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SCMP Group Limited

南華早報集團有限公司*

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

VERY SUBSTANTIAL DISPOSAL IN RELATION TO THE MEDIA BUSINESS AND SPECIAL CASH DIVIDEND AND TERMINATION OF DISCLOSEABLE TRANSACTION

Financial Adviser to the Company



THE DISPOSAL

On 11 December 2015, the Company and the Purchaser entered into the 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\$2,060,600,000. The Disposal will be effected by a sale of the Sale Shares (being the entire issued share capital of each of the Target Companies) subject to the terms and conditions of the Sale and Purchase Agreement.

Apart from the flagship *South China Morning Post* newspaper, the agreement includes the acquisition of the magazine, recruitment, outdoor media, events & conferences, education and digital media businesses of the Group. Besides the broadsheet, other SCMP titles include the *Sunday Morning Post*, its digital platforms *SCMP.com* and related mobile apps, and the two Chinese websites *Nanzao.com* and *Nanzaozhinan.com*. The acquisition also includes a portfolio of magazine titles including *HK Magazine* and the Hong Kong editions of *Esquire*, *Elle*, *Cosmopolitan*, *The PEAK* and *Harper's BAZAAR*.

SPECIAL CASH DIVIDEND

Subject to Completion taking place, the Company intends to declare the Special Cash Dividend which will be paid to the Shareholders whose names appear on the register of members of the Company at a record date which will be set for a date on or after that of the SGM and announced in due course in accordance with the Listing Rules.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the relevant applicable percentage ratios set forth under Rule 14.07 of the Listing Rules in respect of the Disposal are 75% or more, the Disposal constitutes a very substantial disposal for the Company and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

A circular containing, among other matters, further details of the Disposal, other information as required under the Listing Rules and the notice of the SGM to consider and, if thought fit, to approve the resolution relating to the Disposal will be despatched to the Shareholders as soon as practicable. As the Company requires time for compiling the financial information for inclusion in the circular pursuant to the Listing Rules, the circular is expected to be despatched to the Shareholders on or before 28 February 2016.

TERMINATION OF DISCLOSEABLE TRANSACTION

On 11 December 2015, the parties to the MyDress Transaction agreed to terminate the MyDress Transaction in light of the Disposal.

WARNING

The Disposal is subject to the fulfilment of certain conditions, which may or may not be satisfied. Shareholders and potential investors should exercise caution when they deal or contemplate dealing in the Shares or other securities of the Company.

BACKGROUND

On 25 November 2015, the Company announced that it had received a preliminary approach from a third party regarding its interest in a possible purchase of the Company's media business.

The Board is pleased to announce that on 11 December 2015, the Company (as the vendor) and Alibaba Investment Limited, a subsidiary of Alibaba Group Holding Limited (as the purchaser), entered into the 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\$2,060,600,000. The Disposal will be effected by a sale of the Sale Shares (being the entire issued share capital of each of the Target Companies) subject to the terms and conditions of the Sale and Purchase Agreement.

THE DISPOSAL

Date

11 December 2015

Parties

- (1) Company; and
- (2) Alibaba Investment Limited, being the Purchaser.

The Purchaser is an investment holding company incorporated in the British Virgin Islands and a directly wholly-owned subsidiary of Alibaba Group Holding Limited. Alibaba is the world's largest online and mobile commerce company with a mission "to make it easy to do business anywhere". Since its inception, it has provided the technology infrastructure and marketing reach to help businesses leverage the power of the Internet to establish an online presence and conduct commerce with hundreds of millions of consumers. It has developed leading businesses in consumer e-commerce, online payment and financial services, business-to-business marketplaces, cloud computing, logistics and digital entertainment. Alibaba Group currently employs more than 30,000 people around the world and has more than 120 offices in China and 29 offices around the world.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, each of the Purchaser and its ultimate beneficial owners are an Independent Third Party.

Subject matter

The Purchaser has conditionally agreed to acquire and the Company has conditionally agreed to sell the Sale Shares (being the entire issued share capital of each of the Target Companies) which comprise the media business of the Group.

