

# Interim Report 2006/2007

HONG KONG ECONOMIC TIMES HOLDINGS LIMITED

Stock code: 0423



## INTERIM RESULTS 2006/2007

The Directors of Hong Kong Economic Times Holdings Limited (the "Company") are pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 September 2006 as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

		<b>Unaudited For the six months ended 30 September 2006 HK\$'000</b>	2005 HK\$'000
	<i>Note</i>		
<b>Turnover</b>	2	<b>400,097</b>	360,245
Cost of sales		<b>(230,114)</b>	(190,875)
Gross profit		<b>169,983</b>	169,370
Other revenues	3	<b>3,385</b>	3,976
Selling and distribution expenses		<b>(48,541)</b>	(46,182)
General and administrative expenses		<b>(54,598)</b>	(58,554)
<b>Operating profit</b>		<b>70,229</b>	68,610
Finance costs	5	<b>(1,135)</b>	(1,529)
<b>Profit before income tax expense</b>	4	<b>69,094</b>	67,081
Income tax expense	6	<b>(12,705)</b>	(12,465)
<b>Profit for the period</b>		<b>56,389</b>	54,616
Attributable to:			
Equity holders of the Company		<b>56,214</b>	53,311
Minority interests		<b>175</b>	1,305
		<b>56,389</b>	54,616
Earnings per share for profit attributable to equity holders of the Company (expressed in HK cents)			
Basic and diluted	7	<b>13.02</b>	15.21
<b>Dividends</b>	8	<b>12,948</b>	12,516

## CONDENSED CONSOLIDATED BALANCE SHEET

	<i>Note</i>	<b>Unaudited As at 30 September 2006 HK\$'000</b>	<b>As at 31 March 2006 HK\$'000</b>
<b>Non-current assets</b>			
Goodwill		<b>25,539</b>	25,539
Property, plant and equipment	9	<b>200,198</b>	204,340
Lease premium for land		<b>55,089</b>	55,155
Deferred tax assets		<b>22</b>	22
		<b>280,848</b>	285,056
<b>Current assets</b>			
Inventories		<b>20,136</b>	20,255
Trade receivables	10	<b>142,270</b>	128,520
Deposits, prepayments and other receivables		<b>13,215</b>	12,226
Tax recoverable		<b>1,875</b>	2,135
Cash and cash equivalents		<b>168,832</b>	219,597
		<b>346,328</b>	382,733
<b>Current liabilities</b>			
Trade payables	11	<b>23,714</b>	22,523
Fees in advance		<b>35,729</b>	35,909
Accruals and other payables		<b>55,222</b>	72,371
Taxation payable		<b>12,885</b>	2,913
Current portion of obligations under finance leases	12	–	10,802
Current portion of bank loans, secured	12	–	1,505
		<b>127,550</b>	146,023
<b>Net current assets</b>		<b>218,778</b>	236,710
<b>Total assets less current liabilities</b>		<b>499,626</b>	521,766

	<i>Note</i>	<b>Unaudited As at 30 September 2006 HK\$'000</b>	<b>As at 31 March 2006 HK\$'000</b>
Financed by:			
Share capital	13	<b>43,160</b>	43,160
Reserves			
Proposed final dividends		–	24,601
Proposed interim dividends		<b>12,948</b>	–
Others		<b>426,972</b>	383,706
<b>Equity holders' funds</b>		<b>483,080</b>	451,467
<b>Minority interests</b>		<b>707</b>	532
<b>Total equity</b>		<b>483,787</b>	451,999
<b>Non-current liabilities</b>			
Obligations under finance leases	12	–	50,870
Bank loans, secured	12	–	5,530
Deferred tax liabilities		<b>15,839</b>	13,367
		<b>15,839</b>	69,767
<b>Total equity and non-current liabilities</b>		<b>499,626</b>	521,766

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited For the six months ended 30 September	
	2006 HK\$'000	2005 HK\$'000
Net cash inflow from operating activities	<b>48,916</b>	61,428
Net cash outflow from investing activities	<b>(5,291)</b>	(74,669)
Net cash (outflow)/inflow from financing activities	<b>(94,390)</b>	210,460
(Decrease)/Increase in cash and cash equivalents	<b>(50,765)</b>	197,219
Cash and cash equivalents at 1 April	<b>219,597</b>	39,072
Cash and cash equivalents at 30 September	<b>168,832</b>	236,291

