

## IMPORTANT

If you are in any doubt about this prospectus, you should consult your stockbroker, bank manager, solicitor, professional accountant or other professional adviser.



# 香港經濟日報集團有限公司

HONG KONG ECONOMIC TIMES HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

## LISTING ON THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED BY WAY OF PLACING AND PUBLIC OFFER

Total number of Offer Shares	:	104,000,000 Shares (subject to the Over-allotment Option)
Number of Placing Shares	:	93,600,000 Shares (subject to the Over-allotment Option and adjustment)
Number of Public Offer Shares	:	10,400,000 Shares (subject to adjustment)
Offer Price	:	Not more than HK\$1.70 per Offer Share (payable in full on application and subject to refund) and expected to be not less than HK\$1.43 per Offer Share
Nominal value	:	HK\$0.10 per Share
Stock code	:	423

Global Coordinator, Sponsor, Bookrunner and Lead Manager

## BNP PARIBAS PEREGRINE

Co-Lead Manager

UOB Kay Hian (Hong Kong) Limited

Co-Managers

DBS Asia Capital Limited  
Guotai Junan Securities (Hong Kong) Limited

First Shanghai Securities Limited  
Tai Fook Securities Company Limited

The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the paragraph headed "Documents delivered to the Registrar of Companies in Hong Kong" in appendix V to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be determined by agreement between the Company and BNP Paribas Peregrine (on behalf of the Underwriters) on or before 6:00 a.m. on Thursday, 28th July, 2005 or such later time as may be agreed by the Company and BNP Paribas Peregrine but in any event not later than Friday, 29th July, 2005.

The Offer Price will be not more than HK\$1.70 per Offer Share and is expected to be not less than HK\$1.43 per Offer Share. Investors applying for Public Offer Shares must pay the maximum Offer Price of HK\$1.70 per Share together with brokerage of 1%, Stock Exchange trading fee of 0.005%, the SFC transaction levy of 0.005% and an investor compensation levy of 0.002%. BNP Paribas Peregrine (on behalf of the Underwriters) may reduce the indicative Offer Price range stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer. In such a case, a notice of the reduction of the indicative Offer Price range will be published in the International Herald Tribune, Hong Kong Edition (in English) and the Hong Kong Economic Times (in Chinese) not later than the morning of the last day for lodging applications under the Public Offer. If applications for Public Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Public Offer, then even if the Offer Price is so reduced, such applications cannot subsequently be withdrawn. Further details are set out in the sections headed "Structure of the Share Offer" and "How to apply for the Public Offer Shares" in this prospectus.

If, for any reason, the Offer Price is not agreed between the Company and BNP Paribas Peregrine (on behalf of the Underwriters) on or before 6:00 a.m. on Thursday, 28th July, 2005 or such later time as may be agreed by the Company and BNP Paribas Peregrine but in any event not later than Friday, 29th July, 2005, the Share Offer will not become unconditional and will lapse.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in the section headed "Risk factors" in this prospectus.

Pursuant to the termination provisions contained in the Underwriting Agreement in respect of the Offer Shares, BNP Paribas Peregrine (on behalf of the Underwriters) has the right in certain circumstances, in the sole opinion of BNP Paribas Peregrine, to terminate the obligations of the Underwriters pursuant to the Underwriting Agreement at any time prior to 8:00 a.m. on the Listing Date. Further details of the terms of the termination provisions are set out in the section headed "Underwriting – Grounds for termination" in this prospectus. It is important that you refer to that section for further details.

22nd July, 2005

## EXPECTED TIMETABLE

If there is any change in the following expected timetable of the Public Offer, the Company will issue an announcement to be published in English in the International Herald Tribune, Hong Kong Edition and in Chinese in the Hong Kong Economic Times.

2005  
(Note 1)

Latest time for lodging **PINK** application forms . . . . . 4:00 p.m. on Tuesday, 26th July

Application lists open (Note 2) . . . . . 11:45 a.m. on Wednesday, 27th July

Latest time for lodging **WHITE** and **YELLOW** application forms  
and giving **electronic application instructions**  
to HKSCC (Note 3) . . . . . 12:00 noon on Wednesday, 27th July

Application lists close (Note 2) . . . . . 12:00 noon on Wednesday, 27th July

Price Determination Time . . . . . 6:00 a.m. on Thursday, 28th July

Announcement of the Offer Price and the indication of the  
levels of interest in the Placing, the results of applications  
in respect of the Public Offer and the basis of allotment under  
the Public Offer (with successful applicants' identification  
document numbers, where applicable) to be published  
in the International Herald Tribune, Hong Kong Edition (in English)  
and the Hong Kong Economic Times (in Chinese) on or before . . . . . Tuesday, 2nd August

Despatch of Share certificates in respect of wholly  
or partially successful applications pursuant  
to the Public Offer on or before . . . . . Tuesday, 2nd August

Despatch of refund cheques in respect of wholly  
successful (if applicable) and wholly or partially  
unsuccessful applications pursuant to  
the Public Offer on or before (Note 4) . . . . . Tuesday, 2nd August

Dealings in Shares on the Main Board of  
the Stock Exchange to commence on . . . . . 9:30 a.m. on Wednesday, 3rd August

### Notes:

1. All times refer to Hong Kong local time. Details of the structure of the Share Offer, including its conditions, are set out in the section headed "Structure of the Share Offer" in this prospectus.
2. If there is a "**black**" rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 27th July, 2005, the application lists will not open and close on that day. Further information is set out in the paragraph headed "Effect of bad weather conditions on the opening of the application lists" under the section headed "How to apply for the Public Offer Shares" in this prospectus.
3. Applicants who apply by giving **electronic application instructions** to HKSCC should refer to the paragraph headed "How to apply by giving electronic application instructions to HKSCC" in the section headed "How to apply for the Public Offer Shares" in this prospectus.

## EXPECTED TIMETABLE

4. Refund cheques will be issued in respect of wholly or partially unsuccessful applications and in respect of wholly successful applications if the final Offer Price is less than the price payable on application. Part of the applicant's Hong Kong Identity Card number/passport number, or, if the application is made by joint applicants, part of the Hong Kong Identity Card number/passport number of the first-named applicant, provided by the applicant may be printed on the applicant's refund cheque(s), if any. Such data would also be transferred to a third party for refund purpose. Banks may require verification of the applicants' Hong Kong Identity Card numbers/passport numbers before encashment of the refund cheque(s). Inaccurate completion of the applicants' Hong Kong Identity Card numbers/passport numbers in the application forms may lead to delay in encashment of or may invalidate the refund cheque(s).
5. Share certificates will only become valid certificates of title at 8:00 a.m. on the Listing Date provided that the Share Offer has become unconditional in all respects including that the right of termination as described in the paragraph headed "Grounds for termination" in the section headed "Underwriting" in this prospectus has not been exercised and has lapsed. No temporary title documents will be issued.

Applicants who apply for 500,000 Shares or more on **WHITE** application forms and have indicated in their application forms that they wish to collect refund cheques and (where applicable) Share certificates in person from the Company's Hong Kong branch share registrar may collect refund cheques and (where applicable) Share certificates in person from the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, 2nd August, 2005. Identification and (where applicable) authorisation documents acceptable to Tricor Investor Services Limited must be produced at the time of collection.

Applicants who apply for 500,000 Shares or more on **YELLOW** application forms and have indicated in their application forms that they wish to collect refund cheques in person may collect their refund cheques (if any) but may not elect to collect their Share certificates, which will be deposited into CCASS for credit to their designated CCASS Participants' stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedure for collection of refund cheques for applicants who apply on **YELLOW** application forms for Shares is the same as that for **WHITE** application form applicants.

The Share certificate(s) and/or refund cheque(s) for applicants who apply on **PINK** application forms will be sent to the addresses indicated in their application forms on the date of despatch (which is expected to be Tuesday, 2nd August, 2005) by ordinary post and at their own risk.

Applicants who apply for Public Offer Shares by giving **electronic application instructions** to HKSCC should refer to the paragraph headed "If your application for the Public Offer Shares is successful (in whole or in part)" under the section headed "Terms and conditions of the Public Offer" in this prospectus for details.

Uncollected Share certificates and refund cheques will be despatched by ordinary post (at the applicants' own risk) to the addresses specified in the relevant application forms. Further information is set out in the paragraph headed "Refund of your money – additional information" under the section headed "Terms and conditions of the Public Offer" in this prospectus.

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*You should rely only on the information contained in this prospectus and the related application forms to make your investment decision.*

*The Company has not authorised anyone to provide you with information that is different from what is contained in this prospectus and/or the related application forms. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by the Company, the Sponsor, the Underwriters, any of their respective directors, or any other person involved in the Share Offer.*

*The contents of the Company's website [www.hketgroup.com](http://www.hketgroup.com) do not form part of this prospectus.*

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## SUMMARY

*This summary aims to give you an overview of the information contained in this prospectus and should be read in conjunction with the full text of this prospectus. Since this is a summary, it does not contain all the information that may be important to you. You should read the prospectus in its entirety before you decide to invest in the Offer Shares.*

*There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are summarised in the section headed "Risk factors" of this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.*

### INDUSTRY HIGHLIGHTS

#### Print media industry in Hong Kong

The Hong Kong's print media industry is fragmented, backed by a developed printing industry and communications network.

Benefiting from the improvement in the economy of Hong Kong, there was a remarkable increase in advertising spending in Hong Kong in the year of 2004 as compared to the year of 2003. According to figures released by Nielsen Media Research (AdEx) for 2004, total gross display advertising expenditure based on undiscounted advertising rate cards exceeded HK\$40 billion, a more than 13% rise from 2003. Advertising spending on newspapers and magazines accounted for 52.4% of the market, reaching HK\$21.27 billion.

In a city with approximately 6.88 million population, there were 47 newspapers and 764 magazines and other periodicals registered with the Television and Entertainment Licensing Authority as at 31st May, 2005.

Due to the competitive landscape, Hong Kong is well served by a great variety of newspapers, magazines and periodicals in Chinese, English and other languages; and by both local and international publishers. A number of international publishers use Hong Kong as the base to perform some or all of the functions of local market adaptations, printing, advertising sales and subscription. These newspapers, magazines and periodicals are differentiated in focus areas and the leading players of newspapers are able to attract a stable readership.

Generally, the main sources of revenue for newspapers and magazines are advertising income and circulation income. Therefore, advertising and circulation (or readership) are the most appropriate measurements of the market share of Hong Kong's newspaper publishers. HKABC is an association that validates publications circulation figures in Hong Kong, whilst Nielsen Media Research's AdEx is a report that records advertising revenue of different media, including newspapers and magazines in Hong Kong.

#### Securities trading in Hong Kong

According to the SFC Six-year Comparison of Business Activities Surveys on Securities Dealers (April, 2003), there were about 690 securities dealers in Hong Kong in 2001 and stock broking was their primary business. The percentages of retail clients to institutional clients were 87% to 13% in 2001, compared to 77% to 23% in 1996. The majority of the clients were local clients, accounting for almost 90%, compared to less than 80% in 1996.

## SUMMARY

The number of persons working in the securities industry peaked in 2000 with a total number of 18,618. The proportion of manpower in front office rose from 47% in 1996 to 54% in 1998, and further to 59% in 2001. These front office staff are in need of quality and speedy financial information as a vital business tool to serve their retail customers.

The Retail Investor Survey 2004 conducted by the Stock Exchange revealed that there were 400,000 more retail stock investors in Hong Kong than in 2003. In October 2004, 24.6% of the Hong Kong adult population (or 1,360,000 individuals) were retail investors. Retail stock participation increased from 17.5% of the adult population (or 957,000 individuals) in 2003 to 24.4% (or 1,354,000 individuals) in 2004 and was the highest since the survey series began. Compared to a decade ago, the proportion of adult population investing in stocks has almost doubled (17.5% in 2003 vs 9% in 1992). From survey findings, the Hong Kong stock market has attracted more and more individuals of higher education level to participate in stock investment.

The Stock Exchange's Cash Market Transaction Survey 2003/04, which covers the year ended 30th September, 2004, found increased Mainland China participation in the Hong Kong stock market.

This rising trend would be further supported by CEPA and concurrent liberalization measures, which have in one way or another made it easier for Mainland China issuers and investors to reach Hong Kong and list and trade there.

Steps are being taken by the China authorities to allow selected Mainland China institutions to invest overseas, including in Hong Kong. To diversify their investment portfolios, Mainland China investors would be interested in the China-related stocks listed in Hong Kong. For institutions, such as pension funds or The National Social Security Fund, it also makes sense to diversify into overseas markets such as Hong Kong to improve returns and lower risk. The trend of Mainland China investment in the Hong Kong market is likely to grow over time.

### **Property market in Hong Kong**

The property market in Hong Kong had clearly turned around in late 2003, after the languishing performance earlier in that year. The number and total value of property transactions increased substantially to 123,480 and HK\$351.8 billion in 2004, representing a growth of 41.4% and 85.7% over 2003 respectively.

### **Wealth and asset management in Hong Kong**

In the past four years, despite worldwide market volatility, deflation and record low interest rates, the Hong Kong fund industry achieved an annual compound growth rate of 14.9% year-on-year growth in Asset Under Management ("AUM"). According to the market wide survey conducted by the SFC on the asset management business, the total AUM under management by Hong Kong fund managers increased by 56% since 2000.

According to the Fund Management Activities Survey 2003 conducted by the SFC, among the licensed corporations, asset management business was up 41% year-on-year, on the back of strong performance in the financial markets, inflows of investment funds and gain in investment mandates. Manpower was also strengthened substantially. The number of staff engaged in fund management activities increased 31% in 2003 to 3,763, driven by a threefold increase in sales and marketing staff.

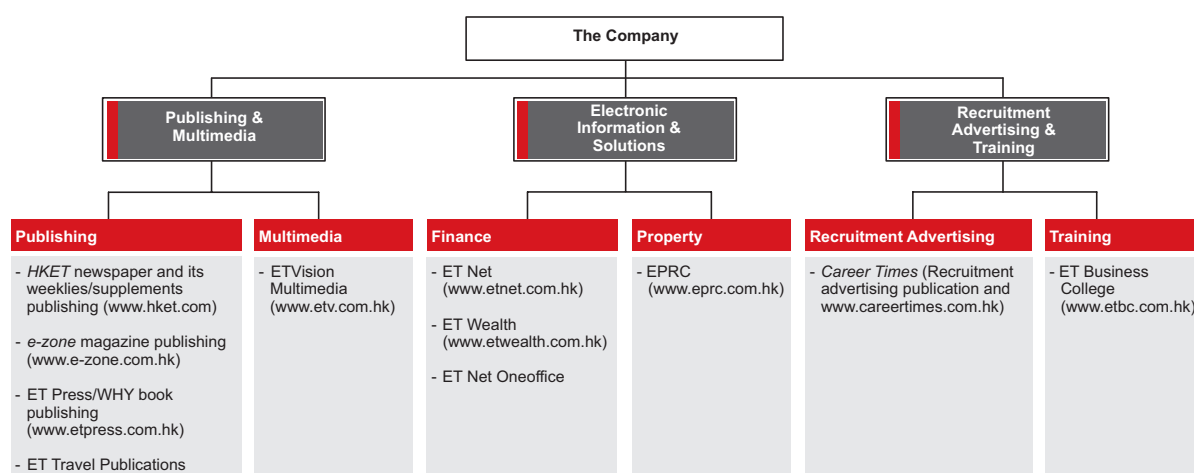
## SUMMARY

### BUSINESS OVERVIEW

The Company, through its subsidiaries, is a diversified media company. The core business of the Group is the publication of *Hong Kong Economic Times* (香港經濟日報), being the leading financial newspaper in Hong Kong. Apart from newspaper publishing, the Group has successfully developed other business ventures such as magazine publishing (*e-zone*), book publishing, recruitment advertising and training for business executives. In addition, the Group is one of the leading real-time financial information providers providing equities and derivatives quotation, news, commentaries and Hong Kong listed companies information to the professional market and retail investors.

As set out in the diagram below, the Group operates in three major business segments, namely Publishing and Multimedia, Electronic Information and Solutions, and Recruitment Advertising and Training. Revenues generated from these three business segments (after elimination of inter-segment transactions) during the Track Record Period are as follows:

	For the year ended 31st March,					
	2003		2004		2005	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Publishing and Multimedia	367,210	68.0	368,548	71.5	442,188	72.7
Electronic Information and Solutions	116,918	21.6	102,586	19.9	107,130	17.6
Recruitment Advertising and Training	56,320	10.4	44,535	8.6	59,094	9.7
<b>Total</b>	<b>540,448</b>	<b>100.0</b>	<b>515,669</b>	<b>100.0</b>	<b>608,412</b>	<b>100.0</b>

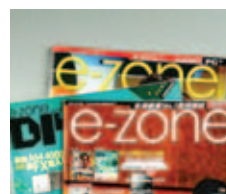




## SUMMARY

The Group has attained the following accolades for its various business operations:

1. *HKET* is the leading financial newspaper in Hong Kong, according to the HKABC reports on newspapers with circulation audited, Nielsen Media Research AdEx data and Media Index Report;
2. *e-zone* ranked No. 1 in gross display advertisement revenue among all PC and digital magazines in Hong Kong according to Nielsen Media Research AdEx data;



3. ET Net is one of the market leaders in providing real-time financial information to the professional market and retail investors in Hong Kong;
4. ET Wealth is one of the dominant providers in providing funds market database and wealth management system to the professional market in Hong Kong;



5. EPRC is one of the market leaders in providing property database to the professional market in Hong Kong;
6. *Career Times* ranked No. 2 in the recruitment classified advertising market in Hong Kong according to Nielsen Media Research AdEx data.



## PRINCIPAL STRENGTHS

The Directors believe that the Group has the following competitive strengths:

- **Industry market leader with excellent reputation and brand.** The Directors believe that the reputation of the Group and its leading status in the financial reporting service industry in publishing *HKET* support the operation and development of all the other business units within the Group. The Directors also believe that the strong brand identity of *HKET* places the Group in a competitive position and helps implementing the Group's marketing strategies targeted at potential readers, advertising customers and subscribers.
- **Established electronic information business for both financial and property industries.** The Group, through ET Net and EPRC, has managed to establish extensive

## SUMMARY

financial and property information databases for the financial and property industries. ET Net anchors in a developed technology platform and is one of the bilingual real-time financial information providers, providing equities and derivatives quotation, news, commentaries, charting and information of Hong Kong listed companies to the professional market and retail investors. EPRC, on the other hand, has developed a comprehensive and user-friendly property database (which includes data on property transactions and asking information) to satisfy the increasing demand for analytical property data by property practitioners.

- **Reputation of quality content and reporting that attracts quality readers.** The editorial policy of *HKET* is to report and to write in a formal and professional style so as to provide its readers with accurate information and impartial reporting. Thus *HKET* has attracted strong professional/manager/executive readership. It also insists on quality reporting by providing the news issues and angles that are of interest to business executives. The Directors believe that *HKET* has established itself as the leading quality financial newspaper in Hong Kong through this editorial policy, which they intend to maintain. The Group has received various awards in news reporting, editing and photography granted mostly by The Newspaper Society of Hong Kong.
- **Continual synergy creation to maximize the Group's income.** The various business units can ride on the reputation of the Group to develop their businesses in particular when targeting at customers similar to those of *HKET*. At the same time, they also share among themselves content for publishing, promotional resources and distribution resources to minimize cost and maximize business opportunities and value creation within the Group. With the specialty of different business units, *HKET* can also be more competitive by adopting an integrated marketing approach for advertising customers by providing value-added services.
- **Visionary management team with significant experience and industrial knowledge.** The Group's management has successfully led the Group to transform itself from a newspaper publishing company to a diversified media company. Key members of the Group's management team have been with the Group for more than 15 years. Many of them have had extensive knowledge and over 15 years of experience in the publishing industry, financial industry or IT industry.
- **Strong and established recruitment advertising services.** The Directors believe that the major strength of *Career Times* recruitment advertising is its wide range of recruitment advertising services to its clients and its commitment to build strong customer relationships. As for advertising, other than just providing an advertising space within the Group's printed media, the advertising team also provides value-added services – it would design and package the overall advertising concept and marketing campaign for clients based on their needs.

### MISSION STATEMENT AND STRATEGIES

The mission of the Group is to become a leading branded financial and business information and services provider in Greater China.

The Group's principal business strategies are as follows:

- **Strengthen its leading position to provide quality financial content and diversify into other contents in order to expand the quality readership base which the**

## SUMMARY

**Directors believe will lead to more advertising revenue.** The Group will continue to maintain quality content in financial news in order to maintain its target advertising clientele. In order to further increase its circulation and readership, which may directly and/or indirectly enhance its advertising revenue, the Group has started to incorporate and enhance certain general interest contents on social news, Mainland China news, education, entertainment, leisure, local and overseas travel, European soccer as well as personal finance feature into *HKET* to complement its strength in financial news coverage and property contents.

- **Broaden *HKET*'s advertising revenue from other industry sectors and regions, in particular, Mainland China.** As *HKET* is diversifying into general interest content while maintaining a strong finance focus, the strategy is to capitalize on the change in newspaper content by diversifying its advertising revenue base to target general newspaper advertisements in areas such as entertainment, food and beverages, lifestyle, leisure, brands, fitness and beauty. *HKET* Limited has entered into a conditional sale and purchase agreement with HK Holding to acquire the entire registered capital of SZ Advertising, a subsidiary of HK Holding. Details of the conditional sale and purchase agreement between *HKET* Limited and HK Holding are set out in the section headed "Connected Transactions" in this prospectus. SZ Advertising intends to set up advertising offices in major cities such as Beijing, Guangzhou and Shanghai in the future. The acquisition of SZ Advertising will further increase the exposure of the Group in Mainland China.
- **Leverage on its real-time equities and derivatives quotation and financial information database and its high quality users base to roll out and expand other value-added products and services (such as financial portal, ET Net PV II version in Mainland China and datafeed service in different regions).** The Group plans to launch ET Net PV II version for its Mainland China quotation business. PV II version is the second generation of PV which is customized by the Group to cater for the specific needs of the Mainland China customers. ET Net is also planning to expand its datafeed business in Mainland China, Taiwan and Japan by centralising the information, data and content from its various products and customize the outputs in accordance with the customers' requirements, or by selling investor relationship package to the Mainland China companies listed in Hong Kong to display their company information and stock prices. ET Net aims to provide high quality and customized services to its customers and to leverage on its financial and business reputation to explore new business opportunities. With the fast growing trend in the wealth management industry, the Directors also believe that its ET Wealth funds market database and wealth management system will be highly sought-after by the financial planners.
- **Integrated one-stop marketing solution.** In order to strengthen and foster the relationship with its clients, the Group will continue to provide comprehensive marketing packages and one-stop services for its corporate clientele, including seminars, video production, tailor-made booklets and newsletters, direct mailing, games and competitions, premiums and online advertisement etc. The Group believes that this "integrated marketing" approach is well received by advertisers as it is more cost-effective, time-saving and trouble-free. This allows the Group to capture not only the above-the-line budget as other competitors do, but also the below-the-line budget of the advertisers. The frequent cooperation between different subsidiaries of the Group has created ample opportunity to bring together their intellectual properties to create more innovative products and ideas.