Apart from the flagship *South China Morning Post* newspaper, the agreement includes the acquisition of the magazine, recruitment, outdoor media, events & conferences, education and digital media businesses of the Group. Besides the broadsheet, other SCMP titles include the *Sunday Morning Post*, its digital platforms *SCMP.com* and related mobile apps, and the two Chinese websites *Nanzao.com* and *Nanzaozhinan.com*. The acquisition also includes a portfolio of magazine titles including *HK Magazine* and the Hong Kong editions of *Esquire*, *Elle*, *Cosmopolitan*, *The PEAK* and *Harper's BAZAAR*.

Purchase Price

The purchase price (the “**Purchase Price**”) payable by the Purchaser to the Company in respect of the Disposal is HK\$2,060,600,000 in cash to be paid upon Completion.

The Purchase Price was determined after arm's length negotiations between the Company and the Purchaser with reference to comparable market transactions and the financial performance of the Target Group, taking into account the ability of the Purchaser, as the operator of a new media business, to unlock value from the Company's media business.

The Directors (including the independent non-executive Directors) consider that the Purchase Price is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

Conditions Precedent to the Sale and Purchase Agreement

Completion is subject to and conditional upon:

- (1) (A) the Purchaser obtaining from Regulatory Authorities such approvals, consents, rulings, confirmations and waivers necessary for the transactions contemplated hereunder as applicable to it in a structure and on conditions (if imposed) acceptable to the Purchaser and the Company; and (B) the Company obtaining from Regulatory Authorities such approvals, consents, rulings, confirmations and waivers necessary for the transactions contemplated hereunder as applicable to it in a structure and on conditions (if imposed) acceptable to the Company and the Purchaser;
- (2) Shareholders having passed a resolution at a general meeting duly convened and held by the Company to approve the Sale and Purchase Agreement and the transactions contemplated thereunder in accordance with the requirements of the Listing Rules;
- (3) No fact or circumstance having occurred that would constitute a material breach by the Company of the Sale and Purchase Agreement or be inconsistent in any material respect with any of the warranties or other provisions in relation to the Company;
- (4) No order or judgment of any court or governmental, statutory or regulatory body having been issued or made prior to Completion, and no legal or regulatory requirements remaining to be satisfied which has the effect of making unlawful or otherwise prohibiting the entering into of the Sale and Purchase Agreement and the transactions contemplated thereunder; and
- (5) No order having been made or petition presented or resolution passed in Hong Kong or other jurisdictions for the winding up of the Target Companies.

Conditions (2) and (4) cannot be waived. Conditions (1)(A), (3) and (5) may be waived in whole or in part by the Purchaser. Condition (1)(B) may be waived in whole or in part by the Company. If the conditions are not fulfilled or waived (as the case may be) on or before 31 May 2016 or such later date as the parties may agree, the Sale and Purchase Agreement shall be capable of termination and all obligations of the parties under the Sale and Purchase Agreement shall end except for those expressly stated to continue without limit in time but (for the avoidance of doubt) all rights and liabilities of the parties which have accrued before termination shall continue to exist.

Termination

The Sale and Purchase Agreement may be terminated (a) if the conditions to Completion have not been fulfilled or waived as described above, (b) if any circumstances described in the KML Undertaking arises so that KML does not or communicates its intention in writing not to vote according to the KML Undertaking or (c) by agreement between the Company and the Purchaser.

Completion

Completion shall take place within 5 Business Days after the last of the conditions to the Sale and Purchase Agreement are fulfilled or waived or on such other date as agreed by the parties thereto.

Immediately after Completion, the Group will not hold any equity interests in the Target Companies, and the Target Companies will no longer be subsidiaries of the Company.

INFORMATION ON THE TARGET GROUP

The Target Group, comprising the Target Companies, is principally engaged in the publishing, printing and distribution of the *South China Morning Post*, *Sunday Morning Post*, various magazines and other related print and digital publications, as well as recruitment, outdoor media, events & conferences, education and digital media businesses.