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY - UNAUDITED

	Attributable to equity holders						Minority interests	Total equity
	Share capital	Share premium	Merger reserve	Capital reserve	Retained earnings	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 April 2005, as previously reported as equity	791	66,353	34,000	-	76,324	177,468	-	177,468
Balance at 1 April 2005, as previously separately reported as minority interests	-	-	-	-	-	-	1,159	1,159
Restatement of equity on merger accounting	30,409	(66,353)	35,944	-	-	-	-	-
Balance at 1 April 2005, as restated	31,200	-	69,944	-	76,324	177,468	1,159	178,627
Dividends paid by a subsidiary to its then shareholders prior to the group reorganisation	-	-	-	-	(2,175)	(2,175)	(1,450)	(3,625)
Issue of shares for cash	11,960	191,360	-	-	-	203,320	-	203,320
Share issuance costs	-	(18,914)	-	-	-	(18,914)	-	(18,914)
Acquisition of additional interests in a subsidiary	-	-	-	-	-	-	(534)	(534)
Gift shares to employees by a substantial shareholder	-	-	-	6,120	-	6,120	-	6,120
Profit for the period	-	-	-	-	53,311	53,311	1,305	54,616
Balance at 30 September 2005	43,160	172,446	69,944	6,120	127,460	419,130	480	419,610
Balance at 1 April 2006	43,160	159,930	69,944	6,120	172,313	451,467	532	451,999
Profit for the period	-	-	-	-	56,214	56,214	175	56,389
Final dividends paid to equity holders of the Company	-	(24,601)	-	-	-	(24,601)	-	(24,601)
Balance at 30 September 2006	43,160	135,329	69,944	6,120	228,527	483,080	707	483,787

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 September 2006*

### **1. Basis of preparation and accounting policies**

The unaudited condensed consolidated interim financial statements are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and Appendix 16 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

These unaudited condensed consolidated interim financial statements should be read in conjunction with the Group's audited 2006 annual financial statements.

The accounting policies and method of computation used in the preparation of these condensed consolidated interim financial statements are consistent with those adopted in the annual financial statements for the year ended 31 March 2006.

HKICPA has issued a number of new standards, amendments to standards and interpretations that are effective for accounting periods beginning on or after 1 January 2006. The Group has carried out an assessment of these standards, amendments and interpretations and considered that they have no significant impact on these unaudited condensed consolidated interim financial statements.

## 2. Segment information

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products they provide. Each of the Group's business segments represents a strategic business unit that offers products which are subject to risks and returns that are different from those of the other business segments. The segment results for the period ended 30 September 2006 are as follows:

	For the six months ended 30 September (Unaudited)									
	Publishing and multimedia		Electronic information and solutions		Recruitment advertising and training		Corporate		Consolidated	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Turnover, gross	307,887	267,613	63,330	57,376	40,259	36,101	-	-	411,476	361,090
Inter-segment transactions	(7,540)	(541)	(364)	(284)	(3,475)	(20)	-	-	(11,379)	(845)
Turnover, net	300,347	267,072	62,966	57,092	36,784	36,081	-	-	400,097	360,245
Segment results	42,605	49,387	8,094	3,199	16,643	13,638	2,887	2,386	70,229	68,610
Finance costs									(1,135)	(1,529)
Profit before income tax expense									69,094	67,081
Income tax expense									(12,705)	(12,465)
Profit for the period									56,389	54,616
Attributable to:										
Equity holders of the Company									56,214	53,311
Minority interests									175	1,305
									56,389	54,616

## 3. Other revenues

	For the six months ended 30 September	
	2006 HK\$'000	2005 HK\$'000
Bank interest income	3,384	3,908
Rental income from machinery and properties	1	68
	3,385	3,976



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2006

### 4. Profit before income tax expense

Profit before income tax expense is stated after charging the following:

	For the six months ended 30 September	
	2006	2005
	HK\$'000	HK\$'000
Amortisation of lease premium for land	66	66
Depreciation of property, plant and equipment	12,827	11,228

### 5. Finance costs

	For the six months ended 30 September	
	2006	2005
	HK\$'000	HK\$'000
Interest on bank loans	54	734
Interest element of finance leases	1,081	1,118
Interest capitalised in machinery	–	(323)
	1,135	1,529

### 6. Income tax expense

Hong Kong profits tax has been provided at a rate of 17.5% (2005: 17.5%) on the estimated assessable profits for the period. Overseas tax is calculated at tax rates applicable in countries in which the Group is assessable for tax.