## SUMMARY

- **Develop strategic partnership in Mainland China.** ET Net News Agency has entered into a co-operation agreement with Qianlong in November 2004 pursuant to which ET Net News Agency will provide Hong Kong's equities quotation and financial information to Qianlong. Qianlong is presently engaged in the development, production and distribution of securities analysis software in Mainland China and is one of the major financial information vendors in Mainland China. ET Net News Agency intends to leverage on Qianlong's strengths and connections in Mainland China to further develop Hong Kong stock quotation business in Mainland China.
- **Expand the Group's printing capacity and improve its overall printing efficiency.** The Group has recently invested in two new printing press lines for the publishing of *HKET*. Each line can produce 6 full colour broadsheets at a speed of 40,000 revolutions (1 set of 6 broadsheets per revolution) per hour. The Group installed these new machines to increase circulation and the number of pages of the newspapers, in particular, the advertising section. These new machines are not intended for replacement but are for future growth. The new machines also allow the Group to provide services to third parties, such as printing jobs for other publications in Hong Kong. In addition, the Group intends to adopt the "computer-to-plate" technology in the pre-press section so as to improve its overall printing and production efficiency by reducing material cost, manpower resources and production lead time.

## RISK FACTORS

There are certain risks which an investor should evaluate in connection with an investment in the Offer Shares. These risks can be categorized into risks relating to the Group, risks relating to the industry, risks relating to economics and politics, risks relating to the Shares and other risks. They are described in the "Risk factors" section and are listed below:

### Risks relating to the Group

- Growing development of paperless online publishing and the possibility of replacement of traditional printed announcements in newspapers by electronic announcements
- Reliance on deriving revenue from advertising
- Reliance on distributors for distributing the Group's newspapers and magazines
- Information technology obsolescence
- Reliance on experienced journalists and skilled technicians
- Loss of supplies from the Group's newsprint suppliers
- Volatility of the Group's future operating results
- Reliance on key executives and personnel
- Infringement of the Group's intellectual property rights and possible infringement of third parties' rights
- Possible infringement of the Personal Data (Privacy) Ordinance

## SUMMARY

- Failure to compete effectively in the publishing industry
- Security and backup
- Reliance on providers for its quotation business
- Dependence on the financial and brokerage industry and its market participants
- Government regulation of the media industry in Mainland China
- Government regulation of the advertising business in Mainland China
- Cross-border business operation may pose managerial challenges
- Offer of electronic financial information in Mainland China is subject to specific regulatory requirements in Mainland China
- Proceeds of the Share Offer
- No assurance on the amount of future distributions
- Historical net current liabilities
- Potential investors should read the entire prospectus carefully and the Group strongly cautions potential investors not to place any reliance on any information contained in press articles or disseminated through other media, certain of which may not be consistent with the information contained in this prospectus

### **Risks relating to the industry**

- Volatility in newsprint price
- Liabilities for publication of the newspapers, magazines and other publications and for their contents
- Price war in the Hong Kong advertising industry and electronic information business
- Final reports on civil liability for invasion of privacy and privacy and media intrusion
- Significant increase in staff cost

### **Risks relating to economics and politics**

- Adverse economic developments in Hong Kong or elsewhere
- Political risk in Hong Kong
- Currency exchange rate
- Possible outbreak of SARS or other serious contagious diseases

### **Risks relating to the Shares**

- Volatility of the trading market and the trading price of the Shares
- Dilution of Shares

## SUMMARY

- Sales of substantial amounts of Shares in the public market

### Other risk

- Forward-looking statements may not be free from uncertainties or accurate

### USE OF PROCEEDS

The Directors believe that the Share Offer will raise and strengthen the Group's corporate profile and capital base, and will provide funding for achieving the Group's business strategy and carrying out its future plans.

Assuming that the Over-allotment Option is not exercised, the net proceeds of the Share Offer, after deduction of underwriting commission and estimated expenses of approximately HK\$16.1 million payable by the Group, are estimated to be approximately HK\$146.7 million (based on an Offer Price of HK\$1.565 per Share, being the mid-point of the stated range of the Offer Price of between HK\$1.43 and HK\$1.70 per Share). The Directors currently plan to use such net proceeds as follows:

1. approximately HK\$50 million for business expansion in Mainland China, consisting of:
  - (a) approximately HK\$30 million for advertising business and business co-operation with other media companies in Mainland China; and
  - (b) approximately HK\$20 million for developing ET Net's quotation and information products to suit local usage and increase market coverage;
2. approximately HK\$30 million for publishing around two servicing and/or consumer products magazines in Hong Kong;
3. approximately HK\$20 million for developing financial information pool for datafeed businesses, revamping the existing financial portal ([www.etnet.com.hk](http://www.etnet.com.hk)) to include more content to expand its online advertising and e-commerce businesses;
4. approximately HK\$10 million for developing wealth management system and related content enhancement;
5. approximately HK\$25 million to upgrade newspaper production technology by adopting "computer-to-plate" technology in the pre-press section; and
6. the remaining amount to be used as general working capital.

In the event that the Over-allotment Option is exercised in full, the additional net proceeds of approximately HK\$23.8 million (based on an Offer Price of HK\$1.565 per Share, being the mid-point of the stated range of the Offer Price of between HK\$1.43 and HK\$1.70 per Share) will be applied by the Group as additional general working capital of the Group.

To the extent that the net proceeds of the Share Offer are not immediately required for the above purposes or if the Group is unable to effect any part of its development plan as intended, it may hold such funds in short-term deposits with banks and/or financial institutions in Hong Kong for so long as it deems to be in the best interests of the Group. The Directors may re-allocate the use of the net proceeds should any of the above plans not be implemented. In such event, the Company will comply with the appropriate disclosure requirements under the Listing Rules.

## SUMMARY

### TRADING RECORD

The following is a summary of the Group's combined results for the Track Record Period extracted from the accountants' report set out in appendix IA to this prospectus. The results were prepared on the basis of the presentation set out in the above-mentioned accountants' report.

	<b>Year ended 31st March,</b>		
	<b>2003</b> <i>HK\$'000</i>	<b>2004</b> <i>HK\$'000</i>	<b>2005</b> <i>HK\$'000</i>
Turnover	540,448	515,669	608,412
Cost of goods sold	<u>(311,051)</u>	<u>(307,558)</u>	<u>(350,980)</u>
Gross profit	229,397	208,111	257,432
Other revenues	13,334	3,235	462
Selling and distribution expenses	(72,108)	(64,813)	(75,024)
General and administrative expenses	<u>(110,082)</u>	<u>(108,535)</u>	<u>(101,427)</u>
Operating profit	60,541	37,998	81,443
Finance costs	<u>(712)</u>	<u>(523)</u>	<u>(556)</u>
Profit before taxation	59,829	37,475	80,887
Taxation	<u>(11,453)</u>	<u>(10,178)</u>	<u>(14,461)</u>
Profit after taxation	48,376	27,297	66,426
Minority interests	<u>(10,539)</u>	<u>(1,292)</u>	<u>(1,332)</u>
Profit for the year	<u><u>37,837</u></u>	<u><u>26,005</u></u>	<u><u>65,094</u></u>
Dividends	<u><u>26,750</u></u>	<u><u>4,500</u></u>	<u><u>5,625</u></u>
Basic earnings per Share ( <i>HK cents</i> )	<u><u>12.13</u></u>	<u><u>8.33</u></u>	<u><u>20.86</u></u>

<b>SUMMARY</b>
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**SHARE OFFER STATISTICS**

	<b>Based on an Offer Price of HK\$1.43 per Share</b>	<b>Based on an Offer Price of HK\$1.70 per Share</b>
Market capitalisation of the Shares ( <i>Note 1</i> ) . . . . .	HK\$595 million	HK\$707 million
Historical price/earnings multiple ( <i>Note 2</i> ) . . . . .	6.85 times	8.15 times
Pro forma adjusted net tangible assets value per Share ( <i>Note 3</i> ) . . . . .	HK\$0.75	HK\$0.81

*Notes:*

- (1) The calculation of the market capitalisation of the Shares is based on 416,000,000 Shares in issue immediately after completion of the Share Offer but does not take into account any Shares which may be issued upon exercise of the Over-allotment Option or of any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company pursuant to the Issuing Mandate and the Repurchase Mandate.
- (2) The calculation of historical price/earnings multiple is based on the audited net profit of HK\$65,094,000 for the year ended 31st March, 2005 and 312,000,000 Shares at the respective Offer Price of HK\$1.43 and HK\$1.70 per Share, and based on the assumption set out in note 1 above.
- (3) The pro forma adjusted net tangible assets value per Share has been arrived at after the adjustments referred to in the paragraph headed "Unaudited pro forma adjusted net tangible assets" of the section headed "Financial information" in this prospectus and on the basis of a total of 416,000,000 Shares were in issue as at 31st March, 2005 (including Shares in issue as at the date of this prospectus and those Shares to be issued pursuant to the Share Offer at the respective Offer Price of HK\$1.43 and HK\$1.70 per Share but without taking into account for any Shares which may fall to be issued upon the exercise of the Over-allotment Option).



## DEFINITIONS

*In this prospectus, unless the context otherwise requires, the following expressions have the following meanings. Certain other terms are explained in the section headed "Glossary of technical terms".*

"AdEx"	the Advertising Expenditure report compiled by Nielsen Media Research by measuring the advertisements of various media based on undiscounted advertising rate cards
"Advertising Law"	中華人民共和國廣告法 (Advertising Law of the PRC), promulgated on 27th October, 1994 and effective as of 1st February, 1995
"Articles"	the articles of association of the Company, approved and adopted on 19th July, 2005 and as amended from time to time
"associate(s)"	has the meaning ascribed to it in the Listing Rules
"BNP Paribas Peregrine" or "Sponsor" or "Global Coordinator"	BNP Paribas Peregrine Capital Limited, acting as the global coordinator, sponsor, bookrunner and lead manager of the Share Offer, a corporation licensed to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
"Board"	the board of Directors
"Bonus Shares"	Shares to be transferred pursuant to the Deeds of Gift
"Books Registration Ordinance"	the Books Registration Ordinance (Chapter 142 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Business Day"	any day (excluding a Saturday) on which banks in Hong Kong are generally open for business
"BVI"	the British Virgin Islands
" <i>Career Times</i> "	the recruitment advertising newspaper published by the Group
"Career Times Online Limited"	Career Times Online Limited, a company incorporated under the laws of Hong Kong on 17th April, 2000 and wholly owned by Cotino
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Broker Participant"	a person admitted to participate in CCASS as a broker participant

## DEFINITIONS

“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Broker Participant or a CCASS Custodian Participant or a CCASS Investor Participant
“CEPA”	Closer Economic Partnership Arrangement and its Annexes signed between Hong Kong and China in June and September 2003 respectively
“Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company”	Hong Kong Economic Times Holdings Limited, a company incorporated with limited liability in the Cayman Islands on 15th February, 2005 under the Companies Law, or where the context refers to any time prior to its incorporation, those businesses and operations which its predecessors were engaged in and which were subsequently assumed by the Group pursuant to the Reorganisation in contemplation of the Share Offer
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Control of Obscene and Indecent Articles Ordinance”	the Control of Obscene and Indecent Articles Ordinance (Chapter 390 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“controlling shareholder”	has the meaning ascribed to it in the Listing Rules and “controlling interest” shall be constructed accordingly
“Cotino”	Cotino Limited, a company incorporated under the laws of BVI on 13th April, 2000 and indirectly owned as to 60% by the Company
“Deeds of Gift”	the 100 deeds of gift between Golden Rooster on the one part and the respective recipients of the Gifts on the other part
“Director(s)”	the director(s) of the Company

## DEFINITIONS

“EPRC”	EPRC Limited, a company incorporated under the laws of Hong Kong on 22nd December, 1999 and an indirect wholly owned subsidiary of the Company. The company acquired the electronic property information business which commenced operation in 1991 from a fellow subsidiary, ET Net, on 31st March, 2000
“ETBC”	ET Business College Limited (formerly known as ETA Conference and Events Management Limited and then ET Professional Development Limited), a company incorporated under the laws of Hong Kong on 18th August, 1987 and an indirect wholly owned subsidiary of the Company
“ET Business College”	the training institute operated by ETBC
“ET Net”	ET Net Limited (formerly known as Economic Property Information Services Limited and then Hong Kong Electronic Times Limited), a company incorporated under the laws of Hong Kong on 20th October, 1987 and a wholly owned subsidiary of ET Net (BVI). The company transferred its electronic property information business which commenced operation in 1991 to a fellow subsidiary, EPRC, on 31st March, 2000
“ET Net (BVI)”	ET Net (BVI) Limited, a company incorporated under the laws of BVI on 23rd March, 2000 and indirectly owned as to 96.04% by the Company
“ET Net News Agency”	ET Net News Agency Limited, a company incorporated under the laws of Hong Kong on 16th May, 2001 and a wholly owned subsidiary of ET Net (BVI)
“ET Net Oneoffice”	ET Net Oneoffice Limited (formerly known as eFinance Limited and then GEM Solutions Limited), a company incorporated under the laws of Hong Kong on 28th July, 1999 and a wholly owned subsidiary of ET Net (BVI)
“ET Press”	a division of HKET Limited, established in 1994
“ET Travel Publications”	a division of HKET Limited, established in 2003
“ETVision”	ETVision Multimedia Limited, a company incorporated under the laws of Hong Kong on 29th March, 2000 and an indirect wholly owned subsidiary of the Company
“ET Wealth”	ET Wealth Limited (formerly known as ET Net Solutions Integrator Limited and then ET Net Solutions Limited), a company incorporated under the laws of Hong Kong on 19th May, 2000 and a wholly owned subsidiary of ET Net (BVI)

## DEFINITIONS

“ET Wealth Technology”	環富通科技(深圳)有限公司(ET Wealth Technology (Shenzhen) Limited) (previously known as 科軟通科技(深圳)有限公司 (ET Net Solutions (Shenzhen) Limited), a company established under the laws of PRC on 22nd October, 2002 and a wholly owned subsidiary of ET Wealth
“e-zone”	the PC and digital magazine published by the Group
“GDP”	the Gross Domestic Product
“GEM”	the Growth Enterprise Market of the Stock Exchange
“Gifts”	the gifts of Shares by Golden Rooster under the Deeds of Gift
“Golden Rooster”	Golden Rooster Limited, a company incorporated under the laws of BVI on 15th December, 1992 and owned as to 33.50% by Mr. Fung Siu Por, Lawrence, the chairman and an executive Director, 33.50% by Mr. Chu Yu Lun, the non-executive Director, and 33.00% by Putt Putt Company Limited
“Group”	the Company together with its subsidiaries at the relevant time or where the context so requires, in respect of the period before the Company became the holding company of its present subsidiaries, such subsidiaries as if they were the subsidiaries of the Company at that time
“HK Holding”	Hong Kong Economic Times (Holding) Limited (formerly known as The Financial Journal Limited), a company incorporated under the laws of Hong Kong on 29th July, 1986 and owned as to approximately 84.81% by Golden Rooster. HK Holding was the holding company of the Company’s subsidiaries before completion of the Reorganisation
“HKABC”	Hong Kong Audit Bureau of Circulations Limited, a non-profit making organization which audits circulation data of publications of its members, being magazines and newspapers
“HKET”	Hong Kong Economic Times (香港經濟日報), the Chinese-language newspaper published by the Group
“HKET Group (BVI)”	Hong Kong Economic Times Group (BVI) Limited, a company incorporated under the laws of BVI on 7th April, 2005 and a wholly owned subsidiary of the Company
“HKET Limited”	Hong Kong Economic Times Limited, a company incorporated under the laws of Hong Kong on 9th February, 2001 and an indirect wholly owned subsidiary of the Company

## DEFINITIONS

“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“iCareerTimes”	iCareerTimes (BVI) Limited, a company incorporated under the laws of BVI on 30th May, 2000 and an indirect wholly owned subsidiary of the Company
“Independent Third Party” or “Independent Third Parties”	a person(s) or company(ies) which is/are independent of, and not connected with the directors, the chief executives and the substantial shareholders of the Company and its subsidiaries and their respective associates
“Issuing Mandate”	the general unconditional mandate given to the Directors by the then sole Shareholder relating to the issue of new Shares, further details of which are contained in the paragraph headed “Written resolutions of the sole Shareholder passed on 19th July, 2005” in appendix IV to this prospectus
“Latest Practicable Date”	19th July, 2005, being the latest practicable date prior to the bulk printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange
“Listing Date”	the date expected to be on or about 3rd August, 2005 on which Shares are listed and from which dealings commence on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Main Board”	the exchange operated by the Stock Exchange prior to the establishment of GEM, excluding the option market, and which continues to be operated by the Stock Exchange in parallel with GEM
“Mainland China”	the People’s Republic of China which, for the purpose of this prospectus, excludes Hong Kong and the Macau Special Administrative Region of the People’s Republic of China
“Newspapers Registration and Distribution Regulations”	the Newspapers Registration and Distribution Regulations (Chapter 268B of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

## DEFINITIONS

“Offer Price”	the final offer price per Offer Share (exclusive of brokerage fee of 1%, the SFC transaction levy of 0.005%, investor compensation levy of 0.002% and Stock Exchange trading fee of 0.005%) of not more than HK\$1.70 per Share and expected to be not less than HK\$1.43 per Share, such price to be agreed upon by the Company and BNP Paribas Peregrine (on behalf of the Underwriters) on or before the Price Determination Time
“Offer Share(s)”	the Placing Share(s) and the Public Offer Share(s) being offered at the Offer Price under the Share Offer, where relevant, together with any additional Shares to be issued pursuant to the exercise of the Over-allotment Option
“Over-allotment Option”	the option granted by the Company to BNP Paribas Peregrine pursuant to which the Company may be required to issue up to an additional aggregate of 15,600,000 new Shares (representing 15% of the Shares initially being offered under the Share Offer) to cover over-allocations in the Placing, details of which are described in the section headed “Structure of the Share Offer” in this prospectus
“Placing”	the conditional placing of the Placing Shares by the Placing Underwriters with professional and institutional investors at the Offer Price, as further described in the section headed “Structure of the Share Offer” in this prospectus
“Placing Shares”	the 93,600,000 new Shares being initially offered at the Offer Price pursuant to the Placing, where relevant, together with any additional Shares issued pursuant to the exercise of the Over-allotment Option, subject to reallocation as described in the section headed “Structure of the Share Offer” in this prospectus
“Placing Underwriters”	BNP Paribas Peregrine, UOB Kay Hian (Hong Kong) Limited, DBS Asia Capital Limited, First Shanghai Securities Limited, Guotai Junan Securities (Hong Kong) Limited and Tai Fook Securities Company Limited
“PRC” or “China”	the People’s Republic of China which includes Hong Kong and the Macau Special Administrative Region of the People’s Republic of China
“Price Determination Time”	on or before 6:00 a.m. on Thursday, 28th July, 2005 (Hong Kong time) at which time the Offer Price is determined, or such later time as the Company and BNP Paribas Peregrine (on behalf of the Underwriters) may agree, but in any event not later than Friday, 29th July, 2005
“Principal Share Registrar”	Butterfield Fund Services (Cayman) Limited

## DEFINITIONS

“Public Offer”	the issue and offer of the Public Offer Shares to the public in Hong Kong for subscription at the Offer Price, subject to and in accordance with the terms and conditions set out in this prospectus and the related application forms
“Public Offer Shares”	the 10,400,000 new Shares being initially offered by the Company for subscription at the Offer Price pursuant to the Public Offer, subject to reallocation as described in the section headed “Structure of the Share Offer” in this prospectus
“Public Offer Underwriters”	BNP Paribas Peregrine, UOB Kay Hian (Hong Kong) Limited, DBS Asia Capital Limited, First Shanghai Securities Limited, Guotai Junan Securities (Hong Kong) Limited and Tai Fook Securities Company Limited
“Qianlong”	上海乾隆高科技有限公司 (Shanghai Qianlong Advanced Technology Limited), a company established under the laws of the PRC on 21st September, 1994 and indirectly owned by Qianlong Technology International Holdings Limited, a company incorporated in the Cayman Islands on 6th May, 1998 and listed on GEM. Qianlong and Qianlong Technology International Holdings Limited are both Independent Third Parties
“Registration of Local Newspapers Ordinance”	the Registration of Local Newspapers Ordinance (Chapter 268 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Reorganisation”	the reorganisation arrangements undergone by the Group in preparation for the Listing as described in the paragraph headed “Corporate reorganisation” in appendix IV to this prospectus
“Repurchase Mandate”	the general unconditional mandate to repurchase Shares given to the Directors by the then sole Shareholder, further details of which are contained in the paragraph headed “Written resolutions of the sole Shareholder passed on 19th July, 2005” in appendix IV to this prospectus
“SARS”	Severe Acute Respiratory Syndrome, a respiratory disease of unknown etiology and characterized by fever and coughing or difficulty in breathing or hypoxia
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share Offer”	the Placing and the Public Offer

## DEFINITIONS

“Share Option Scheme”	the share option scheme conditionally adopted by the Company pursuant to a resolution passed by the then sole Shareholder on 19th July, 2005 the principal terms of which are summarised in the paragraph headed “Share Option Scheme” in appendix IV to this prospectus
“Shareholders”	holders of Shares
“Shares”	shares in the share capital of the Company, with a par value of HK\$0.10 each, for which an application has been made for listing of and permission to deal on the Stock Exchange, and which are subscribed for and traded in HK\$
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“SZ Advertising”	深圳港經廣告傳播有限公司 (HKET Advertising (Shenzhen) Limited), a company established under the laws of the PRC on 2nd March, 2005 and a wholly owned subsidiary of HK Holding
“Track Record Period”	the period comprising the three financial years ended 31st March, 2003, 2004 and 2005
“Underwriters”	the Placing Underwriters and the Public Offer Underwriters
“Underwriting Agreement”	the conditional underwriting and placing agreement dated 21st July, 2005 entered into between, among others, the Company and the Underwriters
“UK”	the United Kingdom
“US” or “United States”	the United States of America
“US Securities Act”	the United States Securities Act of 1933, as amended, supplemented or otherwise modified from time to time
“WTO”	the World Trade Organisation, an international organisation based in Geneva that monitors and enforces rules governing global trade
“HK\$”, “Hong Kong dollars” and “HK cents”	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of China
“US\$” or “US dollars”	United States dollars, the lawful currency of the United States of America
“sq.ft.”	square foot



## DEFINITIONS

“sq.m.” square metre

“%” percent

*Unless otherwise specified, statements contained in this prospectus assume no exercise of the Over-allotment Option.*

*All times refer to Hong Kong time.*

*If there is any inconsistency between the Chinese name of the PRC laws and regulations or Mainland China entities mentioned in this prospectus and their English translation, the Chinese version shall prevail.*

*For the purposes of this prospectus, unless otherwise specified, conversions of US dollars and RMB into Hong Kong dollars are based on the approximate exchange rates of US\$1.00 to HK\$7.80 and HK\$1.00 to RMB1.06, respectively, for the purposes of illustration only. No representation is made that any amount in Hong Kong dollars, US dollars or RMB could have been or could be converted at the above rates or at any other rates.*

## GLOSSARY OF TECHNICAL TERMS

*This glossary contains explanations of certain terms used in this prospectus in connection with the Group and its business. These technical terms and their given meanings may not correspond to those standard meanings and usages adopted in the industry.*

“computer-to-plate”	the direct transmission of the content of a publication from the computer to a plate without the making of film negatives
“e-book”	electronic book or any book published in electronic or digital format
“e-commerce”	the buying and selling of goods and services on the Internet, especially the World Wide Web
“Internet”	international network that links together computers and allows data to be transferred between each computer using the TCP/IP protocols
“IT”	the acronym for information technology
“PC”	the acronym for personal computer
“PNETS”	Public Non-Exclusive Telecommunications Service
“TCP/IP”	the acronym for Transmission Control Protocol/Internet Protocol, a set of communication protocols that bundles and unbundles sent and received data into packets, manages packet transmission and checks for errors across networks
“web page”	single file stored on a web server that contains formatted text, graphics and hyperlinks to other pages on the Internet
“website”	collection of web pages that have been produced by a company or an individual and are linked together by hyperlinks

## RISK FACTORS

*Potential investors should consider carefully all the information set out in this prospectus and, in particular, the following risks associated with an investment in the Company before making any investment decision in relation to the Company.*

*The Directors believe that there are certain risks involved in the Group's operations. They can be broadly categorised into: (i) risks relating to the Group; (ii) risks relating to the industry; (iii) risks relating to economics and politics; (iv) risks relating to the Shares; and (v) other risk.*

### RISKS RELATING TO THE GROUP

#### **Growing development of paperless online publishing and the possibility of replacement of traditional printed announcements in newspapers by electronic announcements**

The development of paperless e-commerce and e-book and the increasing use of information technology to replace printed media may have an adverse impact on the performance of the traditional printing industry. In addition, public companies listed on GEM of the Stock Exchange are now only required to publish their announcements on GEM website rather than in newspapers.

