

# Directors' Report

The Directors of Hong Kong Economic Times Holdings Limited (the "Company") submit their report together with the audited financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2006 (the "Financial Statements").

## Group Reorganisation

The Company was incorporated in the Cayman Islands on 15 February 2005 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganisation ("the Reorganisation") as disclosed in the prospectus of the Company dated 22 July 2005 (the "Prospectus") to rationalise the structure of the Company and its subsidiaries in preparation for the public listing of the Company's shares on the Stock Exchange, the Company became the holding company of the companies now comprising the Group.

Details of the Reorganisation are set out in note 1 to the Financial Statements. The shares of the Company were listed on the Main Board of the Stock Exchange on 3 August 2005.

## Principal Activities and Analysis of Operations

The principal activity of the Company is investment holding. The activities of the Company's principal subsidiaries are set out in note 25 to the Financial Statements.

An analysis of the Group's performance for the year ended 31 March 2006 by business segment is set out in note 5 to the Financial Statements.

A discussion of the Group's performance and its financial position are provided in the section headed "Management Discussion and Analysis" in this Annual Report.

## Financial Results

The results of the Group for the year and the state of affairs of the Company and the Group as at 31 March 2006 are set out on pages 37 to 40.

## Dividend Distributions

During the year, an interim dividend distribution from the distributable reserves of HK2.9 cents per share was paid on 16 January 2006.

The Directors recommend a payment from the distributable reserves of the Company a final dividend of HK5.7 cents per share in respect of the year ended 31 March 2006 (2005: HK\$Nil) to the shareholders whose names appear on the register of members of the Company at the close of business on 20 July 2006. The payment of the final dividend is subject to the approval of the shareholders of the Company at the forthcoming annual general meeting to be held on 26 July 2006.

The Company was incorporated on 15 February 2005 and accordingly, no dividend has been declared or paid by the Company for the year ended 31 March 2005. However, a member of the Group in aggregate declared a payment of dividend of HK\$5,625,000 to its then shareholders in respect of the year ended 31 March 2005.

## Reserves

Movements in the reserves of the Group and of the Company during the year are set out in note 24 to the Financial Statements.

## Property, Plant and Equipment

Movements in property, plant and equipment of the Group are set out in note 14 to the Financial Statements.

## Share Capital

Details of the authorised and issued share capital of the Company and the movement in the Company's issued share capital during the year ended 31 March 2006 are set out in note 23 to the Financial Statements.

## Distributable Reserves

Distributable reserves of the Company as at 31 March 2006, calculated under the Cayman Islands Companies Law, amounted to HK\$314,629,000 (2005: HK\$Nil) including share premium of HK\$307,357,000 and retained earnings of HK\$7,272,000.

## Pre-emptive Rights

There is no provision for pre-emptive rights under the Company's Articles of Association or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

## Four-year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last four financial years is set out in the Section headed "Four-year Financial Summary" in this Annual Report.

## Purchase, Sale or Redemption of the Company's Shares

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

# Directors' Report

## Directors

The Directors of the Company during the year and up to the date this report were:

### Executive Directors

Mr. FUNG Siu Por, Lawrence	(appointed on 23 February 2005)
Mr. MAK Ping Leung (alias: Mr. MAK Wah Cheung)	(appointed on 29 April 2005)
Mr. CHAN Cho Bui	(appointed on 29 April 2005)
Mr. SHEK Kang Chuen	(appointed on 29 April 2005)
Ms. SEE Sau Mei Salome	(appointed on 29 April 2005)
Mr. CHAN Wa Pong	(appointed on 1 June 2006)

### Non-executive Director

Mr. CHU Yu Lun	(appointed on 29 April 2005)
----------------	------------------------------

### Independent Non-executive Directors

Mr. CHAN Mo Po, Paul	(appointed on 4 May 2005 )
Mr. CHOW On Kiu	(appointed on 29 April 2005)
Mr. LO Foo Cheung	(appointed on 29 April 2005)

Details of the profile of each member of the Board are set out in the section headed "Board of Directors" in this Annual Report.