The financial information of the Target Group prepared under the Hong Kong Financial Reporting Standards for the two financial years ended 31 December 2013 and 31 December 2014 are as follows:

	Year ended 31 December 2013 (Unaudited) HK\$'000	Year ended 31 December 2014 (Unaudited) HK\$'000	
Results			
Turnover	1,106,319	1,200,110	
Profit/(Loss) before tax	129,414	136,153	
Profit/(Loss) after tax	109,079	122,562	
	As at 31 December 2013 (Unaudited) HK\$'000	As at 31 December 2014 (Unaudited) HK\$'000	As at 31 October 2015 (Unaudited) HK\$'000

Assets and liabilities

Total assets	1,031,342	999,699	937,411
Net assets	653,049	628,979	612,962

REORGANISATION

Certain subsidiaries of the Target Companies, and certain assets currently owned by the Target Companies, do not form part of the Group's media business. There are also certain assets currently held by the Remaining Group which form part of the Group's media business.

In preparation of the Disposal, and to ensure that after Completion, the Target Companies own only assets which relate to the media business of the Group, the Company will implement a reorganisation pursuant to which Excluded Assets which are currently held by a Target Company or its subsidiary will be transferred from the Target Group to the Remaining Group prior to Completion. The Reorganisation will also ensure that the Remaining Group will hold the current investment property interests of the Group as well as the Yue King Property (including the advertising billboard attached to the Yue King Property). The current investment property interests of the Group comprise the Bank of America Property, Yau Tong Property, TV City and Sea View Property. As part of the Reorganisation, the Company will procure that the Target Group holds at Completion HK\$20 million (net of bank borrowings) as working capital.

FINANCIAL EFFECT OF THE DISPOSAL

Upon Completion, the Company will dispose of its entire shareholdings in the Target Companies. In return, the Company will receive a cash payment in the sum of HK\$2,060,600,000. It is estimated that the Company will record a gain on disposal of approximately HK\$1,426 million.

USE OF PROCEEDS

The Board intends to apply a very substantial proportion of the net proceeds from the Disposal to the payment of the Special Cash Dividend and the remaining balance for the general working capital of the Group.

SPECIAL CASH DIVIDEND

The Company intends to declare a special cash dividend of a very substantial proportion of the net proceeds from the Disposal, which will be paid to the Shareholders, subject to the following conditions:

- (a) approval of the Shareholders in respect of the Disposal at the SGM having been obtained; and
- (b) Completion having taken place.

If the conditions referred to above are not fulfilled, the Special Cash Dividend will not be paid.

Details of the amount of the Special Cash Dividend per Share, and the aggregate amount of the Special Cash Dividend, will be set out in the circular.

Subject to the fulfilment of the above conditions, the Special Cash Dividend will be paid to the Shareholders whose names appear on the register of members of the Company at a record date which will be set for a date on or after the date of the SGM and announced once it is fixed in accordance with the Listing Rules.

INFORMATION ON THE GROUP AND THE REMAINING GROUP AND REASONS FOR THE DISPOSAL

The Company is an investment holding company. The principal activities of the Group consist of the publishing, printing and distribution of the *South China Morning Post*, *Sunday Morning Post*, various magazines and other related print and digital publications, as well as recruitment, outdoor media, events & conferences, education and digital media businesses. The Group is also involved in property investment through the Remaining Group.

The Board considers that the Disposal on the terms offered by the Purchaser provides an attractive opportunity to realise shareholder value from the Group's media business.

The Board believes that the future of traditional publishing is an uncertain one and believes that the value of the media business lies in the rich digital media content and the reputation and prestige of its publication titles. It is likely that a new media operator such as the Purchaser will be able to unlock greater value from the content and brand than a traditional media business such as that operated by the Group. Accordingly, it provides an attractive opportunity for the Shareholders to realise value from their investment.

While the media business has been the main focus of the Group, the Group has also been conducting its property investment business for many years. The Group currently owns four investment properties, which earned a rental income of approximately HK\$28.7 million for the year ended 31 December 2014. In addition, after the Disposal, the Company proposes to enter into a lease agreement at market rental rates for the Yue King Property, which is currently used by the Group for the operations of the media business. It also expects to earn revenues from the advertising billboard attached to the Yue King Property, which is excluded from the Disposal. The Group's development project, TV City, was acquired by the Company in 1996 and the Company has been taking active steps to enhance the value of the property, including exploring options to develop it into a residential project.