As disclosed in the section headed "Business Review" of the 2005 First Quarter Results of the Stock Exchange dated 11th May, 2005, the Directors note that the Stock Exchange intends to revise the current mechanisms for information dissemination by Main Board issuers, which in the longer term, will result in the abolition of the mandatory requirement for issuers to publish paid announcements in newspapers. As an interim measure, the Main Board listing committee has approved a proposal to publish a summary announcement in newspapers instead of the full version which will be posted on the Stock Exchange's website, the issuer's website and/or other communication channels. Subject to the system and operational readiness and approval of the relevant rule amendments by the SFC, the publication of summary announcements in newspapers would be implemented.

The share of the revenue derived from paid announcements in *HKET* was in the range of 8% to 10% of the Group's total revenue for each of the three years during the Track Record Period. The Directors consider that in making paid announcements, there are considerations other than mandatory requirement in deciding the ways to disseminate information, such as the desire to enhance transparency and maintain company image, as well as the intention to increase publicity of certain types of paid announcements, such as formal notice and results announcement. This can be exemplified by the observation that some listed companies place results announcement or formal notice in more than one Chinese newspaper, which is beyond the mandatory requirement. It is because announcements placed in newspapers constitute an important information source for retail investors. As such and in view of the uncertain schedule and lack of concrete details for the change of information dissemination mechanisms of Main Board issuers, the Directors reckon that they are unable to predict the exact effect of such change on the Group's revenue. Should the requirement of publishing announcements on the Stock Exchange's website rather than in newspapers be further applied to Main Board listed companies, the Group's advertising revenue generated from announcements published in *HKET* may be adversely affected.

## RISK FACTORS

### **Reliance on deriving revenue from advertising**

For the Track Record Period, revenue derived from advertising accounted for approximately 64.7%, 64.0% and 64.7% of the total turnover generated by the Group. Advertisers include sectors of banking and finance, real estate, telecommunications, computer and the Internet and automobiles. A significant decline in the advertising spending by major advertisers could have a material adverse effect on the results of operations of the Group in the future.

The Group has not entered into any long-term agreement or commitment with its advertising customers and there is no assurance that these customers will continue to place advertisements in the Group's printed and online publications. Should there be any significant decrease in demands from these customers, revenue generated from the Group's publishing business will be adversely affected.

### **Reliance on distributors for distributing the Group's newspapers and magazines**

Currently, the Group has two major Hong Kong distributors to handle the distribution of the Group's newspapers and magazines in Hong Kong. In Mainland China, subscription of Hong Kong newspapers is handled by 中國圖書進出口(集團)公司 (China National Publications Import and Export (Group) Corporation) and 中國國際圖書貿易總公司 (China International Book Trading Corporation). These two Mainland China companies place subscription orders to the Group through a Hong Kong agent. All of the Hong Kong distributors, the agent and the two Mainland China companies are Independent Third Parties. There is no written distribution agreement made with any of the Hong Kong distributors and the agent and the distribution agency arrangements with the Hong Kong distributors and the agent have neither fixed terms nor expiration dates. Should there be termination of any or both of the distribution agency arrangements without any replacing distribution agency arrangement, the Group's businesses and operations may be adversely affected.

### **Information technology obsolescence**

The rapid pace of technological advancements often leads to obsolescence. The Group has adopted and will continue to adopt advanced technology to enhance its electronic financial information services. Should the Group fail to keep pace with the rapid technological advancements or new innovative ideas developed by its competitors, the Group's electronic information and solutions business may become less cost effective and the quality and timeliness of its electronic financial information services may become less competitive as compared to its competitors and hence the Group's profits may be adversely affected.

### **Reliance on experienced journalists and skilled technicians**

The success of the Group's publishing business and electronic information and solutions services depend on the competence and experience of journalists and technicians who are responsible for mastering new methods of information collection, reporting and presentation. As there is an increasing demand in the publishing industry for manpower equipped with modern publishing skills and computer knowledge, should the Group be unable to employ the required manpower due to over demand, the Group's publishing business may suffer.

## RISK FACTORS

### **Loss of supplies from the Group's newsprint suppliers**

The Group currently relies on several suppliers for the supply of newsprint. One of the newsprint suppliers is the largest supplier of the Group for each of the two years ended 31st March, 2004 and 31st March, 2005, representing approximately 17.9% and 24.4% of the Group's total purchase for those respective periods. As the Group does not have any long-term supply contracts with its suppliers for newsprint, the businesses of the Group would be adversely affected by the loss or suspension of these supplies from its suppliers.

### **Volatility of the Group's future operating results**

The Group's future operating results may be subject to fluctuations due to a variety of factors, including whether the Group can successfully implement its business strategies and expansion plans. Downturns in Hong Kong's economy would also have an adverse effect on the financial results of the Group.

There is no assurance that the Group will continue to make profits in the future. If the Group is unable to generate sufficient revenue to meet its operating expenditure, such operations will have to be funded by internal resources and/or other financial activities. In the event that the Group is unable to obtain adequate financing to fund its operations and pursue its future plans, the existing operations, performance and prospects of the Group as well as its ability to implement its future plans will be adversely affected.

### **Reliance on key executives and personnel**

The performance of the Group and implementation of the Group's business plans depend, to a significant extent, on the continuous service and performance of its executive Directors, namely Mr. Fung Siu Por, Lawrence, Mr. Mak Ping Leung, Mr. Chan Cho Biu, Mr. Shek Kang Chuen and Ms. See Sau Mei Salome. Each of the executive Directors has entered into a service contract with the Company for an initial fixed period of two years commencing on 1st July, 2005 and thereafter their employment shall continue subject to termination by either party giving three months' notice in writing to the other party. However, the loss of the services of the executive Directors without immediate and adequate replacements or the inability to recruit new qualified personnel could have a material adverse effect on the performance of the Group's businesses.

### **Infringement of the Group's intellectual property rights and possible infringement of third parties' rights**

In the course of conducting its businesses, the Group's intellectual property rights may be infringed by third parties and the Group could also be found liable for having infringed third parties' rights.

In terms of the Group's publishing and printed recruitment advertising businesses, it may be possible for third parties to copy or otherwise obtain and use the Group's intellectual property rights such as copyrights in the *HKET*, *e-zone* and *Career Times* publications including text, typography, photography and design layout. The Group's publishing titles may also be used by others without authorisation.

The Group's electronic information and online publishing businesses may also be subject to copyright infringement as the Internet and other digital technologies allow any third party user to circumvent the security measures implemented by the Group to readily extract pieces of published materials and send them instantaneously to people anywhere in the world. Thus information published online through ET Net, EPRC and the online version of *HKET* and *Career Times* may be copied and used by non-subscribers to these services.

## RISK FACTORS

As there are countries where protection of intellectual property rights may not be effective or may be limited, there can be no assurance that any step taken by the Group to prevent, detect and respond to the infringement of the Group's intellectual property rights will prevent misappropriation or infringement of, and ensure enforcement of such rights.

It is also possible that during its course of business, the Group could be found liable for having infringed third parties' intellectual property rights. Should the Group be found to have infringed the rights of others, the Group could be exposed to liabilities including damages and other sanctions.

The Directors consider that intellectual property rights are important to entities engaged in the publication and electronic information businesses and are vital to their success. Therefore, should the Group fail to protect or be unable to assert its rights to these intellectual properties, there might be an adverse impact on its marketing plans and businesses.

### **Possible infringement of the Personal Data (Privacy) Ordinance**

It is possible that in compiling data and information for the Group's electronic systems and for its marketing or other business purposes, the Group may have used third parties' personal data which is regulated under the Personal Data (Privacy) Ordinance (Chapter 486) of the Laws of Hong Kong. Whilst every effort is made to obtain consent from each third party for the use of such data, should the Group fail to obtain consent or any of the consents obtained by the Group be found to be invalid or ineffective, the Group could be exposed to liabilities including damages, third party's claims and other sanctions.

### **Failure to compete effectively in the publishing industry**

There were 47 newspapers and 764 magazines and other periodicals registered with the Television and Entertainment Licensing Authority as at 31st May, 2005. Competition in the Hong Kong newspaper industry has been very intense and it is expected that such competition will be further intensified after the launch of another free newspaper, in addition to the two free newspapers launched in April 2002 and July 2005 respectively. The Group's printed products face competition potentially from all publishers (either foreign or local) which publish newspaper(s) and/or magazine(s) in Hong Kong, especially the Chinese-language newspaper publishers (whether their newspapers are for sale or free distribution). Revenues in the publishing industry primarily consist of advertising and circulation revenues. The Directors believe that the competition for newspaper and magazine advertising expenditures in Hong Kong is based largely upon (a) advertising results; (b) readers' profiles; (c) advertising rates; and (d) circulation levels, whilst competition for circulation (or readership) is based largely upon the content and price of the publication and the effectiveness of its distribution. It has been generally reported that the competition from free circulations could depress revenues from advertising and circulation.

*HKET* has historically represented a significant portion of the Group's turnover and net profit, and it is expected that such publication will continue to influence the financial performance of the Group strongly in the future. The Company believes that with (a) its reputation and leading status in the financial reporting service industry in publishing *HKET*; (b) its quality readership consisting of professionals, managers and executives readers; (c) its diversified advertiser base; and (d) its integrated solutions to its advertising customers by providing both traditional display advertising and value-added services, the Group would be able to immune to most of the competitions generated by free newspapers. However, should the Group fail to compete with other publishers by maintaining its competitive advantages or responding rapidly to the fast changing business environment and readers' and users' preferences, the performance of *HKET*, in particular its advertising revenue, will significantly decline and the Group's operations could be adversely

## RISK FACTORS

affected. Any increase in competition could also adversely affect the Group's market share, which may lead to price reductions and increase in the Group's spending on marketing and product development activities.

Furthermore, the synergetic effect of interactive new services and products with *HKET* may not materialize and this will hamper the growth of revenue of the Group. Any of these events could have a material adverse effect on the Group's financial position, businesses and future developments.

### **Security and backup**

The network infrastructure software and computer systems of the Group may be vulnerable to computer viruses or other disruptive problems caused by visitors or other Internet users who are able to circumvent the security measures implemented by the Group. Computer viruses, attacks or problems caused by third parties could lead to interruptions, delays or cessations of service. Inappropriate use of the Internet by third parties could also potentially jeopardise the security of confidential information stored in the computer systems of the Group which may cause losses to the Group or deter potential customers from accessing to the electronic information and solutions services of the Group. Such inappropriate use of the Internet would include the attempt to gain unauthorised access to information or systems – commonly known as “cracking” or “hacking”. Alleviating problems caused by computer viruses or other inappropriate uses or security breaches may cause interruptions, delays or cessations of the electronic information and solutions service provided by the Group to their customers, which in turn, could have an adverse effect on the businesses and operations of the Group.

In addition, any network malfunction or security breach could cause transactions to be delayed, not completed at all, or completed with compromised security. To the extent that activities of the Group involve the storage and transmission of proprietary information, computer viruses or security breaches could damage the reputation of the Group and expose the Group to a risk of loss or litigation and possible liability. Such security concerns of existing and potential subscribers may inhibit the growth of the electronic information industry in general and the customer base and revenues of the Group in particular.

Any failure or malfunction of the back-up systems of the Group could seriously affect the operations and the businesses of the Group.

### **Reliance on providers for its quotation business**

Although the content of the real-time equities and derivatives quotation system of ET Net is compiled by its own news and technical team, the raw data is obtained from HKEx Information Services Limited, Hong Kong Futures Exchange Limited and HSI Services Limited and other information providers from time to time as required. ET Net has entered into service agreements with the aforesaid information providers for using their raw data. There is no assurance that such information providers will not terminate their arrangements with ET Net. Should any of them terminate their arrangement with ET Net and ET Net is unable to find a comparable substitute or should any of their network or system break down and ET Net is unable to secure real-time raw data from other sources, ET Net's business and operation may be affected and ET Net may be exposed to potential litigation brought by subscribers of its quotation services and datafeed customers.

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### **Dependence on the financial and brokerage industry and its market participants**

ET Net currently develops, produces, sells and distributes its products and services to market participants in the financial and brokerage industry. The financial and brokerage industry is characterised by intensive competition, which will inevitably affect the profit margins of market participants and may consequently affect such participants' willingness to invest in new products and services or to expand their current usage of existing products and services. This may adversely affect ET Net's revenue and profitability.

### **Government regulation of the media industry in Mainland China**

In order to broaden its businesses, the Group intends to extend its existing market coverage to Mainland China. The media industry in Mainland China is subject to a number of regulations and restrictions, for example, foreign ownership limitations on holders of licences for publication and distribution of newspapers. Currently, *HKET* is circulated in Mainland China through subscription handled by 中國圖書進出口(集團)公司 (China National Publications Import and Export (Group) Corporation) and 中國國際圖書貿易總公司 (China International Book Trading Corporation). However, subscription is only limited to those organizations that have obtained the approvals from the related government bodies in China.

Although subscription of *HKET* in Mainland China via the two companies mentioned above is permitted under PRC laws and regulations, there is no assurance that there will not be any further restriction and requirement imposed or that the Group will be able to obtain approval or exemption from such requirement or restriction. Therefore, the Group's future expansion may be subject to a variety of risks, including but not limited to risks associated with regulatory issues toward publication, distribution, staffing and managing operations in Mainland China. Any changes in the legislation regarding Mainland China media industry or the related interpretation or any misinterpretation in the legislation may, in turn, adversely affect the businesses and future developments of the Group.

### **Government regulation of the advertising business in Mainland China**

The advertising industry in Mainland China is governed by the Advertising Law which came into effect on 1st February, 1995. Advertisers, advertising operators and distributors that engage in advertising activities are required to comply with applicable procedures and provisions under the Advertising Law. *HKET Limited* has entered into a conditional sale and purchase agreement with *HK Holding* to acquire the entire registered capital of *SZ Advertising*, a subsidiary of *HK Holding*. Details of the conditional sale and purchase agreement between *HKET Limited* and *HK Holding* are set out in the section headed "Connected transactions" in this prospectus. *SZ Advertising* will engage in the advertising business in Mainland China, and hence, the acquisition of *SZ Advertising* will further increase the exposure of the Group in Mainland China. If the Group's operations are ruled to be in breach of the Advertising Law, penalties may be imposed which include fines, confiscation of advertising fees, orders to cease dissemination of the relevant advertisement and orders to publish an advertisement with corrective information. The China Government may also revoke the licence pursuant to which *SZ Advertising* operates its advertising business.

### **Cross-border business operation may pose managerial challenges**

As the Group increases its activities in Mainland China, it may pose managerial challenges for the Group in terms of its ability to send appropriate personnel to Mainland China to properly manage and supervise the business operations there to ensure they are run efficiently. Should the Group fail to provide the required management for its Mainland China business operations, its Mainland China businesses may be adversely affected.



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### **Offer of electronic financial information in Mainland China is subject to specific regulatory requirements in Mainland China**

The Directors intend to expand the business of ET Net in Mainland China as described in the section headed “Future plans and use of proceeds” in this prospectus. The success of the expansion of the Group’s electronic financial information business in Mainland China market will depend upon, amongst other things, the approvals and licensing requirements under PRC laws and regulations. The dissemination of financial information by the Group through ET Net News Agency in Mainland China is governed by PRC laws and regulations. An offshore information provider who intends to disseminate economic information in Mainland China is required to obtain 涉外經濟信息發佈機構批准證書 (Certificate of Approval on Foreign Economic Information Release Institution). Although ET Net News Agency has obtained an approval certificate for the dissemination of economic information in Mainland China, there is no assurance that there will not be any further restriction and requirement imposed on it. Should ET Net News Agency be unable to obtain such other permit or approval as required under PRC laws and regulations and the relevant PRC laws and regulations are not amended, the future growth of the Group’s electronic financial information business in Mainland China will be affected.

### **Proceeds of the Share Offer**

The future plans of the Group described in the section headed “Future plans and use of proceeds” in this prospectus is based on assumptions of future events which by their nature are subject to uncertainty and there is no assurance that the plans of the Group will materialise as intended. In the event that any part of the business plan of the Group does not materialise or proceed as planned, the Directors will carefully evaluate the situation and may reallocate the intended funding to other business plans and/or to new projects of the Group and/or to hold it as short term deposits so long as the Directors consider it to be in the best interest of the Group. Therefore, the use of proceeds from the Share Offer may differ from those stated in the section headed “Future plans and use of proceeds” in this prospectus. Should the business plans of the Group fail to materialise as planned and the Directors are unable to implement alternative business plan and/or new projects successfully or at all, the future growth and profitability of the Group may be adversely affected.

### **No assurance on the amount of future distributions**

The amount of dividend to be paid by the Company in the future will be subject to the recommendation of the Directors after taking into account of, inter alia, the Company’s earnings, financial conditions, business needs, prospects, cash requirements and availability, and other relevant factors. During the Track Record Period, no dividend was distributed to the then shareholders of HK Holding, the former holding company of the Group. However, dividends of HK\$16.0 million, HK\$26.75 million and HK\$6.5 million were paid by Career Times Online Limited, a subsidiary of the Group, to its shareholders for the years ended 31st March, 2003, 2004 and 2005 respectively. For details of the Company’s dividend policy, please refer to the section headed “Financial information – Dividends and working capital” in this prospectus.

### **Historical net current liabilities**

The Group had net current liabilities as at 31st March, 2003 and 31st March, 2004. The net current liabilities arose as a result of a short term loan from a related company for the purchase of leasehold properties, fixed assets and such loan, which was unsecured and repayable on demand, was repaid in April 2005. As at 31st March, 2005, the Group was in a net current assets position. Upon Listing, the Company will receive net proceeds from the Share Offer and being a listed

## RISK FACTORS

company, the Directors consider that the Group will have more alternate ways in its financing. Nevertheless, there is no assurance that the Group will not record net current liabilities in the future or, if so, will not have an adverse impact on the Group's liquidity.

**Potential investors should read the entire prospectus carefully and the Group strongly cautions potential investors not to place any reliance on any information contained in press articles or disseminated through other media, certain of which may not be consistent with the information contained in this prospectus**

There has been press coverage in the following news publications regarding the Group and the Share Offer prior to the publication of this prospectus: the *South China Morning Post* on 16th July, 2005 and the *South China Morning Post*, the *Standard* and *Ming Pao* on 19th July, 2005, which has not been authorised by the Company but included certain financial and operational information, valuations, and other information about the Group (the "Information"). The Group wishes to emphasise to potential investors that it does not accept any responsibility for the accuracy or completeness of such press article and such press article was not prepared or approved by the Group. It makes no representation as to appropriateness, accuracy, completeness or reliability of any of the Information. To the extent that any of the Information is inconsistent with, or conflict with, the information contained in this prospectus, the Group disclaims it. Accordingly, potential investors should not rely on any of the Information.

### RISKS RELATING TO THE INDUSTRY

#### Volatility in newsprint price

Newsprint cost is a substantial component of the manufacturing expenses of the newspapers and magazines and other publications published by the Group. The Group's total expenditures for paper (being newsprint used for *HKET*, the tied-in magazines and supplements, and *Career Times*) were approximately 19.2%, 21.8% and 24.8% of its total cost of sales for the Track Record Period.

Prices of newsprint have historically been volatile. The Group has in the past purchased and currently purchases newsprint from a number of suppliers from various countries. The financial performance of the Group may be adversely affected by sustained newsprint price increases.

#### Liabilities for publication of the newspapers, magazines and other publications and for their contents

In order for the Group to carry on its publication businesses in Hong Kong, those companies within the Group which are directly engaged in publishing the Group's newspapers, magazines and other publications are required to register their respective publications under the Registration of Local Newspapers Ordinance and the Books Registration Ordinance. Furthermore, the publications produced by the Group may be subject to, among others, the Control of Obscene and Indecent Articles Ordinance and laws relating to including, but not limited to, libel and defamation, intellectual property rights, public security, solicitation, gambling, pornography and infringement of third parties' rights. The Group could be found liable under such laws for the sourcing, provision, delivery or transmission of regulated or prohibited information or for publishing materials infringing third parties' rights.

Contravention of the above may expose the Group to criminal and/or civil liabilities including penalties, fines, damages and other sanctions. The Group could also be exposed to legal proceedings.