In accordance with Articles 86 and 87 of the Company's Articles of Association, Mr. Mak Ping Leung (alias: Mr. Mak Wah Cheung), Mr. Chan Cho Bui, Mr. Chu Yu Lun and Mr. Chan Wa Pong shall retire from office and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

## Directors' Service Contracts

None of the Directors has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

## Directors' Interests in Contracts

Other than as disclosed under the paragraphs headed "Connected Transactions" below and "Related Party Transactions" in note 30 to the Financial Statements, no contract of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## Directors' Interests in Shares

As at 31 March 2006, the Directors of the Company had the following interests or short positions in shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Directors is taken or deemed to have under such provisions of the SFO) or which were recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code"):

### Long positions in the shares of the Company

Name of Director	Capacity/ Nature of interest	Number of shares held	Approximate % of issued share capital
Mr. FUNG Siu Por, Lawrence (Note)	Corporate	261,000,000	60.473%
Mr. MAK Ping Leung	Beneficial owner	14,600,000	3.383%
Mr. CHAN Cho Bui	Beneficial owner	11,600,000	2.688%
Mr. SHEK Kang Chuen	Beneficial owner	11,000,000	2.549%
Ms. SEE Sau Mei Salome	Beneficial owner	9,000,000	2.085%
Mr. CHAN Wa Pong	Beneficial owner	1,000,000	0.232%
Mr. CHU Yu Lun (Note)	Corporate	261,000,000	60.473%
Mr. CHOW On Kiu	Beneficial owner	50,000	0.012%
Mr. LO Foo Cheung	Beneficial owner	284,000	0.066%

Note: The interests in the 261,000,000 shares are in respect of the deemed corporate interests held by Mr. Fung Siu Por, Lawrence and Mr. Chu Yu Lun through Golden Rooster Limited in which Mr. Fung Siu Por, Lawrence and Mr. Chu Yu Lun own 33.5% of its issued share capital respectively. For the purpose of Part XV of the SFO, Mr. Fung Siu Por, Lawrence and Mr. Chu Yu Lun are therefore deemed interested in the shares held by Golden Rooster Limited

# Directors' Report

## Directors' Interests in Shares (Continued)

### Long positions in the shares of associated corporations of the Company (as defined in the SFO)

Name of Director	Name of Associated Corporation	Capacity/ Nature of interest	Number of shares held	Approximate % of attributable interest in associated corporation
Mr. FUNG Siu Por, Lawrence	Golden Rooster (Note 1)	Beneficial owner	67	33.5%
Mr. CHU Yu Lun	Golden Rooster (Note 1)	Beneficial owner	67	33.5%
Mr. FUNG Siu Por, Lawrence	HK Holding (Note 2)	Interest of a controlled corporation	26,460,000	84.807%
Mr. CHU Yu Lun	HK Holding (Note 2)	Interest of a controlled corporation	26,460,000	84.807%
Mr. MAK Ping Leung	HK Holding (Note 2)	Beneficial owner	1,460,000	4.679%
Mr. CHAN Cho Biu	HK Holding (Note 2)	Beneficial owner	1,160,000	3.718%
Mr. SHEK Kang Chuen	HK Holding (Note 2)	Beneficial owner	1,100,000	3.526%
Ms. SEE Sau Mei Salome	HK Holding (Note 2)	Beneficial owner	900,000	2.885%
Mr. CHAN Wa Pong	HK Holding (Note 2)	Beneficial owner	100,000	0.321%

Note:

1. Golden Rooster Limited ("Golden Rooster") is the holding company of the Company. It is therefore an associated corporation of the Company.
2. Hong Kong Economic Times (Holding) Limited ("HK Holding") is a subsidiary of Golden Rooster. It is therefore an associated corporation of the Company. Subsequent to 31 March 2006, Golden Rooster disposed all its interests in HK Holding and therefore, HK Holding ceased to be the associated corporation of the Company after 31 March 2006.

