Book Publishing, an indirect wholly owned subsidiary of the Company, is in a book publishing business. Kerry Holdings is an investment holding company and is the holding company of Kerry Properties.

Kerry Logistics is principally engaged in the provision of logistics services including warehousing, inventory management and delivery for supply and retail chains in Hong Kong. Through its modern fulfilment centre at the Kerry Cargo Centre in Hong Kong, Kerry Logistics is able to provide seamless, cost-effective and efficient operation for the subsidiaries of the Company. The management of the Company considers Kerry Logistics to be a reputable provider of logistics services in Hong Kong. Kerry Properties is the principal holding company. The principal activities of the subsidiaries of Kerry Properties comprise property development and investment, logistics, freight, warehouse ownership and operations, infrastructure-related investment and hotel and property management. Kerry Real Estate, a subsidiary of Kerry Properties, is principally engaged in estate agency.

The provision of advertising and publication services are in the ordinary and usual course of business of the Company. In addition, engaging Kerry Logistics to provide logistics services will result in the subsidiaries of the Company reducing a significant amount of relevant administrative and overhead costs. In view of the businesses carried on by the Group and the nature of the transactions as stated above, the Directors, including the independent non-executive Directors, consider that the transactions are and will be conducted on normal commercial terms and are beneficial to the business of the Company and the interests of the shareholders of the Company as a whole.

DEFINITIONS

"Company"	SCMP Group Limited, a company incorporated in Bermuda with limited liability, whose shares are listed in the Main Board of the Stock Exchange
"Directors"	Company and its subsidiaries
"Group"	Hong Kong Special Administrative Region of the People's Republic of China
"Hong Kong"	Hong Kong Special Administrative Region of the People's Republic of China
"Kerry Group"	Kerry Group Limited, a substantial shareholder of the Company (as defined in the Listing Rules) and its subsidiaries
"Kerry Holdings"	Kerry Holdings Limited, a subsidiary of Kerry Group Limited
"Kerry Logistics"	Kerry Logistics (Hong Kong) Limited, a subsidiary of Kerry Properties
"Kerry Properties"	Kerry Properties Limited, a subsidiary of Kerry Group Limited and whose shares are listed in the Main Board of the Stock Exchange
"Kerry Real Estate"	Kerry Real Estate Agency Limited, a subsidiary of Kerry Properties
"Listing Rules"	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"SCMP Book Publishing"	SCMP Book Publishing Limited, a subsidiary of the Company
"SCMP Retailing"	SCMP Retailing (HK) Limited, a subsidiary of the Company
"SCMPP"	South China Morning Post Publishers Limited, a subsidiary of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

Hong Kong, 3 June 2005

By Order of the Board
Vera Leung
Company Secretary

As at the date hereof, the Board comprises:
Executive Directors
Mr. Kuok Khoon San (Chairman) and Ms. Kuok Hul Kwong (Non-executive Director)
Mr. Robert V. Ongpin (Deputy Chairman), Tan Sri Dr. Khoo Kay Peng and Mr. Robert Ng Chai Sing (Independent Non-executive Directors)
Mr. Ronald J. Arculli, Mr. Peter Lee Ting Chang and Dr. The Hon. David Li Kwok Po
For information purpose only