## **RISK FACTORS**

### **Price war in the Hong Kong advertising industry and electronic information business**

The Directors consider that competition within the advertising business (including recruitment advertising) and the business of providing electronic information in Hong Kong is keen, and that pricing is one of the key factors affecting their placement or subscription (as the case may be). It is expected that competition in newspaper advertising business will be further intensified after the launch of another free newspaper, in addition to the two free newspapers launched in April 2002 and July 2005 respectively. The Directors also believe that it would be easy for the management of any newspaper or magazine publishers, recruitment advertising providers and electronic information providers to reduce the advertising fee or subscription fee for electronic information (as the case may be) with the intention of increasing market share in a short period and possibly to drive out other competing providers. Any price war may have a material adverse effect on the financial performance of the Group in the future.

### **Final reports on civil liability for invasion of privacy and privacy and media intrusion**

The final reports on civil liability for invasion of privacy and privacy and media intrusion (the "Reports"), which was released on 9th December, 2004 by the Hong Kong Law Reform Commission's Privacy sub-committee (the "Commission"), conclude that one or more specific torts of invasion of privacy which clearly define the act, conduct and/or publication which frustrates the reasonable expectation of privacy of an individual without justification should be created by statute. In addition, it also concludes that an independent and self-regulatory commission should be established by statute to deal with complaints of unjustifiable infringements of privacy by newspapers and magazines.

Since the recommendations of the Commission have not been implemented, the Directors currently are unable to predict the potential impact of the Reports on the Group. Should the recommendations as stated in the Reports be implemented without any modification or amendment and the operations of the Group's publishing business are ruled to be in breach of the Reports, the Group could be exposed to such tortious liability as recommended by the Commission.

### **Significant increase in staff cost**

The success of the Group's publishing business and electronic information and solutions service is, to a significant extent, attributable to its competent and experienced journalists and technicians. For the Track Record Period, staff costs accounted for approximately 46.8%, 47.8% and 49.0% of the total cost of the Group. There is no assurance that the prevailing market salaries of experienced journalists and technicians will not rise significantly, for instance, as a result of the increasing demand. Any significant increase in the market salaries of experienced journalists and technicians may substantially increase the amount of staff cost of the Group, thereby adversely affect its operating results.

## **RISKS RELATING TO ECONOMICS AND POLITICS**

### **Adverse economic developments in Hong Kong or elsewhere**

Substantially over 90% of the Group's revenues are derived from its business activities in Hong Kong, which are directly affected by the performance of Hong Kong's economy. Hong Kong's economy is in turn affected, directly or indirectly, by the performance of the economies of other countries. As a result, adverse economic developments in Hong Kong or elsewhere could result in reduced demand for the Group's newspapers and magazines and/or reduced spending on advertising, any or all of which could have a material adverse effect on its financial condition and results of operations.

## **RISK FACTORS**

### **Political risk in Hong Kong**

A significant part of the Group's assets and operations is currently located in Hong Kong. Hong Kong is a special administrative region of the PRC with its own government and legislature. Hong Kong currently enjoys a high degree of autonomy from the PRC government under the principle of "one country, two systems". Significant changes in government policies, administrative and legislative systems in Hong Kong, if any, in the future may adversely affect the Group's business, results of operations and financial condition.

### **Currency exchange rate**

It is anticipated that a substantial portion of the Group's revenues, expenses and liabilities will be denominated in Hong Kong dollars. However, in the future, the Group will be expanding into other regions like Mainland China and will accordingly generate revenues and incur expenses in other currencies. Although the Hong Kong dollar is currently linked with the US dollar, there is no assurance that the linkage of the Hong Kong dollar to the US dollar will not be altered or delinked in the future. As a result, the Group will be subject to exchange rate fluctuation with respect to other currencies.

### **Possible outbreak of SARS or other serious contagious diseases**

The outbreak of SARS in early 2003 substantially affected businesses in Asia, including the businesses of the Group. Currently, the Directors are unable to predict the potential impact of another possible SARS outbreak or an outbreak of other serious contagious diseases. Should another outbreak of SARS or other serious contagious diseases take place, the financial condition and results of operations of the Group, in particular, the advertising income of the Group, may be adversely affected as a result of general adverse impact on the economy.

## **RISKS RELATING TO THE SHARES**

### **Volatility of the trading market and the trading price of the Shares**

An active trading market for the Shares may not develop and the trading price of the Shares may fluctuate significantly. Prior to the Share Offer, there has been no public market for the Shares. The Offer Price range has been determined by negotiation between the Company and BNP Paribas Peregrine (on behalf of the Underwriters) and the final Offer Price may not be indicative of the price at which the Shares will be traded following completion of the Share Offer. In addition, there is no assurance that an active trading market for the Shares will develop, or, if it does develop, that it will be sustained following completion of the Share Offer, or that the market price of the Shares will not decline below the Offer Price.

The trading price of the Shares may also be subject to significant volatility in response to, among others, the following factors:

- variations in the Group's operating results;
- changes in analysis and recommendations of securities analysts;
- announcements made by the Group or its competitors;
- changes in investors' perception of the Group and the investment environment generally;

## RISK FACTORS

- developments in the publishing industry, in particular, the growing trend of disseminating information electronically;
- changes in pricing made by the Group or its competitors;
- the liquidity of the market for the Shares; and
- general economic and other factors.

### **Dilution of Shares**

In order to expand the business of the Group, the Company may consider offering and issuing new Shares in the future which may cause dilution in the net tangible asset value per Share and the shareholdings of its then Shareholders. In addition, any issue of Shares pursuant to the Share Option Scheme may cause further dilution.

### **Sales of substantial amounts of Shares in the public market**

The Shares held by the existing shareholders of the Company including Golden Rooster, Mr. Mak Ping Leung, Mr. Chan Cho Biu, Mr. Shek Kang Chuen, Ms. See Sau Mei Salome and the employee shareholders holding the Bonus Shares are currently and will be subject to certain lock-up restrictions, details of which are set out in the paragraph headed “Group Structure and Reorganisation” in the section headed “Business”, the section headed “Substantial Shareholders” and the paragraph headed “Deeds of Gift” in appendix IV to this prospectus. While the Company is not aware of any plans of any of such persons, individually or collectively, to dispose of a significant amount of their interests in the Company after completion of the Share Offer, the Company cannot provide any assurance that any of them will not dispose of any interest they own upon or after expiration of the applicable lock-up period. Sales of substantial amounts of Shares in the public market, or the perception that these sales may occur, could materially and adversely affect the prevailing market price of the Shares.

### **OTHER RISK**

#### **Forward-looking statements may not be free from uncertainties or accurate**

The Group and the Directors have made forward-looking statements with respect to the Group’s objectives and strategies to achieve such objectives. Such forward-looking statements are based on numerous assumptions regarding the Group’s present and future business strategies and the environment in which the Group will operate in the future. The actual results, performance or achievements of the Group may be materially different from the future results, performance or achievements expressed or implied by such forward-looking statements.

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- the Group’s businesses and operating strategies and the Group’s various measures to implement such strategies;
- any capital expenditure plans, including plans for the use of proceeds from the Share Offer; and
- the Group’s operations and business prospects, including development plans for its existing and new businesses.

## **WAIVERS FROM COMPLIANCE WITH THE LISTING RULES**

### **CONNECTED TRANSACTIONS**

Members of the Group have entered and are expected to enter into certain transactions, which would constitute non-exempted continuing connected transactions of the Company under the Listing Rules after Listing. The Company has applied to the Stock Exchange for, and has been granted, a waiver from strict compliance with the reporting, announcement and/or independent shareholders' approval requirements set out in Chapter 14A of the Listing Rules for such non-exempted continuing connected transactions. Further details of such waiver are set out in the section headed "Connected transactions" in this prospectus.

### **STOCK BORROWING ARRANGEMENT**

In order to facilitate the over-allocations in connection with the Share Offer, BNP Paribas Peregrine may choose to borrow Shares from Shareholders under stock borrowing arrangements, or acquire Shares from other sources, including exercising the Over-allotment Option. Such stock borrowing arrangements may include arrangements agreed between BNP Paribas Peregrine and Golden Rooster. For the purposes of these stock borrowing arrangements, BNP Paribas Peregrine has applied to the Stock Exchange on behalf of Golden Rooster for a waiver from strict compliance with Rule 10.07(1)(a) of the Listing Rules which otherwise restricts the disposal of Shares by Golden Rooster following a new listing. Further details of such waiver are set out in the section headed "Structure of the Share Offer" in this prospectus.

## INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

### DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus includes particulars given in compliance with the Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules, the Securities and Futures (Price Stabilising) Rules and the Listing Rules for the purpose of giving information to the public with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief:

1. there are no other facts the omission of which would make any statement in this prospectus misleading;
2. the information contained in this prospectus is accurate and complete in all material aspects and is not misleading; and
3. all opinions expressed in this prospectus have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

### FULLY UNDERWRITTEN

The Share Offer comprises the Placing and the Public Offer. Details of the structure of the Share Offer are set out in the section headed "Structure of the Share Offer" in this prospectus. This prospectus is published in connection with the Share Offer and together with the related application forms set out the terms and conditions of the Share Offer.

The Share Offer is sponsored by BNP Paribas Peregrine and fully underwritten by the Underwriters (subject to the terms and conditions of the Underwriting Agreement). Information relating to the underwriting arrangements is set out in the section headed "Underwriting" in this prospectus.

### DETERMINATION OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price which will be determined by BNP Paribas Peregrine (on behalf of the Underwriters) and the Company on or before 6:00 a.m. on Thursday, 28th July, 2005 (Hong Kong time), or such later time as may be agreed between BNP Paribas Peregrine (on behalf of the Underwriters) and the Company but in any event no later than Friday, 29th July, 2005.

**If BNP Paribas Peregrine (on behalf of the Underwriters) and the Company are unable to reach an agreement on the Offer Price by 6:00 a.m. on Thursday, 28th July, 2005, or such later time as may be agreed between BNP Paribas Peregrine (on behalf of the Underwriters) and the Company but in any event no later than Friday, 29th July, 2005, the Share Offer will not become unconditional and will lapse.**

### SELLING RESTRICTIONS

No action has been taken to permit an offering of the Offer Shares or the distribution of this prospectus and/or the related application forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

## INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

The Offer Shares are offered to the public in Hong Kong for subscription solely on the basis of the information contained and the representations made in this prospectus and the application forms. No person is authorised in connection with the Share Offer to give any information, or to make any representation, not contained in this prospectus and the related application forms, and any information or representation not contained in this prospectus and the related application forms must not be relied upon as having been authorised by the Company, BNP Paribas Peregrine, the Underwriters, any of their respective directors or any other person involved in the Share Offer.

Each person acquiring the Offer Shares will be required, and is deemed by his acquisition of the Offer Shares, to confirm that he is aware of the restriction on offers of the Offer Shares described in this prospectus and that he is not acquiring, and has not been offered, any Offer Share in circumstances that contravene any such restrictions.

The following information is provided for guidance only. Prospective applicants for Offer Shares should consult their financial advisers and take legal advice, as appropriate, to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. Prospective applicants for the Offer Shares should inform themselves as to the relevant legal requirements of applying for the Offer Shares and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

### **United States**

This prospectus has not been registered under the US Securities Act, and, accordingly, may not be delivered within the United States or to, or for the benefit of, nationals or residents thereof, or any corporation or other entity formed or organized therein (collectively, "US persons"), and the Offer Shares may not be offered or sold, directly or indirectly, in the United States or to US persons.

### **United Kingdom**

This prospectus has not been approved by an authorised person in the United Kingdom and has not been registered with the Registrar of Companies in the United Kingdom. The Offer Shares may not be offered or sold or reoffered or resold in the United Kingdom other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purpose of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995 (as amended). In addition, this prospectus is distributed only to and is directed at (a) persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2001 (the "Order"); or (b) high net worth entities, and other persons to whom it may otherwise lawfully be communicated, falling within Article 49(2) of the Order (all such persons together being referred to as "relevant persons"). The Offer Shares are available only to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such Offer Shares will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this prospectus or any of its contents. This prospectus should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other person.



## INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

### Singapore

This prospectus has not been and will not be lodged as a prospectus with the Monetary Authority of Singapore and the Offer Shares will be offered in Singapore pursuant to exemptions invoked under Subdivision 4, Division 1, of Part XIII, particularly section 274 and section 275, of the Securities and Futures Act (Cap 289, 2002 Rev Edn) of Singapore (the “SFA”). Accordingly, this prospectus and any other offering document or material in connection with the offer of the Offer Shares may not be issued, circulated or distributed in Singapore nor may any of the Offer Shares be offered for subscription or purchase or made the subject of an invitation or offer for subscription or purchase, whether directly or indirectly, to the public or any member of the public in Singapore other than (a) pursuant to, and in accordance with the conditions of, exemptions invoked under Subdivision 4, Division 1, of Part XIII, particularly section 274 and section 275, of the SFA and to persons to whom the Offer Shares may be offered or sold under such exemption; or (b) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

### Italy

The offering of the Offer Shares has not been registered pursuant to the Italian securities legislation and, accordingly, the Offer Shares will not be offered or sold in Italy in a solicitation to the public. The Offer Shares may not be offered, sold or delivered, and copies of this prospectus or any other document relating to the Offer Shares may not be distributed in Italy except to Professional Investors, as defined by the *Commissione Nazionale per le Società e la Borsa* (“CONSOB”), the stock market regulator in Italy, in Art. 31.2 of CONSOB Regulation no. 11522 of 1st July, 1998, as amended, pursuant to Art. 30.2 and Art. 100 of Legislative Decree no. 58 of 24th February, 1998 (the “Finance Law”) or in any other circumstance where an express exemption from compliance with the solicitation restrictions is provided by the Finance Law or CONSOB Regulation no. 11971 of 14th May, 1999, as amended (the “Issuers Regulation”) applies, including those provided for under Art. 100 of the Finance Law and Art. 33 of the Issuers Regulation, and provided, however, that any such offer, sale, or delivery of the Offer Shares or distribution of copies of this prospectus or any other documents relating to the Offer Shares in Italy must (i) be made in accordance with all applicable Italian laws and regulations; (ii) be conducted in accordance with any relevant limitations or procedural requirements the Bank of Italy or CONSOB may impose upon the offer or sale of the Offer Shares; and (iii) be made only by (a) banks, investment firms or financial companies enrolled in the special register provided for in Article 107 of Legislative Decree no. 385 of 1st September, 1993, as amended (the “Banking Law Consolidated Act”), to the extent duly authorised to engage in the placement and/or underwriting of financial instruments in Italy in accordance with the Banking Law Consolidated Act and the relevant implementing regulations; or by (b) foreign banks or financial institutions (the controlling shareholding of which is owned by one or more banks located in the same European Union Member State) authorised to place and distribute securities in the Republic of Italy pursuant to Articles 15, 16 and 18 of the Banking Law Consolidated Act, in each case acting in compliance with every applicable law and regulation.

### Germany

This prospectus is not being distributed in the context of a public offer of securities in Germany within the meaning of §1 of the German Securities Sales Prospectus Act (*Wertpapier-Verkaufsprospektgesetz*, “VerkProspG”). This prospectus is not a Securities Sales Prospectus (*Wertpapier-Verkaufsprospekt*) within the meaning of the VerkProspG and has not been filed with or approved by the Federal Financial Services Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*), and this prospectus, copies of this prospectus or any document relating to the Offer Shares may not be distributed, and the Offer Shares may not be offered or sold in Germany other than to persons who, professionally or commercially, acquire or sell shares for

## INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

their own account or for the account of others, as provided under §2 no. 1 of the VerkProspG, or otherwise to a limited group of investors as provided under §2 no. 2 of the VerkProspG.

### **Netherlands**

The Offer Shares may not be offered, sold, transferred, or delivered as part of their initial distribution or at any time thereafter, directly or indirectly, to any individual or legal entity residing or deemed to be residing in the Netherlands, other than to individuals or entities that trade or invest in securities in the conduct of their business or profession within the meaning of Section 2 of the Exemption Regulation to the Netherlands Act on the Supervision of Securities Trade 1995 (*Vrijstellingsregeling Wet toezicht effectenverkeer 1995*), which includes credit institutions, securities institutions (including dealers and brokers), investment institutions, insurance companies, pension funds, central governments, large international and supranational organisations and other comparable entities, including, inter alia, treasuries and finance companies of large commercial enterprises, which trade or invest in securities in the conduct of a business or profession.

### **France**

This prospectus has not been prepared in the context of a public offering of securities in France within the meaning of Article L.411-1 of the French Code monétaire et financier and Regulations no. 98-01 and 98-08 of the Commission des opérations de bourse ("COB") (now the Autorité des Marchés Financiers ("AMF")) and has therefore not been submitted to the AMF for prior approval or otherwise.

The securities have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in France and neither this prospectus nor any other offering material relating to the securities has been distributed or caused to be distributed and will be distributed or caused to be distributed to the public in France, except to qualified investors (as defined in Article L.411-2 of the French Code monétaire et financier and in the Decree no. 98-880 dated 1st October, 1998) on the conditions that it shall not be passed onto any person nor reproduced (in whole or in part). Such qualified investors are notified that they must act in that connection for their own account in accordance with the terms set out by Article L.411-2 of the French Code monétaire et financier and by Decree no.98-880 dated 1st October, 1998 and may not re-transfer, directly or indirectly, the securities in France, other than in compliance with applicable laws and regulations in particular those relating to public offering (which are particular embodied in Articles L.411-1, L.412-1 and L.621-8 of the French Code monétaire et financier).

### **Ireland**

Otherwise than in circumstances which do not constitute an offer to the public within the meaning of the Irish Companies Acts 1963 to 2003, the Offer Shares may not be offered or sold in Ireland, by means of any document, unless such offer or sale has been made or is made to persons whose ordinary business is to buy or sell shares or debentures, whether as principal or agent and no application form for the Offer Shares may be issued.

The Offer Shares may not be offered to the public in Ireland in circumstances in which the European Communities (Transferable Securities and Stock Exchange) Regulations, 1992 of Ireland would apply, except in accordance with the provisions of those regulations.

## **INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER**

### **Switzerland**

The Offer Shares will not be offered or sold, directly or indirectly, to the public in Switzerland and this prospectus does not constitute a public offering prospectus as that term is understood pursuant to article 652a or article 1156 of the Swiss Federal Code of Obligations. The Company has not applied for a listing of the Offer Shares being offered pursuant to this prospectus on the SWX Swiss Exchange or on any other regulated securities market in Switzerland and, consequently, the information presented in this prospectus does not necessarily comply with the information standards set out in the relevant listing rules. The Offer Shares being offered pursuant to this prospectus have not been registered with the Swiss Federal Banking Commission under the Swiss Investment Fund Act of 18th March, 1994 and the investor protection afforded to acquirers of investment fund certificates by the Swiss Investment Fund Act does not extend to acquirers of Offer Shares.

### **Mainland China**

This prospectus may not be circulated or distributed in Mainland China and the Offer Shares may not be offered or sold directly or indirectly to any legal or natural person of Mainland China, or offered or sold to any legal or natural person for re-offering or re-sale directly or indirectly to any legal or natural person of Mainland China except pursuant to applicable laws and regulations of the PRC.

### **Taiwan**

The Offer Shares have not been and will not be registered with the Securities and Futures Commission of Taiwan and are not being offered or sold and may not be offered or sold, directly or indirectly, in Taiwan or to, or for the benefit of, any resident of Taiwan, except (a) pursuant to the requirements of the securities related laws and regulations in Taiwan; and (b) in compliance with any other applicable requirements of Taiwanese laws.

### **Cayman Islands**

No invitation may be made to be public in the Cayman Islands to subscribe for or purchase any of the Offer Shares.

## **APPLICATION FOR LISTING ON THE STOCK EXCHANGE**

Application has been made to the listing committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus (including Shares which may be issued upon the exercise of the Over-allotment Option) and any Shares to be issued upon the exercise of the options which may be granted under the Share Option Scheme.

No part of the share or loan capital of the Company is listed or dealt in on any other stock exchange and, at present, no such listing or permission to deal is being or is proposed to be sought on any other stock exchange in the near future.

Under section 44B(1) of the Companies Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to the Company by the Stock Exchange.

## **INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER**

### **HONG KONG BRANCH REGISTER AND STAMP DUTY**

The Company's principal register of members will be maintained by the Company's Principal Share Registrar in the Cayman Islands. All Shares issued pursuant to applications made in the Placing and the Public Offer will be registered on the Company's branch register of members to be maintained in Hong Kong.

Dealings in the Shares registered in the branch register of the Company in Hong Kong will be subject to Hong Kong stamp duty.

Unless determined otherwise by the Company, dividends payable in HK\$ in respect of Shares will be paid to the Shareholders on the share registers of the Company, by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder.

### **PROFESSIONAL TAX ADVICE RECOMMENDED**

Applicants for the Offer Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of holding and dealing in the Shares. It is emphasised that none of the Company, the Underwriters, the Sponsor, any of their respective directors, agents or advisers or any other person involved in the Share Offer accepts responsibility for any tax effects or liabilities of holders of Shares resulting from the subscription, purchase, holding or disposal of Shares.

### **STABILISATION AND OVER-ALLOTMENT OPTION**

In connection with the Share Offer, BNP Paribas Peregrine or any person acting for it may over-allot or effect transactions with a view to supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on BNP Paribas Peregrine or any person acting for it to do this. Such stabilisation action, if taken, may be discontinued at any time, and is required to be brought to an end after a limited period.

In connection with the Share Offer, the Company has granted to BNP Paribas Peregrine the Over-allotment Option, which will be exercisable in full or in part by BNP Paribas Peregrine no later than 30 days after the last day for lodging applications under the Public Offer. Pursuant to the Over-allotment Option, the Company may be required to issue and allot at the Offer Price up to an aggregate of 15,600,000 additional Shares, representing 15% of the total number of Shares initially available under the Share Offer, in connection with over-allocations in the Placing, if any.

Further details with respect to stabilisation and the Over-allotment Option are set out in the paragraph headed "Over-allotment and stabilisation" in the section headed "Structure of the Share Offer" in this prospectus.

### **PROCEDURE FOR APPLICATION FOR THE PUBLIC OFFER SHARES**

The procedure for applying for the Public Offer Shares is set out under the section headed "How to apply for the Public Offer Shares" in this prospectus and on the relevant application forms.

## **INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER**

### **STRUCTURE OF THE SHARE OFFER**

Details of the structure of the Share Offer, including its conditions, are set out under the section headed “Structure of the Share Offer” in this prospectus.

### **SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS**

Subject to the granting of the listing of, and permission to deal in, the Shares on the Stock Exchange and compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or on any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS. Investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements and how such arrangements will affect their rights and interests.

### **COMMENCEMENT OF DEALINGS IN THE SHARES**

Dealings in the Shares on the Stock Exchange are expected to commence on Wednesday, 3rd August, 2005. Shares will be traded in board lots of 2,000 Shares.