The property business which will be carried on by the Remaining Group will continue to provide rental income to the Remaining Group, and the development opportunity at TV City provides significant potential upside for the Company and investors. With the Remaining Group concentrating on the property business after the Disposal, an investment in the Company will become a focused investment on the property sector in Hong Kong, which the Board expects will afford greater opportunities to the Shareholders to realise value from their continued investment in the Remaining Group either through this greater focus or arising from possible future corporate transactions with parties interested in the Remaining Group's property portfolio.

The Board is also mindful that, since the Shares remain suspended from trading on the Stock Exchange, the Shareholders have not had the opportunity to realise value from their shareholdings through market disposals. Despite the ongoing efforts of the Board to seek to re-establish the public float or otherwise to resume trading in the Shares, there is no immediate prospect of this occurring, based on the Board's understanding of the current position of the Company's substantial Shareholders. Accordingly, the Disposal coupled with the Special Cash Dividend provides the Shareholders with an opportunity to receive a partial cash realisation in respect of their Shares which might otherwise be difficult to obtain in the near term. The Board recognises that the Disposal does not of itself cure the ongoing lack of public float and that, following the Completion, the Shares will remain suspended from trading on the Stock Exchange. However, despite enquiry by the Board, no alternative proposal which would have resolved the lack of public float was available. It is therefore the Board's view that the Disposal is in the best interests of the Shareholders taking into account the circumstances of the Company's ongoing suspension from trading and the lack of available alternative proposals. The Board will continue to explore options for the resolution of the public float issue in respect of the Company following the Disposal.

In light of the reasons above, the Directors (including the independent non-executive Directors) are of the view that the terms of the Sale and Purchase Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and its Shareholders as a whole. The Directors are also of the view that the Remaining Group upon Completion will still be able to carry out a sufficient level of operations to warrant the continued listing of the Shares.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios set out in the Listing Rules in respect of the Disposal are 75% or more, the Disposal constitutes a very substantial disposal of the Company under Chapter 14 of the Listing Rules. The Disposal is therefore subject to the reporting, announcement and Shareholders' approval requirements.

A circular containing, among other matters, further details of the Disposal, other information as requested under the Listing Rules and the notice for the SGM to consider and, if thought fit to approve the resolution relating to the Disposal, will be despatched to the Shareholders as soon as practicable. As the Company requires time for compiling the financial information for inclusion in the circular pursuant to the Listing Rules, the circular is expected to be despatched to the Shareholders on or before 28 February 2016. As no Shareholder has a material interest in the Disposal, no Shareholder is required to abstain from voting on the resolution approving the Disposal at the SGM.

KML UNDERTAKING

The controlling shareholder of the Company, KML, has irrevocably undertaken to the Purchaser that, in the event the SGM is held, to vote in favour of and to approve the resolution relating to the Disposal, provided that it is not prohibited from voting or approving such resolution by pursuant to any judgment, order or decree of any competent court or the rules and regulations of any governmental, regulatory and other authority having applicable jurisdiction over the Company or it or otherwise by the Stock Exchange or the Securities and Futures Commission of Hong Kong.

TERMINATION OF DISCLOSEABLE TRANSACTION

On 19 October 2015, the Company announced that its wholly-owned subsidiary, Affleck, had entered into a sale and purchase and subscription agreement with, among others, MyDress AME Group Limited ("**MyDress AME**") and MyDress Holdings Limited ("**MyDress Holdings**"), pursuant to which Affleck conditionally agreed to acquire 31% of the existing issued shares in the capital of MyDress Holdings from MyDress AME and subscribe for a further 37.18% of the enlarged issued share capital of MyDress Holdings and the HK\$3,000,000 note, convertible into shares in MyDress Holdings (the "**MyDress Transaction**").

On 11 December 2015, the parties to the MyDress Transaction agreed to terminate the MyDress Transaction in light of the Disposal. Affleck has also agreed to pay to MyDress AME a termination fee of HK\$3,000,000.

The Board considers that the termination of the MyDress Transaction will not have any material adverse impact on the financial position and operation of the Group.