	For the six months ended 30 September	
	2006	2005
	HK\$'000	HK\$'000
Hong Kong profits tax	10,232	10,500
Deferred taxation relating to the origination and reversal of temporary differences	2,473	1,965
	12,705	12,465

### 7. Earnings per share

The calculation of basic earnings per share for current period is based on profit attributable to equity holders of the Company of HK\$56,214,000 (2005: HK\$53,311,000) and weighted average number of 431,600,000 shares (2005: 350,389,071 – deemed to be in issue) in issue during the period.

There were no dilutive potential ordinary shares in existence during the period under review and, therefore, no diluted earnings per share amounts have been presented.

## 8. Dividends

A final dividend in respect of the year ended 31 March 2006 of HK 5.7 cents per share, amounting to a total dividend of HK\$24,601,000 was paid in July 2006.

The Directors have declared an interim dividend of HK 3.0 cents (2005: HK 2.9 cents) per share, amounting to HK\$12,948,000 (2005: HK\$12,516,000), for the period.

## 9. Property, plant and equipment

	Leasehold buildings HK\$'000	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Network and computer equipment HK\$'000	Total HK\$'000
At 1 April 2006							
Cost	58,194	20,509	162,868	58,512	1,329	65,083	366,495
Accumulated depreciation	(11,139)	(9,839)	(36,746)	(41,862)	(541)	(62,028)	(162,155)
Net book value at 1 April 2006	47,055	10,670	126,122	16,650	788	3,055	204,340
Additions	-	998	1,875	3,814	-	2,080	8,767
Depreciation	(582)	(1,645)	(5,559)	(4,004)	(121)	(916)	(12,827)
Disposals	-	-	-	(81)	-	(1)	(82)
<b>Net book value at 30 September 2006</b>	<b>46,473</b>	<b>10,023</b>	<b>122,438</b>	<b>16,379</b>	<b>667</b>	<b>4,218</b>	<b>200,198</b>
At 30 September 2006							
Cost	58,194	21,507	164,721	62,221	1,329	66,988	374,960
Accumulated depreciation	(11,721)	(11,484)	(42,283)	(45,842)	(662)	(62,770)	(174,762)
Net book value at 30 September 2006	46,473	10,023	122,438	16,379	667	4,218	200,198

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2006

### 10. Trade receivables

The Group grants an average credit period of 30 days to 90 days to its trade customers. The ageing analysis of trade receivables by due date is as follows:

	30 September 2006 HK\$'000	31 March 2006 HK\$'000
0 to 30 days	93,983	90,595
31 to 60 days	28,616	16,977
61 to 90 days	10,526	11,205
Over 90 days	12,706	16,019
Total	145,831	134,796
Less: provision for impairment of receivables	(3,561)	(6,276)
	142,270	128,520

### 11. Trade payables

The ageing analysis of trade payables is as follows:

	30 September 2006 HK\$'000	31 March 2006 HK\$'000
0 to 30 days	21,979	21,681
31 to 60 days	998	195
61 to 90 days	139	97
Over 90 days	598	550
	23,714	22,523

### 12. Obligations under finance leases and bank loans

The Group had repaid all the finance leases and bank loans during the period ended 30 September 2006.

**13. Share Capital**

	<b>30 September 2006 HK\$'000</b>	<b>31 March 2006 HK\$'000</b>
Authorised: 2,000,000,000 shares of HK\$0.10 each	<b>200,000,000</b>	200,000,000
Issued and fully paid: 431,600,000 shares of HK\$0.10 each	<b>43,160,000</b>	43,160,000

**14. Related party transactions**

Significant transactions with related parties are:

	<b>For the six months ended 30 September 2006 HK\$'000</b>	<b>2005 HK\$'000</b>
Rental expenses paid to related parties	<b>2,722</b>	2,907
Key management personnel compensation		
Salaries and other short-term employee benefits	<b>7,161</b>	6,192
Post-employment benefits	<b>315</b>	268
	<b>7,476</b>	6,460

**15. Capital commitments**

Capital commitments contracted but not provided for in respect of:

	<b>As at 30 September 2006 HK\$'000</b>	<b>As at 31 March 2006 HK\$'000</b>
Property, plant and equipment	<b>7,286</b>	2,707

**16. Approval of the interim financial statements**

These condensed consolidated interim financial statements were approved by the Board of Directors on 24 November 2006.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Summary of Profit and Loss Account

(HK\$'000)	For the six months ended 30 September		% Change
	2006	2005	
Turnover	<b>400,097</b>	360,245	11%
Cost of sales	<b>(230,114)</b>	(190,875)	21%
Gross profit	<b>169,983</b>	169,370	0%
Other revenues	<b>3,385</b>	3,976	-15%
Selling and distribution expenses	<b>(48,541)</b>	(46,182)	5%
General and administration expenses	<b>(54,598)</b>	(58,554)	-7%
Operating profit	<b>70,229</b>	68,610	2%
Finance costs	<b>(1,135)</b>	(1,529)	-26%
Profit before income tax expense	<b>69,094</b>	67,081	3%
Income tax expense	<b>(12,705)</b>	(12,465)	2%
Profit for the period	<b>56,389</b>	54,616	3%
Minority interests	<b>(175)</b>	(1,305)	-87%
Profit attributable to equity holders	<b>56,214</b>	53,311	5%

### General

The launch of two new publications, *Take me Home*, which is a community weekly, and *U Magazine*, which is a lifestyle and leisure weekly, in the financial year 2005/06 was indicative of our continued effort to revenue diversification. The two publications had received encouraging responses from both readers and advertisers. Their good performance is proof of the Group's continual and successful effort in diversifying our businesses.

As with all new publications, there will be an initial investment period, which puts pressure on the Group's cost and profit in the short term. However, the Group is optimistic that *Take me Home* and *U Magazine*, which are progressing as planned, will contribute to the success of the Group in the medium term.

### Turnover

The Group has recorded encouraging growth in revenue in all business segments. Advertising income for the six months period ended 30 September 2006 increased by 12% to HK\$273.0 million as compared to HK\$243.5 million for the corresponding period in 2005. The growth in advertising income was mainly attributed to the Group's two new publications, *Take me Home* and *U Magazine*. Despite the stagnant second-hand property market, the launch of these two publications enabled the Group to reach a wider spectrum of readers and advertisers, thus diversifying the Group's revenue base.

Circulation income generated from the Group's printed media had stood strong against the emergence of free dailies and the intense competitive environment. It grew by 11% or HK\$5.7 million as compared to last year of the same period. The increase was mainly attributed to the launch of *U Magazine* in December 2005.

Service income and enrolment income recorded an increase of 8% over the corresponding period in 2005. Electronic Information and Solutions segment continue to grow in line with the activity of the financial market.

### Operating Costs

Gross profit margin for the six months ended 30 September 2006 dropped slightly from 47.0% to 42.5% for the current period. The launch of two new publications had increased the Group's total operating costs.

Staff costs rose by 7% due to increase in headcount to cope with the Group's business expansions, and the need to match the general pay rise level in the labour market. The Group's dedicated staff was the key to the Group's success. Reward in the form of discretionary bonus was made corresponding to their contribution to the Group. In-house training and development were also provided to staff.

Newsprint price increased moderately during the reporting period. However, increased usage of newsprint due to the launch of *Take me Home*, which used the same newsprint as our flagship newspaper *Hong Kong Economic Times*, had resulted in the increase of newsprint costs by approximately 6% in the reporting period. The printing of *U Magazine*, which used a different kind of paper than *Hong Kong Economic Times* and *Take me Home*, was subcontracted to an independent third party. The launch of *U Magazine* during the reporting period had increased printing costs by approximately 73%.

### Profit for the Period

The profit for the period increased by 5.4% to HK\$56.2 million as compared with HK\$53.3 million for the six months period ended 30 September 2005. Despite the cost of investment in the two new publications, *Take me Home* and *U Magazine*, the slow down of the property market, and stiff market competition, the Group was still able to maintain steady growth through exploration of new market opportunities and the provision of extra value-added services to our customers.

Net profit margin for the six months ended 30 September 2006 dropped to 14.1% as compared to 14.8% in the corresponding period in 2005. The drop was mainly due to the increase in operating costs of the two newly launched publications as mentioned earlier.