<b>DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER</b>
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**EXECUTIVE DIRECTORS**

<b>Name</b>	<b>Residential address</b>	<b>Nationality</b>
Mr. FUNG Siu Por, Lawrence <i>(Chairman)</i>	Flat 33B, Block 2 Elegant Terrace 36 Conduit Road Hong Kong	Chinese
Mr. MAK Ping Leung (alias: Mr. MAK Wah Cheung)	1st Floor, Block B Vivian's Court 75 Blue Pool Road Hong Kong	Chinese
Mr. CHAN Cho Bui	Flat H, 37th Floor, Tower 1 The Belcher's 89 Pok Fu Lam Road Hong Kong	Chinese
Mr. SHEK Kang Chuen	36 Tsam Chuk Wan Tai Mong Tsai Road Sai Kung New Territories Hong Kong	Chinese
Ms. SEE Sau Mei Salome	10th Floor, Block 18 Repulse Bay Garden 18 Belleview Drive Repulse Bay Hong Kong	Chinese

**NON-EXECUTIVE DIRECTOR**

Mr. CHU Yu Lun	37 Moorsom Road Jardine's Lookout Hong Kong	Chinese
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<b>DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER</b>
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**INDEPENDENT NON-EXECUTIVE DIRECTORS**

<b>Name</b>	<b>Residential address</b>	<b>Nationality</b>
Mr. CHAN Mo Po, Paul	Unit B, 23rd Floor, Tower 7 Leighton Hill 2B Broadwood Road Happy Valley Hong Kong	Chinese
Mr. CHOW On Kiu	Flat 3, 3rd Floor Block B Fontana Gardens 1-25 Ka Ning Path Mid-Levels East Hong Kong	Chinese
Mr. LO Foo Cheung	Flat D, 42nd Floor, Block 2 Estoril Court 55 Garden Road Mid-Levels Hong Kong	Chinese

## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

**Global Coordinator, Sponsor,  
Bookrunner and Lead Manager**

BNP Paribas Peregrine Capital Limited  
36th Floor, ICBC Tower  
3 Garden Road  
Central  
Hong Kong

### **Placing Underwriters**

Global Coordinator, Bookrunner and  
Lead Manager

BNP Paribas Peregrine Capital Limited  
36th Floor, ICBC Tower  
3 Garden Road  
Central  
Hong Kong

Co-Lead Manager

UOB Kay Hian (Hong Kong) Limited  
15th Floor, AON China Building  
29 Queen's Road Central  
Hong Kong

Co-Managers

DBS Asia Capital Limited  
22nd Floor, The Center  
99 Queen's Road Central  
Hong Kong

First Shanghai Securities Limited  
19th Floor, Wing On House  
71 Des Voeux Road Central  
Hong Kong

Guotai Junan Securities (Hong Kong) Limited  
27th Floor, Grand Millennium Plaza  
181 Queen's Road Central  
Hong Kong

Tai Fook Securities Company Limited  
25th Floor, New World Tower  
16-18 Queen's Road Central  
Hong Kong

### **Public Offer Underwriters**

Global Coordinator, Bookrunner and  
Lead Manager

BNP Paribas Peregrine Capital Limited  
36th Floor, ICBC Tower  
3 Garden Road  
Central  
Hong Kong

Co-Lead Manager

UOB Kay Hian (Hong Kong) Limited  
15th Floor, AON China Building  
29 Queen's Road Central  
Hong Kong



## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

### Co-Managers

DBS Asia Capital Limited  
22nd Floor, The Center  
99 Queen's Road Central  
Hong Kong

First Shanghai Securities Limited  
19th Floor, Wing On House  
71 Des Voeux Road Central  
Hong Kong

Guotai Junan Securities (Hong Kong) Limited  
27th Floor, Grand Millennium Plaza  
181 Queens' Road Central  
Hong Kong

Tai Fook Securities Company Limited  
25th Floor, New World Tower  
16-18 Queen's Road Central  
Hong Kong

### Legal advisers to the Company

*As to Hong Kong law:*  
Deacons  
5th Floor, Alexandra House  
16-20 Chater Road  
Central  
Hong Kong

*As to PRC law:*  
Commerce & Finance Law Offices  
#714 Huapu International Plaza  
19 Chaowei Avenue  
Beijing 100020  
PRC

*As to Cayman Islands law:*  
Conyers Dill & Pearman  
Century Yard  
Cricket Square  
Hutchins Drive  
George Town  
Cayman Islands  
British West Indies

### Legal advisers to the Sponsor and the Underwriters

*As to Hong Kong law:*  
Richards Butler  
20th Floor, Alexandra House  
16-20 Chater Road  
Central  
Hong Kong

<b>DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER</b>
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**Auditors and reporting accountants**

PricewaterhouseCoopers  
*Certified Public Accountants*  
22nd Floor, Prince's Building  
Central  
Hong Kong

**Property valuers**

Vigers Appraisal & Consulting Limited  
10th Floor, The Grande Building  
398 Kwun Tong Road  
Kowloon  
Hong Kong

**Receiving banker**

Bank of China (Hong Kong) Limited  
1 Garden Road  
Central  
Hong Kong

## CORPORATE INFORMATION

<b>Registered office</b>	Century Yard Cricket Square Hutchins Drive P.O. Box 2681 GT George Town Grand Cayman British West Indies
<b>Head office and principal place of business in Hong Kong</b>	6th Floor, Kodak House II 321 Java Road North Point Hong Kong
<b>Company's website</b>	<a href="http://www.hketgroup.com">www.hketgroup.com</a>
<b>Company secretary</b>	Mr. CHAN Wa Pong, <i>CPA, FCCA</i>
<b>Qualified accountant</b>	Ms. CHAN Kit Man Fanny, <i>FCCA</i>
<b>Authorised representatives</b>	Mr. FUNG Siu Por, Lawrence Flat 33B, Block 2 Elegant Terrace 36 Conduit Road Hong Kong  Mr. CHAN Wa Pong, <i>CPA, FCCA</i> Flat E, 24th Floor, Tower 19 South Horizons, Ap Lei Chau Hong Kong
<b>Compliance Adviser</b>	BNP Paribas Peregrine Capital Limited
<b>Audit committee</b>	Mr. CHAN Mo Po, Paul ( <i>Chairman</i> ) Mr. CHOW On Kiu Mr. LO Foo Cheung
<b>Nomination committee</b>	Mr. CHOW On Kiu ( <i>Chairman</i> ) Mr. CHAN Mo Po, Paul Mr. CHU Yu Lun
<b>Remuneration committee</b>	Mr. LO Foo Cheung ( <i>Chairman</i> ) Mr. CHOW On Kiu Mr. CHU Yu Lun

## CORPORATE INFORMATION

**Principal bankers**

The Hongkong and Shanghai Banking  
Corporation Limited  
1 Queen's Road Central  
Hong Kong

Bank of China (Hong Kong) Limited  
1 Garden Road  
Central  
Hong Kong

**Principal share registrar and  
transfer office in Cayman Islands**

Butterfield Fund Services (Cayman) Limited  
Butterfield House  
68 Fort Street  
P.O. Box 705, George Town  
Grand Cayman, Cayman Islands

**Branch share registrar and  
transfer office in Hong Kong**

Tricor Investor Services Limited  
Ground Floor  
Bank of East Asia Harbour View Centre  
56 Gloucester Road  
Wanchai  
Hong Kong

## INDUSTRY OVERVIEW

*This section contains information and statistics relating to the industries that the Group operates in, and other related industry sectors. Information presented in this section is derived from various official sources. The Company and the Sponsor have taken reasonable care in the reproduction of such information. None of the Company, the Sponsor, the Underwriters or any of their respective advisers have prepared or independently verified such official information. Such official information may not be consistent with other unofficial information available and may not be accurate and should not be unduly relied upon.*

### INTRODUCTION

The print media industry, the securities trading industry, the property market and the wealth management industry are in some ways affected by the general economic conditions.

The Hong Kong economy has rebounded significantly after a severe setback in the second quarter of 2003 upon the impact of SARS.

The table below shows the year-on-year change in real GDP, nominal GDP, per capita real GDP, per capita nominal GDP and unemployment rate in Hong Kong from 2002-2004.

	2002	2003	2004
Real GDP (YoY, %)	1.9	3.1	8.1
Nominal GDP (YoY, %)	(1.7)	(3.2)	5.1
Per capita real GDP (HK\$)	194,400	200,043	213,839
Per capita nominal GDP (HK\$)	183,875	177,552	184,448
Unemployment rate (%) (Note)	7.3	7.9	6.8

Source: [www.info.gov.hk](http://www.info.gov.hk), updated May 2005

Note: The unemployment rate further decreased to 6.1% in the first quarter of 2005 and 5.7% from March to May in 2005.

### PRINT MEDIA INDUSTRY IN HONG KONG

The Hong Kong's print media industry is fragmented, backed by a developed printing industry and communications network. It is mainly driven by the advertising market which is affected largely by the general economic condition. Benefiting from the improvement in the economy of Hong Kong, there has been a remarkable increase in advertising spending in Hong Kong in the year of 2004 as compared to the year of 2003, according to the research of Nielsen Media Research.

## INDUSTRY OVERVIEW

According to figures released by Nielsen Media Research (AdEx) for 2004, total gross display advertising expenditure based on undiscounted advertising rate cards exceeded HK\$40 billion, a more than 13% rise from 2003. Advertising spending on newspapers and magazines accounted for 52.4% of the market, reaching HK\$21.27 billion.

### Total advertising spending by media

<i>HK\$ million (based on published rate cards)</i>	<b>2004</b>	<b>% share</b>	<b>Change vs 2003</b>
Terrestrial TV	14,030	34.5%	3%
Cable TV	2,692	6.6%	63%
Newspapers	15,055	37.1%	12%
Magazines	6,215	15.3%	28%
Radio	1,041	2.6%	6%
Outdoor and others	1,581	3.9%	28%
<b>Total</b>	<b>40,614</b>	<b>100%</b>	

Source: Nielsen Media Research

### Newspaper publishing

According to the statistics of the 2001 population census and of the Census and Statistics Department, population aged 15 and over who have attained tertiary education increased from 11.3% in 1991 to 21.5% in 2004.

### Population aged 15 and over by educational attainment (highest level attended), 1991, 1996, 2001 and 2004

<b>Educational attainment</b>	<b>1991</b>	<b>1996</b>	<b>2001</b>	<b>2004</b>
	%	%	%	%
No schooling/Kindergarten	12.8	9.5	8.4	6.8
Primary	25.2	22.6	20.5	19.7
Secondary	45.8	46.6	45.3	46.7
Matriculation	4.9	6.1	9.4	5.2
Tertiary				
Non-degree course	5.4	4.8	3.7	7.4
Degree course	5.9	10.4	12.7	14.1
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0*</b>

Source: 2001 Population Census and [www.info.gov.hk](http://www.info.gov.hk)

\* Figure has been rounded

## INDUSTRY OVERVIEW

In a city with approximately 6.88 million population, there were 47 newspapers registered with the Television and Entertainment Licensing Authority as at 31st May, 2005.

Due to the competitive landscape, Hong Kong is well served by a great variety of newspapers, in Chinese, English and other languages; and by both local and international publishers. A number of international publishers use Hong Kong as the base to perform some or all of the functions of local market adaptations, printing, advertising sales and subscription. These newspapers are differentiated in focus areas and the leading players of newspapers are able to attract a stable readership.

The circulation reports of newspapers as audited by HKABC for the period from 1st January, 2002 to 31st December, 2004 were as follows:

Newspapers	Audited circulation reports					
	Average net circulation (including paid and free circulation)					
	2002		2003		2004	
	January to June	July to December	January to June	July to December	January to June	July to December
Hong Kong Economic Times	71,970	73,383	70,278	78,164	80,893	80,704
Ming Pao Daily News	100,025	96,579	95,578	95,639	95,975	<i>Note 2</i>
Apple Daily	356,260	343,660	348,825	339,989	347,379	343,302
South China Morning Post	104,406	104,484	92,271	96,389	100,004	101,782
South China Sunday Morning Post	90,868	81,719	74,829	75,896	78,362	82,208
Asia Wall Street Journal	84,467	81,399	76,843	80,750	80,141	80,883
USA Today International-Asia	12,686	12,673	<i>Note 1</i>	11,266	12,189	12,189

\* Circulation figures during March-June 2003 may have been affected by SARS

*Note 1* Circulation figures of 12,586 for January to March 2003 and 9,165 for April to June 2003

*Note 2* Circulation figures of 85,093 for July to September 2004 and 106,192 for October to December 2004

Source: HKABC

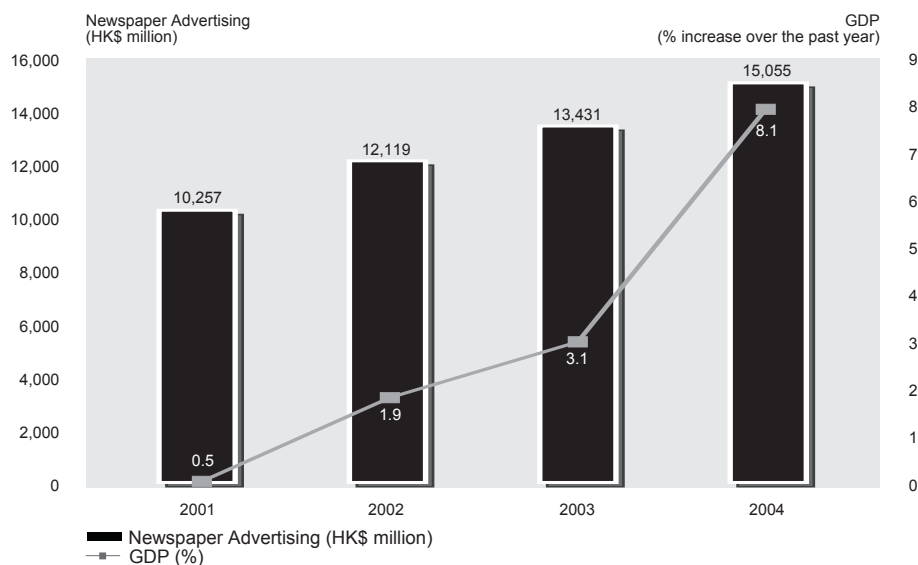
As set out in the above table, *HKET* experienced an increase of its average net circulation from 71,970 during January to June 2002 to 80,704 during July to December 2004.

Generally, the main sources of revenue for newspapers are advertising income and circulation income. Therefore, advertising and circulation (or readership) are the most appropriate measurements of the market share of Hong Kong's newspaper publishers. HKABC is an association that validates publications circulation figures in Hong Kong, whilst Nielsen Media Research's AdEx is a report that records advertising revenue of different media, including newspapers and magazines in Hong Kong.

## INDUSTRY OVERVIEW

According to Nielsen Media Research's AdEx report, gross advertising expenditures on television, radio, newspapers, magazines, outdoor and others have increased by about 13% from 2003 to 2004. According to the same report, gross display advertising expenditures for newspapers have increased by approximately 10.8% and 12.1% in 2003 and 2004 respectively. These figures show the positive market demand for newspaper advertising in Hong Kong. The growth in advertising expenses was driven by the improvement in the economy of Hong Kong. The following chart sets out advertising expenditure and GDP trend in Hong Kong from 2001 to 2004.

### Newspaper advertising expenditure and GDP trend (2001-2004)



Source: *www.info.gov.hk*, updated May 2005 and Nielsen Media Research (figures have been rounded)

According to Nielsen Media Research AdEx reports, recruitment advertising expenses have increased by approximately 42.6% in 2004. During the same period, the unemployment rate in Hong Kong was trending down and reached 6.8% in 2004. The growth in recruitment advertising expenses was driven by the recent improving economy in Hong Kong. The following table sets out recruitment advertising expense and unemployment rate trend in Hong Kong from 2002 to 2004.

### Recruitment advertising expense and unemployment rate trend (2002-2004)

	2002	2003	2004
Recruitment advertising expense (HK\$ million)	864.26	828.71	1,181.45
Unemployment rate (%)	7.3	7.9	6.8

Source: *www.info.gov.hk* and Nielsen Media Research



## INDUSTRY OVERVIEW

Finance/investment/banking is one of the important segments in newspaper advertising spending. The advertising expenditure of the category of finance/investment/banking on newspapers reported an increase of 33.0% in 2004. Recruitment classified advertising on newspapers reported a growth of 42.6% in 2004.

### Gross display advertising expenditure on newspapers in 2004

Category	Total (HK\$'000)	% share
Automotives	368,224	2.4%
Beverages	70,373	0.5%
Cleaners	31,124	0.2%
Clothing	144,795	1.0%
Computers & accessories	236,741	1.6%
Electrical appliances	571,677	3.8%
Finance/Investment/Banking	1,529,316	10.2%
Foodstuffs	365,402	2.4%
Household	359,860	2.4%
Industrial/Offices	946,097	6.3%
Leisure	2,499,144	16.6%
Liquor	66,612	0.4%
Miscellaneous	2,384,633	15.8%
Personal items	399,648	2.7%
Pharmaceuticals	842,351	5.6%
Real estates	1,533,278	10.2%
Retail/Services	2,321,159	15.4%
Smoking & accessories	1,853	0.0%
Toiletries	382,546	2.5%
<b>Total</b>	<b>15,054,833</b>	<b>100.0%</b>

Source: Nielsen Media Research

Note: Figures have been rounded.

Consumers in Mainland China are increasingly spending more on cultural and recreational services. According to the statistics issued by 中華人民共和國國家統計局 (National Bureau of Statistics of China), in 2003, there were more than 2,100 newspapers and over 9,000 magazines in Mainland China. Over 190,000 new book titles were being published in 2003.

The demand for Hong Kong's quality marketing services from multinational companies as well as established Mainland China companies are also expected to rise in light of a more competitive post-WTO environment and the CEPA arrangement. Market entry restrictions have been further relaxed since China joined the WTO. China has permitted the setting up of wholly foreign-owned advertising subsidiaries by foreigners with effect no later than 10th December, 2005. On the other hand, Hong Kong companies have already been granted the right to establish wholly-owned advertising firms in Mainland China under CEPA. With more foreign companies entering Mainland China market, fierce competition will drive demand for spending on marketing services. The hosting of the year 2008 Olympic Games by China is also regarded as a positive market development for the marketing services industry.

Looking into the future, newspapers will be one of the most sought after segments for foreign investment. Development potential is particularly good in the fields of IT, business, lifestyle and recreation.

## INDUSTRY OVERVIEW

### Magazine publishing

There were 764 magazines and other periodicals registered with the Television and Entertainment Licensing Authority as at 31st May, 2005.

Hong Kong is well served by a great variety of magazines and periodicals, in Chinese, English and other languages; and by both local and international publishers. A number of international publishers use Hong Kong as the base to perform some or all of the functions of local market adaptations, printing, advertising sales and subscription. These magazines are differentiated in focus areas.

Generally, the main sources of revenue for magazines are advertising income and circulation income. Therefore, circulation (or readership) and advertising are also the most appropriate measurements of the market share of Hong Kong's magazine publishers. HKABC is an association that validates publications circulation figures of magazines in Hong Kong, whilst Nielsen Media Research's AdEx is a report that records advertising revenue of different media, including newspapers and magazines in Hong Kong.

According to Nielsen Media Research's AdEx reports, advertising expenditures for magazines have increased by approximately 9.3% and 27.7% in 2003 and 2004 respectively. These figures show the positive market demand for magazine advertising in Hong Kong.

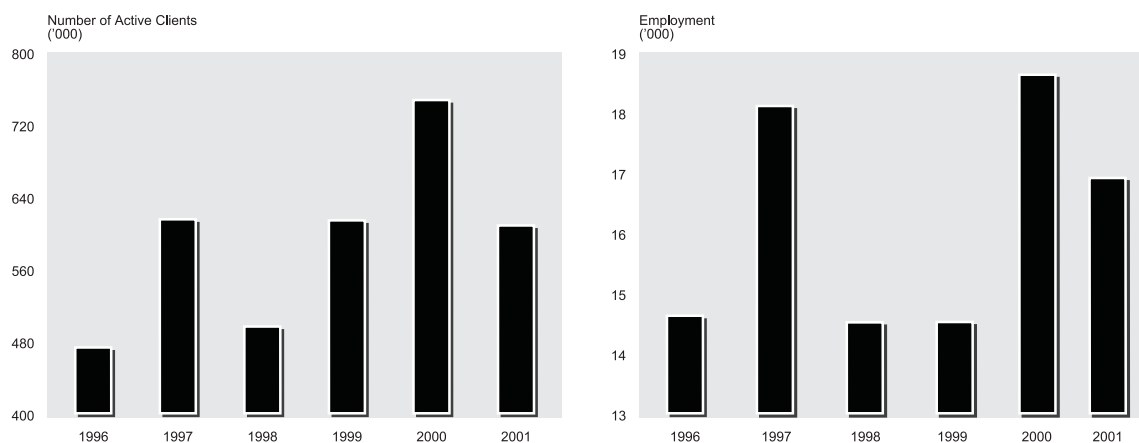
### SECURITIES TRADING IN HONG KONG

Retail investors in Hong Kong mainly use brokerage firms or banks for trading stocks. According to the SFC Six-year Comparison of Business Activities Surveys on Securities Dealers (April 2003), there were about 690 securities dealers in Hong Kong in 2001 and stock broking was their primary business. The percentages of retail clients to institutional clients were 87% to 13% in 2001, compared to 77% to 23% in 1996. The majority of the clients were local clients, accounting for almost 90%, compared to less than 80% in 1996.

## INDUSTRY OVERVIEW

In line with the trading activities of the stock market, the number of persons working in the securities industry peaked in 2000 with a total number of 18,618. The proportion of manpower in front office rose from 47% in 1996 to 54% in 1998, and further to 59% in 2001. These front office staff are in need of quality and speedy financial information as a vital business tool to serve their retail customers.

