Management Discussion and Analysis

Summary of Profit and Loss Account

	Year ended 31 March 2006 HK$'000	2005 HK$'000	% Change
Turnover	721,703	608,412	19%
Cost of sales	(403,153)	(350,980)	15%
Gross profit	318,550	257,432	24%
Other revenues	7,887	462	1,607%
Selling and distribution expenses	(92,317)	(75,024)	23%
General and administrative expenses	(110,227)	(101,427)	9%
Operating profit	123,893	81,443	52%
Finance costs	(3,476)	(556)	525%
Profit before income tax	120,417	80,887	49%
Income tax expense	(20,896)	(14,461)	44%
Profit for the year	99,521	66,426	50%
Minority interests	(1,357)	(1,332)	2%
Profit attributable to equity holders	98,164	65,094	51%

Overview

The Group consists of three business segments, namely publishing and multimedia, electronic information and solutions and recruitment advertising and training. For the year ended 31 March 2006, the Group has recorded across-the-board growth in all three business segments.

The strength of Hong Kong's economy as witnessed by the dynamic market activities and in particular the retail, employment and stock market had fuelled the demand for advertising spaces and the Group was able to take advantage of this opportunity.

The Group continued to outperform the results of the year ended 31 March 2005. The profit attributable to equity holders has increased by more than 50% as compared to the previous financial year. The publishing and multimedia segment has recorded strong growth despite the intense market competition. The increasing demand for print advertisements driven by the overall economic growth together with the efforts made by our innovative and committed staff made the year a prosperous and fruitful one for the Group. The Group has launched two new publications during the year under review, *Take me Home* and *U Magazine*, which are well received by the market.

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Overview (Continued)

Contributions from other segments had shown a remarkable growth in the year under review, turning the Group into a stronger and more diversified media group. The electronic information and solutions segment had maintained the leading position in the financial and property markets.

Reduced unemployment rate and increasing awareness for the need of self-enhancement had led to the growth of the recruitment advertising and training segment.

The Group's responsible management team is committed to maintain continual growth in revenue while imposing effective cost control measures.

Turnover

	Year ended 31 March 2006 HK$'000	2005 HK$'000	% Change
Turnover:			
Advertising income	481,664	393,492	22%
Circulation income	110,327	94,942	16%
Service income	117,885	109,772	7%
Enrolment income	11,827	10,206	16%
Total	721,703	608,412	19%

The Group's flagship business, *HKET* together with its associated magazines, continued to contribute the majority of the revenue of the Group for the financial year under review.

Advertising income for the year ended 31 March 2006 recorded an increase of 22% as compared to year ended 31 March 2005. Riding on the increasing advertising spending in print media, the Group has achieved an above average growth rate.

Apart from the flagship business, *HKET*, the Group has expanded its penetration in the advertising and promotion market through the publication of magazines in different streams. *e-zone*, a weekly PC and digital products magazine had been accredited with its success in terms of circulation and advertising revenue in the market. *Take me Home*, a weekly community newspaper, was first launched in August 2005 with focus on community news and information. *U Magazine*, a weekly lifestyle and leisure magazine, was first launched in December 2005 providing comprehensive listings for lifestyle, leisure and travel.

Circulation income for the year ended 31 March 2006 recorded an increase of 16% as compared to the year ended 31 March 2005. The increase was mainly attributed by the growing circulation of *e-zone* with increased retail price and the launch of *U Magazine* during the year. The circulation of *HKET* remained stable despite the emergence of free dailies. The editorial staff's effort in providing quality content to our readers had accounted for our ability to retain readers.

Turnover (Continued)

Service income for the year ended 31 March 2006 recorded an increase of 7% as compared to the year ended 31 March 2005. The increase came mainly from the increased demand for financial electronic information in the professional market in the year under review. The electronic information and solutions segment had benefited from the increasing transaction volume in the stock market.

Enrolment income for the year ended 31 March 2006 recorded an increase of 16% as compared to the year ended 31 March 2005. The increase was in line with the public's increasing awareness and demand for self-enhancement and development.

Operating Costs

Gross profit margin for the year ended 31 March 2006 attained 44.1%, which is an improvement to that of previous financial year (42.3%), demonstrating the success of the Company's effort on effective cost control.

The Group recognised that people is the most important assets and key to the Group's success. Staff costs continued to constitute the majority of the total operating costs of the Group, representing approximately 48% of the total operating costs which was similar to the previous financial year.

Newsprint costs increased by 17% for the year ended 31 March 2006 as compared to year ended 31 March 2005 as a result of the increase in consumption due to higher advertising volume. Newsprint costs constituted 17% of the Group's total operating costs for the year ended 31 March 2006 which was similar to that of the previous financial year.

Printing costs increased by approximately 20% for the year under review as compared to the previous financial year as a result of the increase in circulation copies of *e-zone* and the launch of *U Magazine*.

Other Revenues

The Group recorded HK$7.9 million bank interest income during the period under review. The significant increase of bank interest income was due to the overwhelming response of the Initial Public Offering of the Company's shares at the end of July 2005 and placing of the net listing proceeds under short-term deposits with banks in Hong Kong.