## Liquidity and Capital Resources

(in HK\$ million)	As at 30 September 2006	As at 31 March 2006
Net current assets	<b>218.8</b>	236.7
Cash and cash equivalents	<b>168.8</b>	219.6
Bank loans and finance leases	<b>–</b>	68.7
Equity holders' fund	<b>483.1</b>	451.5
Gearing ratio	<b>–</b>	10.3%
Current ratio	<b>2.72 times</b>	2.62 times

The Group's net current assets as at 30 September 2006 was HK\$218.8 million, a decrease of HK\$17.9 million as compared to 31 March 2006. The decrease was mainly due to the decrease in cash and bank balances of HK\$50.8 million following the repayment of all outstanding bank loans and finance leases amounting to HK\$68.7 million in the reporting period. The Group had no gearing as at 30 September 2006.

All cash and cash equivalents were denominated in Hong Kong dollars. Any surplus cash was placed under short-term deposits with banks in Hong Kong.

## OUTLOOK

In anticipation of the Stock Exchange's intended abolition of mandatory requirement for Main Board issuers to publish paid announcements, the Group had been diversifying its businesses, as evidenced by the setting up of Electronic Information and Solutions and Recruitment Advertising segments some years ago, which had been bringing in profits to the Group.

The Group's more recent diversification effort was the launch of the community weekly, *Take me Home* in August 2005, and the new lifestyle and leisure weekly, *U Magazine* in December 2005. The investments, although increased the Group's operating costs in the short term, brought in new readers and advertisers which the Group had not been able to reach before, and the Group would be able to reap the benefits in the medium term. Other segments of the Group's businesses had achieved growth in revenue and profit during the reporting period, and are expected to perform well in the remainder of the financial year.

To achieve sustainable growth, the Group would continue to look for investment opportunities in the area of provision of quality life style products and services.

With the forecasted robust economic growth in the local and mainland markets in the second half of the financial year, the Group is cautiously optimistic of the Group's results for the full financial year.

## EMPLOYEES

As at 30 September 2006, the Group had 1,253 employees (30 September 2005: 1,131 employees). The increase in headcount was mainly due to the launch of the two new publications, *Take me Home* and *U Magazine*. Competitive remuneration packages are offered to retain quality staff. Employee benefits include medical insurance, discretionary bonus, provident fund schemes and other staff benefits.

## INTERIM DIVIDEND

The Directors have declared an interim dividend of HK 3.0 cents (2005: HK 2.9 cents) per share, amounting to HK\$12,948,000 (2005: HK\$12,516,000), payable on 18 December 2006 to shareholders whose names appear on the Register of Members of the Company on 8 December 2006.

## CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 11 December 2006 to 13 December 2006, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 8 December 2006.

## DIRECTORS

The following persons were Directors of the Company as at the date of this report:

### Executive Directors

Mr. FUNG Siu Por, Lawrence (*Chairman*)  
Mr. MAK Ping Leung (alias: Mr. MAK Wah Cheung)  
Mr. CHAN Cho Biu  
Mr. SHEK Kang Chuen  
Ms. SEE Sau Mei Salome  
Mr. CHAN Wa Pong

### Non-executive Director

Mr. CHU Yu Lun

### Independent Non-executive Directors

Mr. CHAN Mo Po, Paul  
Mr. CHOW On Kiu  
Mr. LO Foo Cheung



## DIRECTORS' INTERESTS IN SHARES

As at 30 September 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"):

Name of Director	Capacity/ Nature of interest	Ordinary shares of the Company	
		Number of shares held	Approximate percentage of issued share capital
Mr. FUNG Siu Por, Lawrence ( <i>Note 1</i> )	Corporate	44,275,000	10.258%
Mr. MAK Ping Leung	Personal	14,600,000	3.383%
Mr. CHAN Cho Biu	Personal	11,600,000	2.688%
Mr. SHEK Kang Chuen	Personal	11,000,000	2.549%
Ms. SEE Sau Mei Salome	Personal	9,000,000	2.085%
Mr. CHAN Wa Pong	Personal	1,000,000	0.232%
Mr. CHU Yu Lun ( <i>Note 2</i> )	Corporate	87,435,000	20.258%
Mr. CHOW On Kiu	Personal	50,000	0.012%
Mr. LO Foo Cheung	Personal	284,000	0.066%

*Note:* 1. The interests in the 44,275,000 shares are in respect of the deemed corporate interests held by Mr. Fung Siu Por, Lawrence through Golden Rooster Limited which is wholly owned by Mr. Fung Siu Por, Lawrence and his wife, Ms. Lee Suk Wai Alexandra. For the purpose of Part XV of the SFO, Mr. Fung Siu Por, Lawrence is therefore deemed interested in the shares held by Golden Rooster Limited.