Save as disclosed above, as at 31 March 2006, none of the Directors (including their spouses and children under the age of 18) had been granted by the Company or had exercised any rights to subscribe for shares or debentures of the Company or any of its associated corporations during the year ended 31 March 2006. At no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

Save as disclosed above, as at 31 March 2006, none of the Directors of the Company had any interest or short position in any shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Directors is taken or deemed to have under such provisions of the SFO) or which were recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## Substantial Shareholders' Interests in Share Capital

So far as the Directors of the Company are aware, as at 31 March 2006, the shareholders, other than Directors of the Company, who had interests or short positions in the shares or the underlying shares of the Company which would fall to be disclosed to the Company in accordance with the provisions of Divisions 2 and 3 in Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein, were as follows:

### Long positions in the shares of the Company

Name of Substantial Shareholders	Nature of interests	Number of ordinary shares held	Percentage of issued share capital of the Company
Golden Rooster Limited	Beneficial owner	261,000,000	60.473%

Note: The issued share capital of Golden Rooster is owned as to 33.5% by Mr. Fung Siu Por, Lawrence and Mr. Chu Yu Lun respectively. For the purpose of Part XV of the SFO, Mr. Fung Siu Por, Lawrence and Mr. Chu Yu Lun are therefore deemed interested in the shares held by Golden Rooster.

Save as disclosed above, so far as is known to the Directors, there is no other person (not being a Director or chief executive of the Company) who has an interest or a short position in the shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings or any other members of the Group.

## Share Option Scheme

Pursuant to a share option scheme adopted by a written resolution of the then sole shareholder of the Company on 19 July 2005 (the "Scheme"), the Company may grant options to, amongst other, the directors or employees of the Company or its subsidiaries, for the recognition and acknowledgement of their contributions to the Group, to subscribe for shares of the Company (the "Shares").

According to the Scheme, pursuant to which the Board of Directors, may at its discretion, invite any eligible participants to take up options to subscribe for the Shares. The maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes must not, in aggregate, exceed 30% of the issued share capital of the Company from time to time. The total number of Shares which may be issued upon exercise of all options to be granted under the Scheme and any other schemes, shall not, in aggregate, exceed 10% of the number of Shares in issue as at the date dealings in the Shares first commence on the Stock Exchange unless further shareholders' approval had been obtained pursuant to the conditions set out in the Scheme. The total number of Shares issued and to be issued upon exercise of all options already granted or to be granted under the Scheme and any other schemes (including both exercised or outstanding options) to each eligible participant in any 12-month period shall not exceed 1% of the issued share capital of the Company.

# Directors' Report

## Share Option Scheme (Continued)

The offer for the grant of options (the "Offer") must be taken up within 21 business days from the day of the Offer, with a payment of HK\$10 as consideration for the grant. The exercise price of the share option shall be determined by the Board and shall not be less than the highest of: (a) the nominal value of the Share; (b) the closing price of a Share as stated in the daily quotation sheets issued by the Stock Exchange on the date of Offer, which shall be a business day; and (c) the average closing price of the Shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of Offer.

The share options are exercisable at any time during a period of not more than 10 years from the date of Offer, subject to the terms and conditions of the Scheme and any conditions of grant as may be stipulated by the Board. Unless terminated by the Company by the resolution in general meeting, the Scheme shall be valid and effective for a period of 10 years commencing on the date on which the Scheme becomes unconditional (its listing date).

No option has been granted by the Company under the Scheme since its adoption.

## Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

## Major Suppliers and Customers

During the year, the percentages of the Group's purchases and sales attributable to the Group's major customers and suppliers are as follows:

Purchases		
–	the largest supplier	16%
–	five largest suppliers combined	36%
Sales		
–	the largest customer	8%
–	five largest customers combined	22%

None of the directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

## Connected Transactions

Certain related party transactions as disclosed in note 30 to the Financial Statements also constituted non-exempt connected transactions of the Company and are required to be disclosed in accordance with Chapter 14A of the Listing Rules. The following transactions between certain connected parties (as defined in the Listing Rules) and the Company are ongoing and is subject to reporting, announcement and independent shareholders' approval requirements. At the time of application for listing of the Company's shares on the Stock Exchange, waivers have been granted to the Company from strict compliance with the announcement and for independent shareholder's approval requirements.

### (1) Office Rental Expenses

The Group has rented office space from Charm Data Limited, Honley Limited and Hong Kong Economic Times (Holding) Limited ("HK Holding"). Each of Charm Data Limited and Honley Limited is beneficially owned by Mr. Chu Yu Lun (Non-executive Director of the Company), as to 50% and both are therefore connected persons. HK Holding was beneficially owned by the controlling shareholder of the Company and hence a connected person. The aggregate rentals of HK\$5,217,000 were paid to the connected persons for the year under review.