WARNING

Completion is conditional upon the satisfaction or, if applicable, waiver of the conditions set out in the section headed “Conditions Precedent to the Sale and Purchase Agreement” in this announcement, including the approval of the Sale and Purchase Agreement and the transactions contemplated thereunder by the Shareholders at the SGM. Accordingly, the Disposal may or may not proceed. Shareholders and potential investors should therefore exercise caution when dealing in the securities of the Company.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“Affleck”	Affleck Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company
“Bank of America Property”	the investment property owned by the Group located at 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
“Board”	the board of Directors
“Business Day”	any day (other than a Saturday or Sunday) on which banks open for general business in Hong Kong
“Company”	SCMP Group Limited, a company incorporated in Bermuda with limited liability and the issued shares of which are listed on the Stock Exchange with stock code 583
“Completion”	completion of the Disposal
“connected persons”	has the meaning ascribed to this term under the Listing Rules
“Directors”	the directors of the Company
“Disposal”	disposal by the Group of the Sale Shares
“Excluded Assets”	certain assets, including property interests and investment interests, currently held by the Target Group
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Independent Third Party”	any person or company and their respective ultimate beneficial owner(s), which to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons
“KML”	Kerry Media Limited, the controlling shareholder of the Company
“KML Undertaking”	the undertaking by KML as described in the paragraph headed “KML Undertaking” in the section headed “Listing Rules Implications”
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Purchaser”	Alibaba Investment Limited, a company incorporated under the laws of the British Virgin Island and a directly wholly-owned subsidiary of Alibaba Group Holding Limited
“Regulatory Authorities”	any governmental or regulatory commission, board, body, authority or agency, or any stock exchange (including but not limited to the Stock Exchange), self-regulatory organisation or other non-governmental regulatory authority, or any court, tribunal or arbitrator, in each case whether national, central, federal, provincial, state, regional, municipal, local, domestic or foreign
“Remaining Group”	the Company and its subsidiaries immediately after Completion, including the Excluded Assets
“Reorganisation”	the reorganisation of the Group in preparation for the Disposal, which would include, among other things, the transfer of the Excluded Assets from the Target Group to the Remaining Group
“Sale and Purchase Agreement”	the sale and purchase agreement dated 11 December 2015 entered into between the Purchaser and the Company in respect of the Sale Shares
“Sale Shares”	the entire issued share capital of each of the Target Companies
“Sea View Property”	the investment property held by the Group located at 8th Floor of Block C, Sea View Estate, 8 Watson Road, North Point, Hong Kong
“SGM”	the special general meeting of the Company to be convened and held for the purpose of considering and, if thought fit, approving, among other things, the Disposal
“Share(s)”	ordinary share(s) of HK\$0.01 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)

“Special Cash Dividend”	the special cash dividend, details of which are set out in the section headed “Special Cash Dividend” in this announcement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company(ies)”	SCMP Newspapers Limited (a company limited by shares incorporated in the British Virgin Islands), SCMP Publications Limited (a company limited by shares incorporated in the British Virgin Islands), SCMP.com Limited (a company incorporated in Hong Kong with limited liability), SCMP Retailing Limited (a company limited by shares incorporated in the British Virgin Islands), SCMP.com Holdings Limited (a company limited by shares incorporated in the British Virgin Islands)
“Target Group”	the Target Companies and their subsidiaries, but excluding the Excluded Assets
“TV City”	the investment property held by the Group located at Clear Water Bay Studio, Clear Water Bay Road, A Kung Wan, Hang Hau, New Territories, Hong Kong
“Yau Tong Property”	the investment property held by the Group located at Ground and 1st Floors, Block B, Ko Fai Industrial Building, 7 Ko Fai Road, Yau Tong, Kowloon, Hong Kong
“Yue King Property”	the property held by the Group located at G/F-3/F, Yue King Building, 1 Leighton Road, Causeway Bay, Hong Kong currently used by the media business of the Group and which, after Completion, will become an investment property held by the Remaining Group
“%”	“%” per cent.

On behalf of the Board
SCMP Group Limited
David J. Pang
Chairman

Hong Kong, 14 December 2015

As at the date hereof, the Board comprises:

Non-executive Directors

Dr. David J. Pang (Chairman) and Tan Sri Dr. Khoo Kay Peng

Independent Non-executive Directors

Dr. Fred Hu Zu Liu, Dr. the Hon. Sir David Li Kwok Po and Mr. Wong Kai Man

Executive Director

Ms. Kuok Hui Kwong

* *for identification purpose only*