### Summary statistics of securities dealers (1996-2001)



Source: SFC: Six-year Comparison of Business Activities Surveys on Securities Dealers (April 2003)

### Reported number of persons working in securities industry by functional group

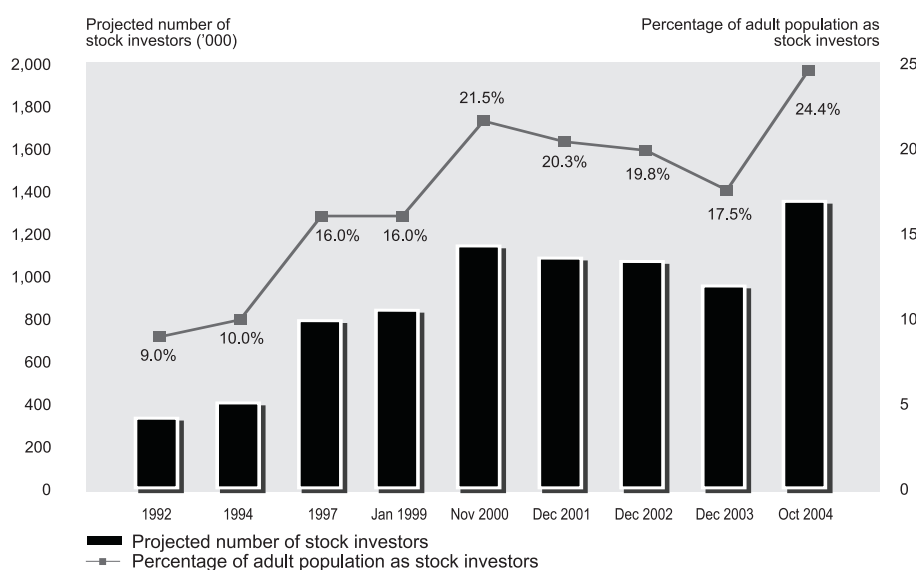
	1996		1997		1998		1999		2000		2001	
	No.	% to total	No.	% to total	No.	% to total	No.	% to total	No.	% to total	No.	% to total
Total Number of Staff	14,669		18,104		14,527		14,540		18,618		16,868	
Front Office	6,918	47%	9,762	53%	7,796	54%	7,968	55%	10,500	56%	9,882	59%
Sales and Marketing	4,410	30%	4,503	25%	4,608	32%	4,869	33%	6,765	36%	6,569	39%
Dealing/Execution	2,508	17%	3,709	20%	2,567	18%	2,435	17%	2,857	15%	2,397	14%
Underwriting	n.a.	n.a.	n.a.	n.a.	88	1%	162	1%	220	1%	202	1%
Fund/Portfolio Management	n.a.	n.a.	195	1%	63	0%	30	0%	57	0%	45	0%
Research	n.a.	n.a.	1,355	7%	470	3%	472	3%	603	3%	465	3%
Others	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	204	1%
Back Office	7,752	53%	8,339	46%	6,731	46%	6,572	45%	8,118	44%	6,986	41%
Settlement	2,751	19%	2,751	15%	2,234	15%	2,268	16%	2,461	13%	2,150	13%
Credit Control	n.a.	n.a.	n.a.	n.a.	390	3%	321	2%	363	2%	332	2%
Risk Management	n.a.	n.a.	n.a.	n.a.	270	2%	228	2%	292	2%	249	1%
Accounting	1,612	11%	1,957	11%	1,329	9%	1,388	10%	1,617	9%	1,342	8%
Legal and Compliance	474	3%	621	3%	477	3%	415	3%	504	3%	465	3%
Information Technology	n.a.	n.a.	n.a.	n.a.	744	5%	717	5%	1,138	6%	1,167	7%
Others	2,915	20%	3,010	17%	1,287	9%	1,235	8%	1,744	9%	1,281	8%

Source: SFC: Six-year Comparison of Business Activities Surveys on Securities Dealers (April 2003)

## INDUSTRY OVERVIEW

The Retail Investor Survey 2004 conducted by the Stock Exchange revealed that there were 400,000 more retail stock investors in Hong Kong in 2004 than those in 2003. In October 2004, 24.6% of the Hong Kong adult population (or 1,360,000 individuals) were retail investors, i.e. either stock investors or derivatives investors or both; 24.4% (or 1,354,000 individuals) were stock investors. Retail stock participation increased from 17.5% of the adult population (or 957,000 individuals) in 2003 to 24.4% (or 1,354,000 individuals) in 2004 and was the highest since the survey series began.

### Trend of stock investors



Source: Stock Exchange: *The Retail Investor Survey 2004*

Compared to a decade ago, the proportion of adult population investing in stocks has almost doubled (17.5% in 2003 vs 9% in 1992). From survey findings, more and more individuals of higher education level to participate in stock investment.

Stock investors increasingly rely on their own analysis to make buy-sell decisions (83% of stock investors in 2003 from the SFC Retail Investor Survey 2003 compared to 45% in 1997 from the Stock Exchange Retail Investor Survey). They also make reference to celebrity analysts and media reports. According to the SFC Investor Survey on Investment Research Activities (November 2003), unlike institutional investors who obtain research reports directly from the brokerage firms, retail investors access research reports mainly through the broadcast media and financial websites; and they are more interested in factual details and analysis on specific stocks or industry sectors than specific recommendations and target prices.

According to the information released by Hong Kong Trade Development Council in 2001, securities investment accounts in Mainland China have exceeded 60 million. But with many investors holding more than one account, the number of investors is estimated at 20 million. Individual retail investors are overwhelmingly dominating, holding over 99.5% of the accounts, with less than 0.5% for institutional investors, by statistics.

## INDUSTRY OVERVIEW

### Future trend and development of Hong Kong stock market – Mainland China enterprises

With a total market capitalisation of HK\$6,629 billion at year-end of 2004, the Main Board of the Stock Exchange ranked 9th in the world and 2nd in Asia Pacific, following Japan. Hong Kong also ranked 3rd in capital formation among international exchanges in 2004. Total capital raised during 2004 amounted to \$281 billion. The Stock Exchange is the largest capital formation centre for Mainland China enterprises. Of the total of 1,096 companies listed on the Stock Exchange at the end of 2004, 304 are Mainland China enterprises with a market capitalisation of HK\$2,021 billion, or about one-third of the market total. In 2004, funds raised by Mainland China enterprises through initial public offering (“IPO”) and post-IPO reached HK\$114 billion, amounting to about 41% of the capital raised during the year.

There were 44 newly listed Mainland China enterprises in 2004, bringing the total number of listed Mainland China enterprises to 304, increased from 249 in 2003. Market capitalisation of Mainland China enterprises reached HK\$2,021 billion. Funds raised by Mainland China enterprises reached HK\$76.7 billion, accounting for 79% of the total funds raised through IPO in 2004, with post-IPO funds raised by Mainland China enterprises amounting to HK\$36.9 billion or 20% of the total of such funds raised. Since Mainland China enterprises first began raising capital on the Stock Exchange in 1993, they have raised a total of about HK\$904 billion or 49% of all funds raised during that period. Trading in Mainland China enterprises stocks was very active in 2004 with an average daily turnover of HK\$6,687.2 million, accounting for 49% of the average daily equities turnover.

### Summary of market statistics from the Main Board and GEM (as at year-end)

	Main Board			GEM		
	2004	2003	Change	2004	2003	Change
IPO funds raised for the year (HK\$ Billion)	94	57	65%	2.69	2.08	29%
Market capitalisation (HK\$ Billion)	6,629	5,478	21%	66.72	70.18	(5%)
Number of listed companies	892	852	5%	204	185	10%
Number of listed securities	1,971	1,598	23%	205	187	10%
Total turnover for year (HK\$ Billion)	3,948	2,546	55%	26	38	(32%)
Average daily turnover (HK\$ Million)	15,857	10,265	54%	103	154	(33%)

Source: Hong Kong Exchanges and Clearing Limited, Annual Report 2004.

Note: Figures have been rounded.

Listing activities of Mainland China enterprises are expected to continue as companies increasingly seek to access international pools of capital, and global investors look for investment opportunities in China. It is expected that Mainland China issuers will continue to be a major growth driver of the securities market of Hong Kong in the future.

The Stock Exchange’s Cash Market Transaction Survey 2003/04, which covers the year ended 30th September, 2004, found increased Mainland China participation in the Hong Kong stock market. Trading orders of Mainland China origin in the recent years contributed 8% of overseas investor trading (2.9 % of total trading) in the Hong Kong stock market, up from 4% (1.5%) in 2002, and 2% (1.2%) in 2001.

## INDUSTRY OVERVIEW

This rising trend would be further supported by CEPA and concurrent liberalization measures, which have in one way or another made it easier for Mainland China issuers and investors to reach Hong Kong and list and trade there.

In December 2002, China introduced the Qualified Foreign Institutional Investor (QFII) scheme which allows for the first time the entry of foreign investors into the domestic A share market. The first QFII investment took place in July 2003. With the QFII scheme in operation, there is discussion of a corresponding mechanism for overseas investment by domestic investors – a Qualified Domestic Institutional Investor (QDII) scheme. It is believed that this could help utilise China's large foreign exchange reserves and domestic foreign exchange savings, thereby helping to maintain a better balance on the capital account.

The aggregate investment value of the various institutional funds constitute roughly one-third of the investable China securities market value (equities and government bonds), the balance being held by retail investors. The securities investment funds (SIFs) are the major regularized institutional investor type by investment value in the domestic stock market, holding approximately 10% of the market value. About 28% of the units in the SIFs are held by insurance companies, which are forbidden to participate in the stock market directly. The National Social Security Fund (NSSF), which entered the stock market recently, constituted only 0.8% of market value, followed by trust and investment companies and the QFII (estimated to be 0.6% each).

Taking into consideration the current regulatory environment and market situation, it is considered more likely that insurance companies, the portion of the NSSF contributed by overseas funds raised by state-owned enterprises, and the SIFs would be the first authorized types of institutional investors to invest overseas.

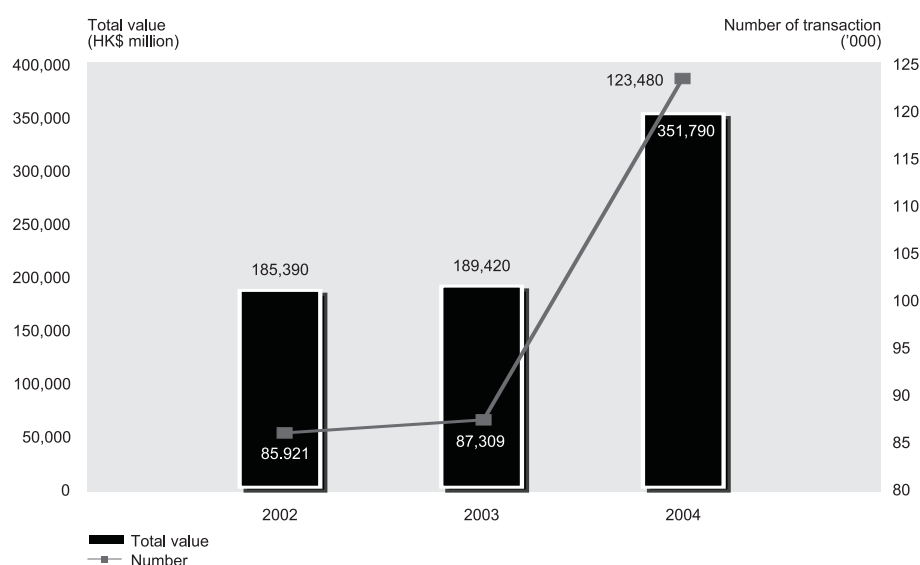
Steps are being taken by the China authorities to allow selected Mainland China institutions to invest overseas, including in Hong Kong. Overseas investment by Mainland China domestic investors, whether by way of a QDII scheme or not, will impact the Hong Kong securities market. To diversify their investment portfolios, Mainland China investors would be interested in the China-related stocks listed in Hong Kong. For institutions, such as pension funds or the NSSF, it also makes sense to diversify into overseas markets such as Hong Kong to improve returns and lower risk. The trend of Mainland China investment in the Hong Kong market is likely to grow over time.

## INDUSTRY OVERVIEW

### PROPERTY MARKET IN HONG KONG

The property market in Hong Kong had clearly turned around in late 2003, after the languishing performance earlier in that year. On residential property, trading activity having plunged in the second quarter, rebounded appreciably in the latter part of 2003, amidst growing optimism for the economy. On commercial property, the market for office space likewise picked up towards the end of 2003, as manifested by a notable surge in the prices of office space and a narrowed decline in office rentals. As illustrated in the following chart, the number and total value of property transactions increased substantially to 123,480 and HK\$351.8 billion in 2004, representing a growth of 41.4% and 85.7% over 2003 respectively.

**Property transactions trend (2002-2004)**



Source: *The Land Registry, Hong Kong*

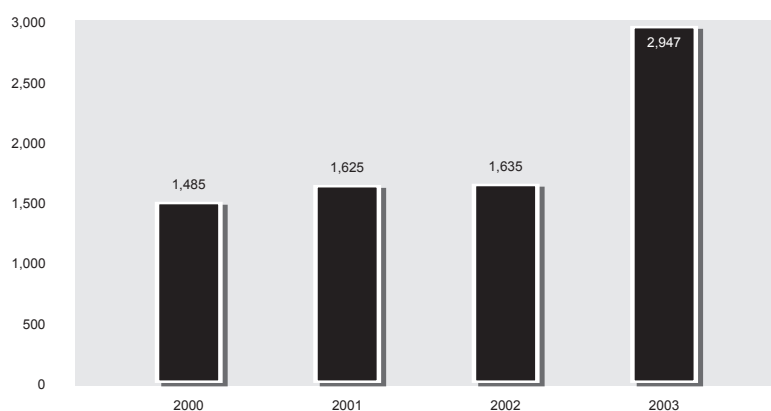
### WEALTH AND ASSET MANAGEMENT IN HONG KONG

In the past four years, despite worldwide market volatility, deflation and record low interest rates, the Hong Kong fund industry achieved an annual compound growth rate of 14.9% year-on-year growth in Asset Under Management (“AUM”). According to the market wide survey conducted by the SFC on the asset management business, the total AUM under management by Hong Kong fund managers increased by 56% since 2000.

According to the Fund Management Activities Survey 2003 conducted by the SFC, as of 31st December, 2003, fund management business, which comprises of assets management, advisory business and other private banking activities, amounted to HK\$2,947 billion. Of this total, HK\$2,317 billion was reported by licensed corporations, and consisted of HK\$2,108 billion worth of asset management business and HK\$209 billion worth of advisory business. The remaining HK\$630 billion was reported by registered institutions and consisted of HK\$142 billion worth of asset management business and HK\$488 billion worth of other private banking business.

## INDUSTRY OVERVIEW

### Fund management business (HK\$ billion)



Source: SFC: Fund Management Activities Survey 2003

According to the Fund Management Activities Survey 2003 conducted by the SFC, among the licensed corporations, asset management business was up 41% year-on-year, on the back of strong performance in the financial markets, inflows of investment funds and gain in investment mandates. Manpower was also strengthened substantially. The number of staff engaged in fund management activities increased 31% in 2003 to 3,763, driven by a threefold increase in sales and marketing staff.

## LAWS AND REGULATIONS

### On Hong Kong print media

Under section 7 of the Registration of Local Newspapers Ordinance, publications which contain news, intelligence, occurrences or any remarks, observations or any comments in relation to such news, intelligence or occurrences and published at intervals not exceeding six months in Hong Kong are required to be registered with the Registrar of Newspapers. Further, the publisher of a magazine or periodical shall, within one month after the magazine or periodical is published, printed, produced or otherwise made in Hong Kong for the first time, deliver copies of the magazine or periodical to the Secretary for Home Affairs for registration under the Books Registration Ordinance.

Pursuant to section 13 of the Newspapers Registration and Distribution Regulations, no newspaper shall be distributed for sale in Hong Kong except by a newspaper distributor licensed by the Registrar of Newspapers. However, licence is not required for retail sales of newspapers to the public.

Freedom of press in Hong Kong is at present protected by the Hong Kong Basic Law which extends the application of certain provisions of the International Covenant on Civil and Political Rights to Hong Kong. Legal constraints on the contents of a publication include emergency powers reserved to the Hong Kong Government and protection of official secrets. Newspapers, magazines and books in Hong Kong are also regulated by the Control of Obscene and Indecent Articles Ordinance under which a tribunal is empowered to review and consider any material and make appropriate judgment as to whether such material is obscene or indecent. The operations of any news media organisations, particularly its reporting activities, may also be affected by the common law in areas such as defamation, confidentiality and contempt of court.



## INDUSTRY OVERVIEW

### **Final reports on Civil Liability for Invasion of Privacy and Privacy and Media Intrusion**

On 9th December, 2004, the Hong Kong Law Reform Commission's Privacy sub-committee (the "Commission") has published final reports on Civil Liability for Invasion of Privacy and Privacy and Media Intrusion.

The report on Invasion of Privacy examines whether an individual should be entitled to seek civil remedies for invasion of privacy that is unwarranted in the circumstances. The Commission concludes that one or more specific torts of invasion of privacy which clearly define the act, conduct and/or publication which frustrates the reasonable expectation of privacy of an individual without justification should be created by statute.

The report on Privacy and Media Intrusion examines whether it is necessary to introduce additional measures to protect individuals from unwarranted invasion of privacy by the news media. The Commission concludes that the voluntary self-regulatory measures introduced by the press industry and the journalistic profession have not been effective in protecting individuals from unwarranted invasion of privacy by newspapers and magazines and thus, an independent and self-regulating commission should be established by statute to deal with complaints of unjustifiable infringements of privacy by newspapers and magazines

However, since the recommendations of the above reports have not yet been implemented, the impact on the publishing industry is uncertain.

### **On distribution of offshore information and newspapers in Mainland China**

An offshore information provider who intends to disseminate economic information to the Mainland China customers is required to obtain 涉外經濟信息發布機構批准證書 (Certificate of Approval on Foreign Economic Information Release Institution).

Given the special social functions of publications in Mainland China, the China Government is still maintaining strict controls on foreign participation in this industry. The publishing and importation of publications in Mainland China is still off-limit to foreign companies. Thus Hong Kong companies' participation is now mainly focused on entering the market through copyright trade and establishing ties with Mainland China publishing companies in the importation and distribution fields.

The circulation of Hong Kong newspapers in Mainland China is restricted to those organizations that have obtained the approval from the related government bodies in China and by subscription only. Subscription is made through 中國圖書進出口(集團)公司 (China National Publications Import and Export (Group) Corporation) and 中國國際圖書貿易總公司 (China International Book Trading Corporation).

### **On advertising business in Mainland China**

The Advertising Law serves as the cornerstone of the Mainland China advertising industry. The Advertising Law was promulgated for the purpose of promoting the smooth development of the advertising industry, safeguarding the lawful rights and interests of consumers, and supporting the positive role of advertising. The Advertising Law is applicable to advertisers, advertising operators and disseminators that engage in advertising activities. To regulate advertising activities, the Advertising Law does not permit unfair competition in any form. Advertising companies may only engage in advertising business if they have undertaken the necessary registration. The content of advertisements should neither contain false information, nor deceive or mislead consumers. Advertising fees must be reasonable, and rates and fee collection methods must be filed with the PRC Commodity Price Administration and the PRC Administration for Industry and Commerce for record. Article 34 of the Advertising Law contemplates that advertisements related to certain products in certain media, including newspapers, shall be censored by the relevant supervising

## INDUSTRY OVERVIEW

administration prior to dissemination. When an advertiser applies for censorship, relevant supporting documents must be submitted as well. Part V of the Advertising Law specifically contemplates the legal liabilities in cases where the provisions are violated.

On 26th October, 1987, the State Council promulgated 廣告管理條例 (Administration Regulation of Advertising Industry). Accordingly, the PRC State Administration for Industry and Commerce promulgated 廣告管理條例施行細則 (Implementation Rule of Advertising Industry Administration) on 9th January, 1988, and amended it in 1998, 2000 and 2004. Pursuant to 廣告管理條例施行細則 (Implementation Rule of Advertising Industry Administration), an advertising enterprise shall have personnel and institution responsible for market investigation, personnel who is familiar with the laws regarding advertising industry administration responsible for management and personnel responsible for design, production, editorial and accounts. Advertising enterprises could engage in advertising business if they have undertaken the procedure for approval and registration with PRC Administration for Industry and Commerce. The clients of advertising enterprises should provide relevant documents, including certificates rendered by relevant supervisory administrations. As to the operation of advertising enterprises, registration, review and filing systems need to be established and maintained. According to 外商投資廣告企業管理規定 (Rules of Investment in Advertising Enterprises by Foreign Investors) promulgated by the PRC State Administration for Industry and Commerce and the Ministry of Commerce in March 2004, overseas investors are allowed to hold controlling interest in advertising companies in Mainland China with shareholding interest of not more than 70% with effect from March 2004. China has also permitted the setting up of wholly foreign-owned advertising enterprise with effect no later than 10th December, 2005. On the other hand, Hong Kong companies have already been granted the right to establish wholly-owned advertising firms in Mainland China under CEPA. Pursuant to the second phase liberalisation measures of CEPA as agreed in August 2004, a Hong Kong company may establish an enterprise in Mainland China to engage in the advertising business, upon compliance with certain criteria and requirements set up by the relevant PRC government authorities. Such criteria and requirements include that the Hong Kong company must itself a “service provider” as defined under the CEPA, be principally engaged in the advertising business, have a track record period of more than three years and fulfill other relevant requirements under CEPA.

### **On dissemination of financial information in Mainland China**

On 31st December, 1995, the General Office of the State Council promulgated 關於授權新華通訊社對外國通訊社及其所屬信息機構在中國境內發布經濟信息實行歸口管理的通知 (Notice of the General Office of the State Council on the implementation of unified management of authorisation by Xinhua News Agency for foreign correspondents and their associated information organisations to disseminate financial information in China) (the “Notice”). On 15th April 1996, Xinhua News Agency promulgated 外國通訊社及其所屬信息機構在中國境內發布經濟信息的管理辦法 (Management methods on dissemination of financial information by foreign correspondents and their associated information organisations in China) (the “Management Methods”). The Notice and the Management Methods are the major legal documents which regulate the activities of disseminating financial information by overseas correspondents and their associated organisations in Mainland China.

The Notice and the Management Methods provide that the Xinhua News Agency is authorised by the State Council to manage the dissemination of financial information by foreign correspondents and their associated information organisations in Mainland China. Before disseminating financial information in Mainland China, the foreign correspondents and their associated information organisations must make an application to Xinhua News Agency, who shall review and approve the application. The Management Methods also provide that the type of information, means of dissemination, charging standard, methods of technical services and other information shall be reviewed and approved by Xinhua News Agency.

The dissemination of financial information (including through leased lines) is also regulated by the Notice and the Management Method and the overseas correspondents and their associated information organisations are required to file their service contracts with the Xinhua News Agency.