2. The interests in the 87,435,000 shares are in respect of the deemed corporate interests held by Mr. Chu Yu Lun through Sky Vision Investments Limited which is wholly owned by Mr. Chu Yu Lun and his wife, Ms. Chow Chiu Hing. For the purpose of Part XV of the SFO, Mr. Chu Yu Lun is therefore deemed interested in the shares held by Sky Vision Investments Limited.

All interests stated above represent long positions in the shares of the Company.

Save as disclosed above, as at 30 September 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 six months ended 30 September 2006. At no time during the six months ended 30 September 2006 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.

Apart from aforesaid, as at 30 September 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 INTERESTS IN SHARE CAPITAL

So far as the Directors of the Company are aware of, as at 30 September 2006, the shareholders, other than Directors or chief executive 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 of 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:

Name of shareholders	Number of ordinary shares held (long position)	Approximate percentage of issued share capital of the Company
Sky Vision Investments Limited <i>(Note 1)</i>	87,435,000	20.258%
Putt Putt Company Limited <i>(Note 2)</i>	71,130,000	16.481%
Golden Rooster Limited <i>(Note 3)</i>	44,275,000	10.258%
The University of Hong Kong	43,160,000	10.000%

- Note:*
1. Sky Vision Investments Limited is wholly owned by Mr. Chu Yu Lun and his wife, Ms. Chow Chiu Hing. For the purpose of Part XV of the SFO, Mr. Chu Yu Lun and Ms. Chow Chiu Hing are therefore deemed interested in the shares held by Sky Vision Investments Limited.
  2. Putt Putt Company Limited is wholly owned by Koala Association S.A. which is in turn wholly owned by HSBC Trust Company (BVI) Limited. For the purpose of Part XV of the SFO, Koala Association S.A. and HSBC Trust Company (BVI) Limited are therefore deemed interested in the shares held by Putt Putt Company Limited.
  3. Golden Rooster Limited is wholly owned by Mr. Fung Siu Por, Lawrence and his wife, Ms. Lee Suk Wai Alexandra. For the purpose of Part XV of the SFO, Mr. Fung Siu Por, Lawrence and Ms. Lee Suk Wai Alexandra are therefore deemed interested in the shares held by Golden Rooster Limited.

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.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the six months period ended 30 September 2006.

## CORPORATE GOVERNANCE

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices (the "Code Provisions") contained in Appendix 14 of the Listing Rules except as stated and explained below.

Under Code A.2.1 of the Code Provisions, the role 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 of Directors (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, and the well-defined matters reserved to the decision of the Board.

## CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

All Directors of the Company have confirmed their compliance with the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules during the six months period ended 30 September 2006.

## AUDIT COMMITTEE

The Company established an Audit Committee on 29 April 2005 with written terms of reference. The Audit Committee comprises three Independent Non-executive Directors, Mr. Chan Mo Po, Paul as Committee Chairman, Mr. Chow On Kiu and Mr. Lo Foo Cheung. The Audit Committee met twice in the six months period ended 30 September 2006. The Group's unaudited interim results for the six months ended 30 September 2006 has been reviewed by the Audit Committee.

## REMUNERATION COMMITTEE

The Company established a Remuneration Committee on 29 April 2005 with written terms of reference. The Remuneration Committee comprises Non-executive Director, Mr. Chu Yu Lun and two Independent Non-executive Directors, Mr. Lo Foo Cheung as Committee Chairman and Mr. Chow On Kiu. The Remuneration Committee met once in the six months period ended 30 September 2006.

## NOMINATION COMMITTEE

The Company established a Nomination Committee on 29 April 2005 with written terms of reference. The Nomination Committee comprises Non-executive Director, Mr. Chu Yu Lun and two Independent Non-executive Directors, Mr. Chow On Kiu as Committee Chairman and Mr. Chan Mo Po, Paul. The Nomination Committee met once in the six months period ended 30 September 2006.

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

Hong Kong, 24 November 2006