These continuing non-exempt connected transactions have been reviewed by Independent Non-executive Directors of the Company. The Independent Non-executive Directors confirmed that the aforesaid connected transactions were entered into (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms; (c) in accordance with the terms of the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and (d) have not exceeded the relevant limit set out in the waiver previously granted by the Stock Exchange.

Based on the work performed, the auditors of the Company have confirmed that the aforesaid continuing connected transactions (a) have been approved by the Board of Directors; (b) have been entered into in accordance with the terms of the relevant agreements governing the transactions; and (c) have not exceeded the relevant limit set out in the waiver previously granted by the Stock Exchange.

### (2) Advertising Income from Mainland China

Hong Kong Economic Times Limited ("HKET Limited"), a subsidiary of the Company, has entered into an advertising services agreement with HKET Advertising (Shenzhen) Limited ("SZ Advertising") prior to the listing of Company's shares for the provision of advertising services by SZ Advertising. Up to 12 February 2006, SZ Advertising was a wholly owned subsidiary of HK Holding, which in turn was beneficially owned by the controlling shareholder of the Company and hence a connected person during the period. On 13 February 2006, HKET Limited acquired the entire registered share capital in SZ Advertising from HK Holding pursuant to a conditional sales and purchase agreement entered into between HKET Limited and HK Holding on 15 July 2005, details of which were described in the Prospectus of the Company. An aggregate amount of HK\$953,000 advertising income was received from SZ Advertising from 1 April 2005 to 12 February 2006.



# Directors' Report

## Connected Transactions (Continued)

### (2) Advertising Income from Mainland China (Continued)

These non-exempt connected transactions have been reviewed by Independent Non-executive Directors of the Company. The Independent Non-executive Directors confirmed that the aforesaid connected transactions were entered into (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms and in accordance with the pricing policies of the Company and its subsidiaries; (c) in accordance with the terms of the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and (d) have not exceeded the relevant limit set out in the waiver previously granted by the Stock Exchange.

Based on the work performed, the auditors of the Company have confirmed that the aforesaid connected transactions (a) have been approved by the Board of Directors; (b) in accordance with the pricing policies of the Company and its subsidiaries; (c) have been entered into in accordance with the terms of the relevant agreements governing the transactions; and (d) have not exceeded the relevant limit set out in the waiver previously granted by the Stock Exchange.

## Competing Business Interests of Directors

As at 31 March 2006, none of the Directors and directors of the Company's subsidiaries, or their respective associates had interests in businesses, other than being a director of the Company and/or its subsidiaries and their respective associates, which compete or are likely to compete, either directly or indirectly, with the businesses of the Company and its subsidiaries as required to be disclosed pursuant to the Listing Rules, except for the interests held by Mr. Chu Yu Lun and Mr. Fung Siu Por, Lawrence, both Directors of the Company, in Adsale Publishing Limited which is engaged in the publication of industrial magazines catered for readers in the textile, plastic and rubber, packaging, machinery and automotive industries. Mr. Chu is also a director of Adsale Publishing Limited.

## Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained sufficient public float of more than 25% of the Company's issued shares as at the date of this Annual Report.

## Compliance with Code on Corporate Governance Practices

In the opinion of the Directors, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the "Code Provisions") contained in Appendix 14 of the Listing Rules since 29 April 2005 (when the existing Board was substantially formed) up until 31 March 2006 except as stated and explained below.

Under Code A.2.1 of the Code Provisions, the roles of Chairman and Chief Executive Officer ("CEO") should be separate and should not be performed by the same individual. The division of responsibilities between the Chairman and CEO should be clearly established and set out in writing. However, the Company has appointed Mr. Fung Siu Por, Lawrence as both its Chairman and the CEO. The Board believes that vesting the roles of the Chairman and the CEO in the same person would allow the Company to be more effective and efficient in developing long-term business strategies and execution of the business plans. The Board believes that the balance of power and authority is adequately ensured by the operation of the Board, which comprises experienced and high calibre individuals with a substantial number thereof being Non-executive Directors.

## Post Balance Sheet Date Events

Details of significant events occurring after the balance sheet date are set out in note 31 to the Financial Statements.

## Auditors

The Financial Statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment. A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint PricewaterhouseCoopers as auditors of the Company.

On behalf of the Board  
**Fung Siu Por, Lawrence**  
*Chairman*

Hong Kong, 26 June 2006