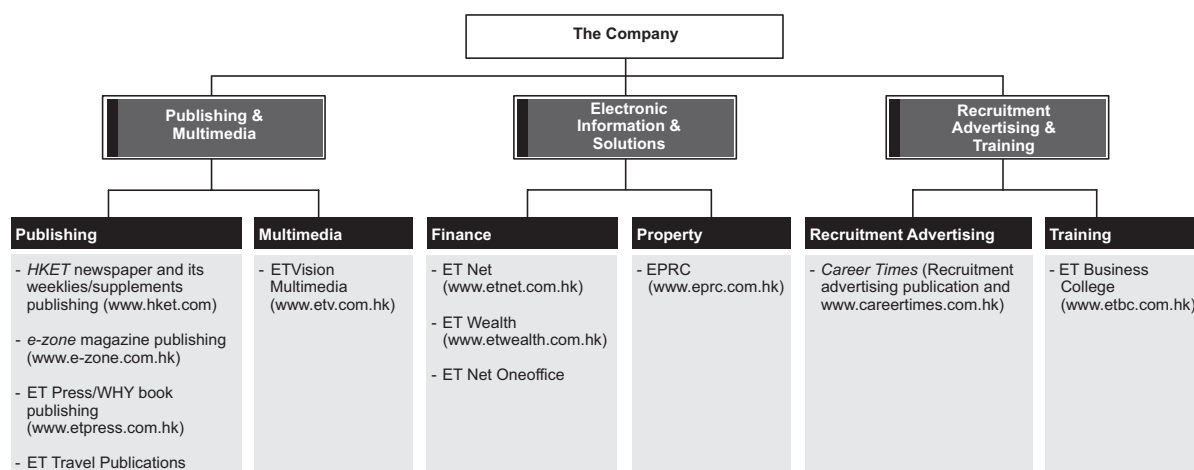
# BUSINESS

## OVERVIEW

The Company, through its subsidiaries, is a diversified media company. The core business of the Group is the publication of *Hong Kong Economic Times* (香港經濟日報), being the leading financial newspaper in Hong Kong. Apart from newspaper publishing, the Group has also successfully developed other business ventures such as magazine publishing (*e-zone*), book publishing, recruitment advertising and training for business executives. In addition, the Group is one of the leading real-time financial information providers providing equities and derivatives quotation, news, commentaries and Hong Kong listed companies information to the professional market and retail investors.

As set out in the diagram below, the Group operates in three major business segments, namely Publishing and Multimedia, Electronic Information and Solutions, and Recruitment Advertising and Training. Revenues generated from these three business segments (after elimination of inter-segment transactions) during the Track Record Period are as follows:

	For the year ended 31st March,					
	2003		2004		2005	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Publishing and Multimedia	367,210	68.0	368,548	71.5	442,188	72.7
Electronic Information and Solutions	116,918	21.6	102,586	19.9	107,130	17.6
Recruitment Advertising and Training	56,320	10.4	44,535	8.6	59,094	9.7
<b>Total</b>	<b>540,448</b>	<b>100.0</b>	<b>515,669</b>	<b>100.0</b>	<b>608,412</b>	<b>100.0</b>



The Group has attained the following accolades for its various business operations:

1. *HKET* is the leading financial newspaper in Hong Kong, according to the HKABC reports on newspapers with circulation audited, Nielsen Media Research AdEx data and Media Index report;
2. *e-zone* ranked No. 1 in gross display advertisement revenue among all PC and digital magazines in Hong Kong according to the Nielsen Media Research AdEx report data;
3. ET Net is one of the market leaders in providing real-time financial information to the professional market and retail investors in Hong Kong;

## BUSINESS

4. ET Wealth is one of the dominant providers in providing funds market database and wealth management system to the professional market in Hong Kong;
5. EPRC is one of the market leaders in providing property database to the professional market in Hong Kong; and
6. *Career Times* ranked No. 2 in the recruitment classified advertising market in Hong Kong according to Nielsen Media Research AdEx data.

### PRINCIPAL STRENGTHS

The Directors believe that the Group has the following competitive strengths:

- **Industry market leader with excellent reputation and brand.** The Directors believe that the reputation of the Group and its leading status in the financial reporting service industry in publishing *HKET* support the operation and development of all the other business units within the Group. The Directors also believe that the strong brand identity of *HKET* places the Group in a competitive position and helps implementing the Group's marketing strategies targeted at potential readers, advertising customers and subscribers.
- **Established electronic information business for both financial and property industries.** The Group, through ET Net and EPRC, has managed to establish extensive financial and property information databases for the financial and property industries. ET Net anchors in a developed technology platform and is one of the bilingual real-time financial information providers, providing equities and derivatives quotation, news, commentaries, charting and information of Hong Kong listed companies to the professional market and retail investors. EPRC, on the other hand, has developed a comprehensive and user-friendly property database (which includes data on property transactions and asking information) to satisfy the increasing demand for analytical property data by property practitioners.
- **Reputation of quality content and reporting that attracts quality readers.** The editorial policy of *HKET* is to report and to write in a formal and professional style so as to provide its readers with accurate information and impartial reporting. Thus *HKET* has attracted strong professional/manager/executive readership. It also insists on quality reporting by providing the news issues and angles that are of interest to business executives. The Directors believe that *HKET* has established itself as the leading quality financial newspaper in Hong Kong through this editorial policy, which they intend to maintain. The Group has received various awards in news reporting, editing and photography granted mostly by The Newspaper Society of Hong Kong.
- **Continual synergy creation to maximize the Group's income.** The various business units can ride on the reputation of the Group to develop their businesses in particular when targeting at customers similar to those of *HKET*. At the same time, they also share among themselves content for publishing, promotional resources and distribution resources to minimize cost and maximize business opportunities and value creation within the Group. With the specialty of different business units, *HKET* can also be more competitive by adopting an integrated marketing approach for advertising customers by providing value-added services.

## BUSINESS

- **Visionary management team with significant experience and industrial knowledge.** The Group's management has successfully led the Group to transform itself from a newspaper publishing company to a diversified media company. Key members of the Group's management team have been with the Group for more than 15 years. Many of them have had extensive knowledge and over 15 years of experience in the publishing industry, financial industry or IT industry.
- **Strong and established recruitment advertising services.** The Directors believe that the major strength of *Career Times* recruitment advertising is its wide range of recruitment advertising services to its clients and its commitment to build strong customer relationships. As for advertising, other than just providing an advertising space within the Group's printed media, the advertising team also provides value-added services – it would design and package the overall advertising concept and marketing campaign for clients based on their needs.

### MISSION STATEMENT AND STRATEGIES

The mission of the Group is to become a leading branded financial and business information and services provider in Greater China.

The Group's principal business strategies are as follows:

- **Strengthen its leading position to provide quality financial content and diversify into other contents in order to expand the quality readership base which the Directors believe will lead to more advertising revenue.** The Group will continue to maintain quality content in financial news in order to maintain its target advertising clientele. In order to further increase its circulation and readership, which may directly and/or indirectly enhance its advertising revenue, the Group has started to incorporate and enhance certain general interest contents on social news, Mainland China news, education, entertainment, leisure, local and overseas travel, European soccer as well as personal finance feature into *HKET* to complement its strength in financial news coverage and property contents.
- **Broaden *HKET*'s advertising revenue from other industry sectors and regions, in particular, Mainland China.** As *HKET* is diversifying into general interest content while maintaining a strong finance focus, the strategy is to capitalize on the change in newspaper content by diversifying its advertising revenue base to target general newspaper advertisements in areas such as entertainment, food and beverages, lifestyle, leisure, brands, fitness and beauty. *HKET* Limited has entered into a conditional sale and purchase agreement with HK Holding to acquire the entire registered capital of SZ Advertising, a subsidiary of HK Holding. Details of the conditional sale and purchase agreement between *HKET* Limited and HK Holding are set out in the section headed "Connected Transactions" in this prospectus. SZ Advertising intends to set up advertising offices in major cities such as Beijing, Guangzhou and Shanghai in the future. The acquisition of SZ Advertising will further increase the exposure of the Group in Mainland China.
- **Leverage on its real-time equities and derivatives quotation and financial information database and its high quality users base to roll out and expand other value-added products and services (such as financial portal, ET Net PV II version**

## BUSINESS

**in Mainland China and datafeed service in different regions).** The Group plans to launch ET Net PV II version for its Mainland China quotation business. PV II version is the second generation of PV which is customized by the Group to cater for the specific needs of the Mainland China customers. ET Net is also planning to expand its datafeed business in Mainland China, Taiwan and Japan by centralising the information, data and content from its various products and customize the outputs in accordance with the customers' requirements, or by selling investor relationship package to the Mainland China companies listed in Hong Kong to display their company information and stock prices. ET Net aims to provide high quality and customized services to its customers and to leverage on its financial and business reputation to explore new business opportunities. With the fast growing trend in the wealth management industry, the Directors also believe that its ET Wealth funds market database and wealth management system will be highly sought-after by the financial planners.

- **Integrated one-stop marketing solution.** In order to strengthen and foster the relationship with its clients, the Group will continue to provide comprehensive marketing packages and one-stop services for its corporate clientele, including seminars, video production, tailor-made booklets and newsletters, direct mailing, games and competitions, premiums and online advertisement etc.. The Group believes that this "integrated marketing" approach is well received by advertisers as it is more cost-effective, time-saving and trouble-free. This allows the Group to capture not only the above-the-line budget as other competitors do, but also the below-the-line budget of the advertisers. The frequent cooperation between different subsidiaries of the Group has created ample opportunity to bring together their intellectual properties to create more innovative products and ideas.
- **Develop strategic partnership in Mainland China.** ET Net News Agency has entered into a co-operation agreement with Qianlong in November 2004 pursuant to which ET Net News Agency will provide Hong Kong's equities quotation and financial information to Qianlong. Qianlong is presently engaged in the development, production and distribution of securities analysis software in Mainland China and is one of the major financial information vendors in Mainland China. ET Net News Agency intends to leverage on Qianlong's strengths and connections in Mainland China to further develop Hong Kong stock quotation business in Mainland China.
- **Expand the Group's printing capacity and improve its overall printing efficiency.** The Group has recently invested in two new printing press lines for the publishing of *HKET*. Each line can produce 6 full colour broadsheets at a speed of 40,000 revolutions (1 set of 6 broadsheets per revolution) per hour. The Group installed these new machines to increase circulation and the number of pages of the newspapers, in particular, the advertising section. These new machines are not intended for replacement but are for future growth. The new machines also allow the Group to provide services to third parties, such as printing jobs for other publications in Hong Kong. In addition, the Group intends to adopt the "computer-to-plate" technology in the pre-press section so as to improve its overall printing and production efficiency by reducing material cost, manpower resources and production lead time.

## BUSINESS

### HISTORY AND DEVELOPMENT

The Group began its publishing operations in 1988 and has been operating in Hong Kong for more than 17 years. Since then, the Group has successfully diversified into other media related businesses. The core business of the Group is newspaper publishing. The Chinese-language financial newspaper, *HKET*, was first published by the Group on 26th January, 1988.

In 1990, ETBC commenced business by providing seminars for business executives and management.

In 1991, the Group began the business of providing electronic property information. The problem faced by the property industry then was that only very limited raw data information was available in the market. The Group seized this opportunity to provide a comprehensive, user-friendly and reliable property database to satisfy the increasing demand from the property market for analytical data, such as data on property transactions and asking information.

In 1993, Mr. Fung Siu Por, Lawrence, Mr. Chu Yu Lun and Mr. Leong Ka Chai, the settlor of The Flex Trust which indirectly wholly owns Putt Putt Company Limited, set up Golden Rooster and since then, Golden Rooster had become a controlling shareholder of HK Holding. The interests of Mr. Fung Siu Por, Lawrence, Mr. Chu Yu Lun and Putt Putt Company Limited in Golden Rooster remained substantially the same during the Track Record Period, with only one minor change in December 2004 where each of Mr. Fung Siu Por, Lawrence and Mr. Chu Yu Lun transferred 1.5% of his shareholding in Golden Rooster to Putt Putt Company Limited, raising the interest of Putt Putt Company Limited in Golden Rooster from 30% to 33%. The issued share capital of Golden Rooster is currently owned as to 33.5% by Mr. Fung, 33.5% by Mr. Chu and the remaining 33% by Putt Putt Company Limited. Throughout the Track Record Period and as at the Latest Practicable Date, Mr. Fung Siu Por, Lawrence and Mr. Chu Yu Lun, who have been business partners prior to the inception of the Group in 1988, co-directors in various companies including Golden Rooster, HK Holding and the Company, and who are also deemed to be interested in the entire shareholding of Golden Rooster in the Company pursuant to Part XV of the SFO, were shareholders through Golden Rooster having control over the Group. Golden Rooster is itself an investment holding company and does not provide any service to or have any business directly with the Group. Although Mr. Chu Yu Lun, being the non-executive Director, is a director of Golden Rooster and HK Holding, he had no operation role in Golden Rooster and HK Holding during the Track Record Period.

In 1994, ET Press, a division of ETBC, was established for the publication of educational books. The division was later transferred to HK Holding in November 2000 and then to *HKET* Limited in April 2002 and diversified its publication in areas such as investment, business, management, health and beauty, and executive life style.

After a feasibility study conducted in 1994, ET Net began to provide a real-time financial terminal system on Microsoft Windows environment to give real-time equities and derivatives quotation, financial news and securities market research information to users via dedicated leased lines in 1995.

In 1997, *Career Times* (formerly known as *Success Times*) was launched as a weekly recruitment advertising publication for job seekers and human resources professionals. Free copies of *Career Times* are bundled with *HKET*.

In 1998, *e-zone* was launched to provide readers with information on computers, developments in information technology and digital products. It was published in the form of a tabloid magazine which was bundled with *HKET*.

## BUSINESS

In 1999, *careertimes.com.hk*, an online version of the printed version of *Career Times* was created. It is now a comprehensive recruitment website developed by the Group for job seekers and human resources professionals and shares more or less the same content as its printed version. In the same year, the Group acquired Forward Computer Systems Limited which was a brokerage trading back-office system provider in the market from Independent Third Parties. The acquisition was negotiated at arm's length and the consideration was HK\$3,000,000.00. After the acquisition, the business of Forward Computer Systems Limited was transferred to ET Net Oneoffice. Forward Computer Systems Limited was subsequently transferred out of the Group as part of the Reorganisation, details of which are set out in the paragraph headed "Corporate reorganisation" in appendix IV to this prospectus. ET Net Oneoffice is now providing the brokerage and banking industry with a one-stop-shop trading solution for both equities and derivatives trading. In short, it is an integrated solution that covers both front-office trading and back-office settlement systems.

In February 2000, ET Net obtained a PNETS licence (its free access financial portal, [www.etnet.com.hk](http://www.etnet.com.hk), was launched in March 2000).

In March 2000, Network Holdings Offshore Limited ("Network Holdings"), an Independent Third Party, entered into an agreement with ET Net (BVI) pursuant to which Network Holdings subscribed for 2% of the shareholding interests in ET Net (BVI). The subscription was negotiated at arm's length and the aggregate subscription price was HK\$34,200,000.00.

In April 2000, Top Media Group Limited ("Top Media"), an Independent Third Party, entered into an agreement with ET Net (BVI) pursuant to which Top Media subscribed for approximately 2% of the shareholding interests in ET Net (BVI). The subscription was negotiated at arm's length and the aggregate subscription price was HK\$34,920,870.10.

In May 2000, HK Holding entered into a shareholders' agreement with iBusinessCorporation.com Limited ("iBusiness") in respect of the operation of Cotino (in which the Group holds a 60% interest with the remaining 40% interest indirectly owned by iBusiness) which, through its wholly owned Career Times Online Limited, develops and operates an online job recruitment business under *careertimes.com.hk*. iBusiness is ultimately owned by Cheung Kong (Holdings) Limited, The Hongkong and Shanghai Banking Corporation Limited, Hutchison Whampoa Limited and Hang Seng Bank Limited.

In May 2000, ET Wealth was formed to provide tailor-made software solutions and consultancy services to financial institutions and government bodies. It launched its own product, "ET Wealth", in 2004. "ET Wealth" is a wealth management system offering both content and software application for professional users in the banking, finance and insurance industries.

In 2002, ETVision began the business of providing audio-visual production services such as corporate videos and filming documentaries.

In 2003, the Group began its travel publications business operated by ET Travel Publications, a division of HKET Limited. ET Travel Publications publishes travel maps, guide books and magazines targeted at Hong Kong visitors from Mainland China. These publications are freely distributed through the hotel networks in Hong Kong. ET Travel Publications also publishes out-bound travel guides.

In November 2003, *e-zone* adopted a new format by using glossy cover printing and a more portable package and was sold as a stand-alone magazine. Since then, it was no longer bundled with *HKET*.



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In April 2004, Golden Rooster, Mr. Mak Ping Leung, Mr. Chan Cho Biu, Mr. Shek Kang Chuen and Ms. See Sau Mei Salome transferred their entire shareholding interests in ET Net (BVI) to HK Holding for a total consideration of US\$100,000 (equivalent to HK\$780,000). After the said transfer, ET Net was owned by HK Holding, Network Holdings and Top Media as to approximately 96.04%, 1.96% and 2.0% respectively.

In December 2004, HK Holding increased its authorised capital from HK\$30,000,000 to HK\$31,200,000 and issued by way of rights 1,200,000 ordinary shares at HK\$1.00 per share, but payable at HK\$10 per share, to its shareholders.

In June 2005, iCareerTimes entered into a conditional sale and purchase agreement with Castino Limited (being a company directly wholly owned by iBusiness) which currently owns 40% interest in Cotino for the purchase of the 40% interest in Cotino owned by Castino Limited for a consideration equivalent to the multiple of 40% of the audited net profit of Career Times Online Limited, which is wholly owned by Cotino, for the year ended 31st March, 2005 multiple to be used in connection with the Listing. Save for the shareholding interest of Castino Limited in Cotino, the Group has no other relationship with Castino Limited. As the Offer Price has yet to be determined and therefore the price-earning multiple in connection with the Listing remains a variable, the actual consideration payable by iCareerTimes for the acquisition of 40% interest in Cotino can only be determined after the Offer Price is determined. However, on the basis of the maximum price in the stated Offer Price range, the Directors estimate that the consideration for the acquisition will not be more than HK\$24.5 million. Such consideration will be settled in full by internal resources of the Group. After the completion of the said transfer, Cotino will be wholly owned by the Company. Details of the conditional agreement are set out in the paragraph headed “Corporate reorganisation” in appendix IV to this prospectus.

In July 2005, HKET Limited entered into a conditional agreement with HK Holding for the purchase of the entire registered capital of SZ Advertising of HK\$1,000,000, for a total consideration of HK\$1,000,000 to be financed by the internal resources of the Group. Upon completion of the agreement, SZ Advertising will be wholly owned by the Company. Pursuant to the agreement, the Group shall undertake all management functions of SZ Advertising and be accountable for all profits and losses which may be received by SZ Advertising. Further details of the conditional agreement are set out in the paragraph headed “Corporate reorganisation” in appendix IV to this prospectus. Based on the advice from the Company’s PRC legal lawyers, the terms of the conditional sale and purchase agreement entered into between HKET Limited and HK Holding, including the profits and losses allocation arrangement as disclosed in this prospectus, are in compliance with the PRC laws. Upon completion of the transfer of the equity interests in SZ Advertising, the holding by HKET Limited of the entire equity interest in SZ Advertising will not be prohibited by the PRC laws and SZ Advertising, being a member of the Group, can carry out the approved business activities including designing, producing and releasing advertisements, as well as acting as an agent for various kinds of domestic and overseas advertisements.

Pursuant to the second phase liberalisation measures of CEPA as agreed in August 2004, a Hong Kong company may establish an enterprise in Mainland China to engage in the advertising business. SZ Advertising was established by HK Holding under the CEPA regime. There are certain criteria and requirements set by the relevant PRC government authorities in relation to the establishment of PRC enterprises under the CEPA regime. Under the CEPA regime, a Hong Kong company which establishes an enterprise in Mainland China to engage in the advertising business must itself be a “service provider” as defined under CEPA, be principally engaged in the advertising business, have a track record period of more than three years and fulfill other relevant requirements under CEPA. The Directors consider that it is more convenient and efficient to establish SZ Advertising under HK Holding, as far as meeting the CEPA criteria and requirements are

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concerned. Upon Listing, HK Holding is not expected to carry out any business in competition with the Group and on this basis SZ Advertising will be transferred to HKET Limited in criteria and requirements set by the relevant government authorities. If the Group were to set up another CEPA company similar to SZ Advertising it might involve more costs and time than an outright acquisition of SZ Advertising by the Group.

SZ Advertising is not included in the corporate structure of the Group under the paragraph headed “Group structure and Reorganisation” of this section because the agreement pursuant to which HKET Limited will purchase the entire registered capital of SZ Advertising from HK Holding is conditional upon the approval of the said transfer by the relevant original approving authorities in the PRC, and such approval is not expected to be forthcoming by the time of Listing. Timing of the completion of the acquisition of SZ Advertising cannot be ascertained at the moment as it is subject to the approval procedures in the PRC.

In accordance with the relevant accounting standards issued by Hong Kong Institute of Certified Public Accountants, the financial statements of SZ Advertising will be consolidated into the Group’s accounts from the date of the completion of the acquisition. Accordingly, the results of SZ Advertising before the completion will be accounted for as pre-acquisition results upon the completion of the acquisition.

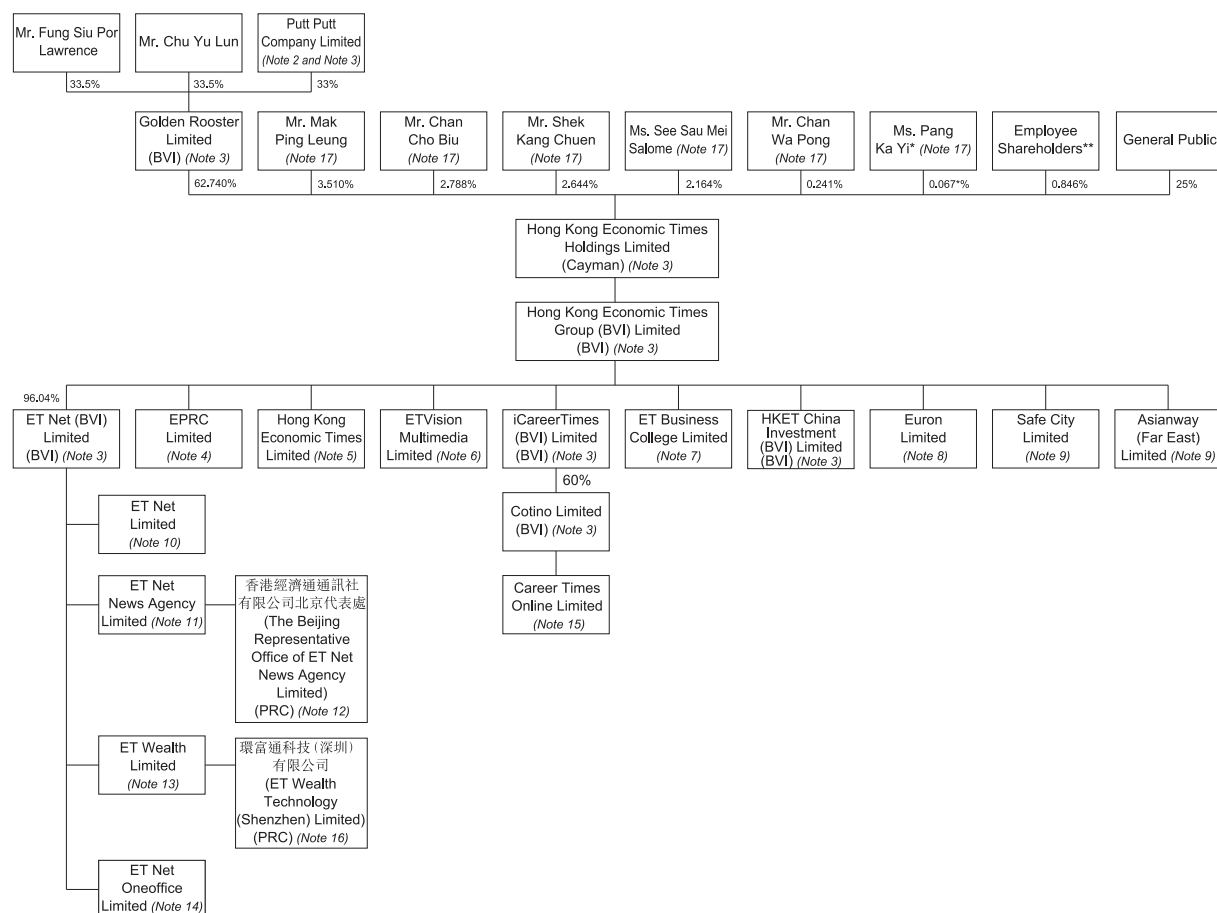
### GROUP STRUCTURE AND REORGANISATION

Prior to the Reorganisation (details of which are set out in the paragraph headed “Corporate reorganisation” in appendix IV to this prospectus), HK Holding was the holding company of those companies which were restructured to become subsidiaries of the Company pursuant to the Reorganisation. These subsidiaries represent the principal operating companies of the Group’s businesses before and after the Reorganisation. Those companies which are excluded from the Group under the Reorganisation and which HK Holding continues to hold are either dormant companies or companies which are not significantly related to the businesses of the Group. All these excluded companies have ceased or are in the process of ceasing business.