Finance Costs

The Group had drawn down banking facilities for the leasing of printing machinery towards the end of the financial year ended 31 March 2005, and the full year effect of finance costs was borne in the financial year ended 31 March 2006. Thus the Group incurred finance costs of HK$3.5 million for the year ended 31 March 2006.

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Income Tax Expense

Income tax expense increased by 44% as compared to the previous financial year. The increase was principally due to an increase in the Group's pre-tax profit. The Group's effective tax rate for the year under review was approximately 17.5% of the profits before income tax which was similar to the previous financial year.

Profit Attributable to Equity Holders

On 12 August 2005, the Group has acquired the then remaining 40% interests in the issued share capital of Cotino Limited, one of the Group's subsidiaries, from an independent third party pursuant to a conditional sale and purchase agreement dated 30 June 2005. Details of the transaction were set out in the Prospectus of the Company. The completion of the conditional sale and purchase agreement had resulted in a reduction of minority interests attributable to the independent third party.

On 13 February 2006, the Group has acquired the entire registered share capital in HKET Advertising (Shenzhen) Limited under the CEPA regime from a related company pursuant to a conditional sale and purchase agreement dated 15 July 2005. Details of the transaction were set out in the Prospectus of the Company. The results of HKET Advertising (Shenzhen) Limited prior to the acquisition date was treated as pre-acquisition reserves and set off against the goodwill derived from the transaction.

For the year ended 31 March 2006, the Group has achieved remarkable growth in terms of the profit attributable to equity holders. Net profit margin has increased from 10.7% for the year ended 31 March 2005 to 13.6% for the year ended 31 March 2006, reflecting an impressive business expansion and effective cost control.

Use of Proceeds from Initial Public Offering

The Company issued 119.6 million shares (including the exercise of Over-allotment Option) at HK$1.70 per share by way of Placing and Public Offer in August 2005. The net proceeds after deducting relevant expenses were approximately HK$184.4 million. The Company intends to apply such proceeds in accordance with the proposed allocation as set out in the Prospectus.

For the period from 3 August 2005 (being the listing date of the Company) to 31 March 2006, HK$28.4 million was used in accordance with the future plans and use of proceeds as stated in the Prospectus of the Company for the business expansions in publishing and multimedia segment, including new publications and upgrade of newspaper production technology.

Liquidity and Capital Resources

(in HK$ million)	As at 31 March 2006	2005
Net current assets	236.7	6.9
Cash and cash equivalents	219.6	39.1
Bank loans and finance leases	68.7	67.1
Equity holders' fund	451.5	177.5
Gearing ratio	10.3%	17.6%
Current ratio	2.62 times	1.04 times

The Group's net current assets as at 31 March 2006 has increased significantly following the Initial Public Offering on 3 August 2005 and the good performance of the Group during the year under review. Part of the net listing proceeds received was placed under short-term deposits with banks in Hong Kong to be used in the manner stated in the Prospectus. The draw down of machinery leasing loan to repay the short-term bank loan had also contributed to the increase in net current assets as the portion of the machinery leasing loan falling due after one year was classified under long-term liabilities.

The Group has been profitable on an operating basis. Net cash inflow from operating activities increased in line with the increase in profit attributable to equity holders. Net cash outflow from investing activities increased by 67% mainly attributed by the consideration paid for the acquisition of remaining interests in a subsidiary following the Reorganisation of the Group and purchase of new printing machinery during the year. The Initial Public Offering on 3 August 2005 had generated a net cash inflow from financing activities of HK$184.4 million after deducting shares issuance costs. The Group has paid an interim dividend of HK$12.5 million on 16 January 2006.

Gearing ratio and current ratio improved significantly following the Initial Public Offering on 3 August 2005. The gearing ratio is calculated by dividing total interest bearing liabilities by total assets.

The Group is able to meet its working capital requirements, repay bank loans and finance leases, support investment needs of any future business plans and fulfill the dividend payment policy as set out in the Prospectus at the current level of funds.

Outlook

Despite concern over volatile oil prices, rising interest rates, and a possible slow-down of the United States' economy, Hong Kong's economy is forecasted to grow by about 6% in 2006. Mainland's economic growth continues to be a major driving force behind the Hong Kong economy, which, in turn, favours the further development of the Group's business.

The Group is also facing challenges due to the Stock Exchange's proposed abolition of requirement for Main Board issuers to publish paid announcements and the short-term impact of the investments in the two new publications, *Take me Home* and *U Magazine*. The results on diversification of our income sources, however, are very encouraging.

Management is striving to expand market share in all segments of the Group's business and constantly look for new opportunities. With improved domestic consumption, creativity of our staff and effective cost control, management remains positive in the coming financial years.

Employees

As at 31 March 2006, the Group had 1,228 employees (31 March 2005: 1,048 employees). The Directors believe that employees are the most valuable assets of the Group and competitive remuneration packages are offered to retain quality staff. Employee benefits include medical insurance, discretionary bonus, provident fund schemes and other staff benefits.