In recognition of the contribution of certain employees to the development of the Group, Golden Rooster, being a substantial shareholder of the Company, has transferred Shares by way of gifts to 100 employees (the “Recipients”) of the Group pursuant to the terms of the Deeds of Gift. The Recipients are not directors, substantial shareholders or chief executives of the Company or any of its subsidiaries except Ms. Pang Ka Yi who is director of EPRC and ETBC and Mr. Leung Ka Wing who is director of ETVision. The provisions of the Deeds of Gift are substantially the same, and completion of the Deeds of Gift has taken place on 19th July, 2005. The total number of Bonus Shares are 3,600,000 Shares, representing approximately 0.865% of the issued Shares as at the Listing Date as enlarged by the Share Offer, assuming that the Over-allotment Option is not exercised at all. The Bonus Shares are subject to a “lock-up” arrangement so that the Recipients shall not dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any of, the Bonus Shares. Such “lock-up” arrangement is for a period starting on 19th July, 2005 and ending on the date which is 6 months after the Listing Date. The Bonus Shares which have been transferred to the Recipients, including Ms. Pang Ka Yi, will not be treated as any part of the 25% shareholding in the Company to be held by the general public.

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The following chart sets out the corporate structure of the Group immediately following the completion of the Share Offer and the transfers of the Bonus Shares (assuming no exercise of the Over-allotment Option):



\* The shareholding percentage as shown has taken into account the Bonus Shares which have been transferred to Ms. Pang Ka Yi pursuant to the Deeds of Gift, particulars of which are set out in the section headed "Deeds of Gift" in appendix IV to this prospectus. Without taking into account such Bonus Shares, the shareholding percentage of Ms. Pang Ka Yi would be 0.048%.

\*\* These are 99 employees of the Group, to whom the Bonus Shares were transferred pursuant to the Deeds of Gift, particulars of which are set out in the section headed "Deeds of Gift" in appendix IV to this prospectus.

### Notes:

- (1) All companies are incorporated in Hong Kong unless specified otherwise. All subsidiaries are wholly owned unless specified otherwise.
- (2) Putt Putt Company Limited is a wholly owned subsidiary of Koala Association S.A., which is in turn wholly owned by The Flex Trust. The Flex Trust is an irrevocable professionally managed trust settled by Mr. Leong Ka Chai on 30th May, 2000, with a subsidiary of an international bank acting as trustee. Mr. Leong Ka Chai was neither a director nor an employee of any of the Group companies during the Track Record Period and up to the Latest Practicable Date. Putt Putt Company Limited and Mr. Leong Ka Chai did not play any role in the Group during the Track Record Period and up to the Latest Practicable Date. The trust was established partially as a non-discretionary trust and partially as a discretionary trust. 40% of the assets under the trust are for the benefit of six named individuals who, while being relatives of Mr. Leong Ka Chai, are Independent Third Parties, and the remaining trust assets of the trust are held by the trustee as discretionary trust for the benefit of a pool of charitable institutions. As this part of the trust is discretionary, the entitlement of each such charitable institution under the trust is subject to the discretion of the trustee.

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- (3) The principal line of business of the following companies is investment holding: Putt Putt Company Limited, Golden Rooster Limited, Hong Kong Economic Times Holdings Limited, Hong Kong Economic Times Group (BVI) Limited, iCareerTimes (BVI) Limited, Cotino Limited, ET Net (BVI) Limited and HKET China Investment (BVI) Limited.
- (4) The principal line of business of EPRC Limited is the provision of electronic property market database to the professional market in Hong Kong.
- (5) The principal line of business of Hong Kong Economic Times Limited is the publication of newspapers, magazines and books in Hong Kong.
- (6) The principal line of business of ETVision Multimedia Limited is the provision of multi-media production services.
- (7) The principal line of business of ET Business College Limited is the provision of training services.
- (8) The principal line of business of Euron Limited is the provision of printing services in Hong Kong.
- (9) The principal line of business of Safe City Limited and Asianway (Far East) Limited is property investment.
- (10) The principal line of business of ET Net Limited is the provision of electronic financial information services in Hong Kong.
- (11) The principal line of business of ET Net News Agency Limited is the provision of electronic financial information services in Mainland China.
- (12) The principal line of business of 香港經濟通通訊社有限公司北京代表處 (The Beijing Representative office of ET Net News Agency Limited) is acting as the communication office of ET Net News Agency Limited in Beijing.
- (13) The principal line of business of ET Wealth Limited is the provision of funds market database and solution to the professional market in Hong Kong.
- (14) The principal line of business of ET Net Oneoffice Limited is the provision of equities and derivative trading solution.
- (15) The principal line of business of Career Times Online Limited is the provision of online recruitment advertising services in Hong Kong.
- (16) The principal line of business of 環富通科技(深圳)有限公司 (ET Wealth Technology (Shenzhen) Limited) is the research and development of computer software and the provision of related technology consultancy.
- (17) Immediately following the completion of the Share Offer and the transfers of the Bonus Shares (assuming no exercise of the Over-allotment Option), Mr. Mak Ping Leung, Mr. Chan Cho Bui, Mr. Shek Kang Chuen, Ms. See Sau Mei Salome, Mr. Chan Wa Pong and Ms. Pang Ka Yi shall be the beneficial owners of an aggregate of 47,480,000 Shares.

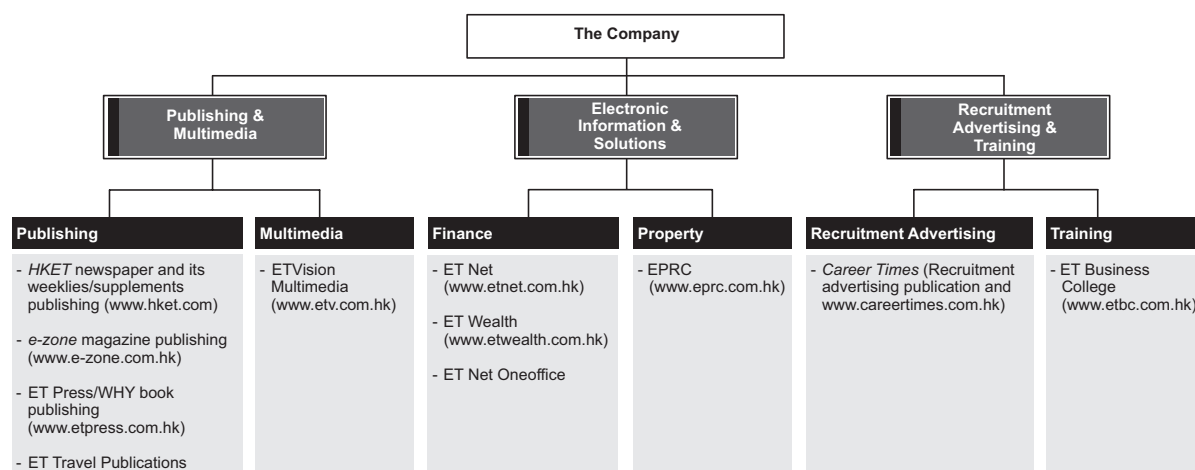
Each of Mr. Mak Ping Leung, Mr. Chan Cho Bui, Mr. Shek Kang Chuen and Ms. See Sau Mei Salome has undertaken to BNP Paribas Peregrine that he/she shall not (and shall, where relevant, procure that the relevant registered holder(s) of the Shares shall not), in a period of 6 months commencing from the Listing Date, dispose of, enter into any agreements to dispose of, directly or indirectly, conditionally or unconditionally create or offer or agree to create or offer any options, rights, warrants interests or encumbrances over, create any securities convertible into or exchangeable for, enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of, any of the Shares which he/she is the beneficial owner or announce any intention to do so, irrespective whether any of the foregoing transactions is to be settled by delivery of Shares or such securities, in cash or otherwise.

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## BUSINESS ACTIVITIES

As set out in the diagram below, the Group operates in three major business segments, namely Publishing and Multimedia, Electronic Information and Solutions, and Recruitment Advertising and Training. Revenues generated from these three business segments (after deduction of inter-segment transactions) during the Track Record Period are as follows:

	For the year ended 31st March,					
	2003		2004		2005	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Publishing and Multimedia	367,210	68.0	368,548	71.5	442,188	72.7
Electronic Information and Solutions	116,918	21.6	102,586	19.9	107,130	17.6
Recruitment Advertising and Training	56,320	10.4	44,535	8.6	59,094	9.7
<b>Total</b>	<b>540,448</b>	<b>100.0%</b>	<b>515,669</b>	<b>100.0</b>	<b>608,412</b>	<b>100.0</b>



The Group (including its predecessor companies) has obtained all licenses, permits or certificates necessary to conduct its operations from relevant governmental bodies in the jurisdictions where the Group operates, and the Group has complied with all applicable laws and regulations in all jurisdictions where it operates since its establishment.

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### AWARDS RECEIVED BY THE GROUP

In 1991, *HKET* was granted 1990 HKMA/TVB Award for Marketing Excellence by the Hong Kong Management Association. As of 2004, *HKET* is the only daily in Hong Kong to have won the award. Numerous newspaper news and photography awards were also granted by various associations/societies/authorities to *HKET* since 1996. Details of the awards received by *HKET* in the recent years since 2002 are as follows:

Year	Awards	Issuers
2005	Consumer Rights Reporting Awards 2005 ( <b>4 awards</b> ) <ul style="list-style-type: none"> <li>• Silver &amp; Bronze Prizes and 2 Merits in “News”</li> </ul>	Consumer Council and Hong Kong Journalists Association
2004	Hong Kong News Awards 2004 ( <b>7 awards</b> ) <ul style="list-style-type: none"> <li>• Winner &amp; Merit in “Best Business News Writing (Chinese)”</li> <li>• 1st Runner-up in “Best News Writing (Chinese)”</li> <li>• 2 Merits in “Best Business News Reporting”</li> <li>• Winner &amp; 2nd Runner-up in “News, Photographic Section”</li> </ul>	The Newspaper Society of Hong Kong
	Third Media Awards on Tongzhi Coverage ( <b>2 awards</b> ) <ul style="list-style-type: none"> <li>• 2 awards in “傑出同志議題報道獎” (“Outstanding Tongzhi Coverage Reporting”)</li> </ul>	Chi Heng Foundation
2003	Hong Kong News Awards 2003 ( <b>7 awards</b> ) <ul style="list-style-type: none"> <li>• Winner, 1st Runner-up &amp; 2nd Runner-up in “Best Business News Reporting”</li> <li>• Winner in “Best Business News Writing (Chinese)”</li> <li>• Winner &amp; Merit in “Best Headline (Chinese)”</li> <li>• Winner in “Feature, Photographic Section”</li> </ul>	The Newspaper Society of Hong Kong
	Focus at the Frontline 2003 ( <b>3 awards</b> ) <ul style="list-style-type: none"> <li>• 1st Runner-up &amp; 2nd Runner-up in “Nature &amp; Environment”</li> <li>• 2nd Runner-up in “Portraits”</li> </ul>	Hong Kong Press Photographers Association
	The Eighth Annual Human Rights Press Awards ( <b>2 awards</b> ) <ul style="list-style-type: none"> <li>• Prize in “Newspaper, Feature, Chinese-Language Categories”</li> <li>• Merit in “Photography”</li> </ul>	Foreign Correspondents’ Club, Hong Kong; Hong Kong Journalists Association; and Amnesty International Hong Kong Section

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Year	Awards	Issuers
2002	<p><b>Hong Kong News Awards 2002 (10 awards)</b></p> <ul style="list-style-type: none"> <li>• Winner, 2nd Runner-up &amp; Merit in “Best Business News Reporting”</li> <li>• Winner &amp; Merit in “Best News Reporting”</li> <li>• Winner in “Best Young Reporter”</li> <li>• 1st Runner-up in “Best Business News Writing (Chinese)”</li> <li>• 1st Runner-up in “Best News Page Design”</li> <li>• 2nd Runner-up in “Best News Writing (Chinese)”</li> <li>• Merit in “News, Photographic Section”</li> </ul>	<p>The Newspaper Society of Hong Kong</p>
	<p><b>Focus at the Frontline 2002 (2 awards)</b></p> <ul style="list-style-type: none"> <li>• 1st Runner-up in “General News”</li> <li>• 2nd Runner-up in “Portraits”</li> </ul>	<p>Hong Kong Press Photographers Association</p>
	<p><b>Second Media Awards on Tongzhi Coverage (3 awards)</b></p> <ul style="list-style-type: none"> <li>• 3 awards in “傑出同志議題報道獎” (“Outstanding Tongzhi Coverage Reporting”)</li> </ul>	<p>Chi Heng Foundation</p>
	<p><b>Tourism Awards Singapore 2002 (1 award)</b></p> <ul style="list-style-type: none"> <li>• Best Travel Story (non-English)</li> </ul>	<p>Singapore Tourism Board</p>
	<p><b>Hyperion Asia Pacific IT News Award 2002 (2 awards)</b></p> <ul style="list-style-type: none"> <li>• 2 awards in the category of Chinese print</li> </ul>	<p>Hyperion (NASDAQ: HYSL), and Hong Kong Journalists Association</p>
	<p><b>“曉峰灣畔－海上快拍”新聞攝影比賽 (“Mountain Shore – Snap Shot On the Sea” Photographic Competition) (1 award)</b></p>	<p>Hong Kong Housing Authority</p>

## **PRODUCTS AND SERVICES**

### **Publishing and multimedia**

#### **(a) *HKET***

*HKET*, a Chinese-language financial newspaper, was first published on 26th January, 1988. It is currently the core business of the Group. It is the leading financial newspaper in Hong Kong, according to the HKABC reports on newspapers with circulation audited, Nielsen Media Research AdEx data and Media Index Report. Its mission is to provide businessmen, business executives, investors and professionals with updated, accurate and relevant news, market information and analysis.

The editorial policy of *HKET* is to report and to write in a formal and professional writing style so as to provide its readers with accurate information and impartial reporting. It also insists on quality reporting by providing the news issues or angles that are of interest to business executives. The Directors believe that *HKET* has established itself as the leading quality financial newspaper in Hong Kong through this editorial policy, which they intend to continue to maintain. The Group has received various awards in news reporting, editing and photography granted mostly by The Newspaper Society of Hong Kong. Details of the awards are summarised in the paragraph headed “Awards received by the Group” of this section.

The revenue of *HKET* mainly comes from circulation and advertising.

#### **(i) *Contents***

Major regular sections of *HKET* include the following:

##### **Main News, Finance and Editor’s Commentary**

This section provides readers with coverage of major local and international news with an emphasis on Hong Kong business, economic and finance news. It also contains important social news which keep readers informed of what happens in the society. The Editor’s Commentary incorporates the view of the leader writers and readers on local events.

##### **Social, political and Mainland China news**

This section contains social, political and key Mainland China news that keep readers closely informed of what happens in the Hong Kong society as well as Mainland China. It adopts angles that run in line with the interest and concern of business executives.

##### **Business and Industry**

This section reports the business trend and cases of Hong Kong and overseas markets to help business decision making in the various business and industrial sectors.



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### Investment

This section provides information on local financial markets, including stock price, fund price and foreign exchange as well as international stock market indexes. In addition, there are analytical articles contributed by financial experts, economists and other professionals. There is also a special column containing commentary on economic and financial events written by Mr. Shek Kang Chuen who has written numerous economic and financial books and articles.

### Property

This section provides information on the current development of the property market. It also contains classified advertisements on real properties.

### Executive

This section targets executives by presenting articles featuring self-improvement, success stories and management techniques.

### Entertainment, columns and leisure

This section comprises three major parts: Hong Kong's entertainment industry with a guide to television programs and cinema movies; columns by well-known writers covering a wide range of topics from political and social issues, to arts and culture; and featuring lifestyle, food, travel, reading, parenting and health.

### Football GO!

This is a separate section on European soccer.

The Group also publishes other weekly magazines or supplements which are offered free with *HKET* on the day that they are published.

#### (ii) Circulation and readers profile

As audited by HKABC, *HKET* had 80,704 daily circulation for the period from 1st July, 2004 to 31st December, 2004, increased from 71,970 daily circulation for the period from 1st January, 2002 to 30th June, 2002. The table below sets out the circulation figures of *HKET* as audited by HKABC for the period from 1st January, 2002 to 31st December, 2004:

	Average net circulation					
	2002		2003		2004	
Newspapers	January to June	July to December	January to June	July to December	January to June	July to December
Hong Kong Economic Times	71,970	73,383	70,278	78,164	80,893	80,704

\* Circulation figures during March-June 2003 may have been affected by SARS

\*\* Save and except for *HKET*, no other publication of the Group has its circulation being audited by HKABC

Source: HKABC

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Following the voluntary withdrawal of another financial newspaper from the HKABC audit in the late 1990s when it had 63,120 daily circulation in the 2nd half of 1998, *HKET* is now the only Chinese-language financial newspaper that is being audited by HKABC.

Being the leading financial newspaper in Hong Kong, *HKET* has received various awards mostly granted by The Newspaper Society of Hong Kong. Details of the awards are summarised in the paragraph headed "Awards received by the Group" of this section.

The readers of *HKET* are mainly professionals, managers and executives.

### (iii) Advertising

According to Nielsen Media Research's AdEx data, *HKET* ranked No. 3 in 2002, 2003 and 2004 in terms of the gross value of newspaper display advertisement in Hong Kong. The Directors are of the view that the main selection criterion for companies or advertising agents for placing advertisements on newspapers are readership or circulation, and readers' profiles, including their income level, educational background and demographic profile. On this basis, the Directors believe that *HKET* is an attractive and competitive medium for advertising. With additions of quality and diversified contents in *HKET*, the Group has developed a diversified advertisers base including banking, finance, property, travel, leisure, consumer goods and health products.

Apart from providing traditional display advertising (i.e., above-the-line service) in the Group's various publications, the advertising department of the Group also offers integrated solutions to its customers, by providing value-added services (i.e., below-the-line service) to cater for customers' growing marketing needs. The wide range of value-added services offered include coordinating with independent public relations companies to arrange press conferences, designing display advertisements and advertising concepts, creating brochures, and making of audio video productions.

Many of the below-the-line services offered by the Group are the result of the joint efforts of its different business units. For example, leveraging off the Group's vast databases in both the financial market (ET Net) and the real estate market (EPRC), and combining ET Business College's expertise in organising public seminars, the advertising department can offer services encompassing market communications, market analysis and research, and direct marketing to help clients promote themselves to potential customers in an effective manner.

The Directors believe that the above-the-line advertising market faces a substantial price pressure due to intense competition. The Group, therefore, seeks to differentiate itself by providing an integrated solution in order to achieve the goals of countering the downward pressure in advertising rate and expanding its revenue base by tapping into high growth areas.

The Group may give incentives to certain client(s) who have indicated their willingness to place at least a certain minimum amount of advertisements with the Group. The discount offered by the Group is usually determined with reference to the volume of advertisements placed by the client. This is aimed to serve as an incentive to those clients to increase their advertising volume. The Group also offers discounted advertising rates for clients who place advertisements exclusively with the Group in order to secure existing clients and to attract potential ones.

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Looking into the future, the Company believes that its advertising business has a number of competitive advantages. First, it strives to maintain close customer relationship and direct contact with product line management of the clients so that the Group can get to know the client's marketing plan well in advance and be able to make proposals that will be adopted. Secondly, the Group has established a strong reputation among and a solid track record in partnership with real estate developers and the financial sector.

### *(iv) Cost*

The major costs for *HKET* are newsprint and staff cost. Other costs for *HKET* include administrative costs and office rental.

### **(b) e-zone**

Whilst the Group is committed to be one of the leading providers of updated and quality news, market information and analysis, in addition to newspapers publishing, the Group also engages in magazines publishing. In view of the rising market demand for IT knowledge, since June 1998, the Group has started publishing *e-zone*, a weekly magazine providing latest information on IT products, Internet and infotainment.

*e-zone* was first published in 1998 as a PC and digital products newsprint tabloid bundled with *HKET* every Tuesday with a glossy cover version available for separate sale at newsstands. In November 2003, the Group seized a market entry opportunity for *e-zone* to be sold separately as a stand-alone magazine at newsstands by adopting a new format in more portable size by using glossy printing. Since then, it has ceased to be bundled with *HKET* and begun to be published every Friday.

The goal of this business unit is to produce the No.1 PC and digital products magazine in the market by circulation and advertising revenue. The revenue of *e-zone* mainly comes from circulation and advertising.

### *(i) Contents*

*e-zone* markets itself as a mass market PC and digital gadget magazine. Every issue of *e-zone* consists of 3 books, *PC*, *Digital* and *DIY*, each targeting a different sub-segment in the PC and electronic products market. Contents of the *PC* book include web information, IT industry information, new hardware and software products, test reports, price lists as well as PC shopping guide. The *Digital* book covers popular consumer digital products such as digital camera, mobile phone, personal digital assistant (PDA), audio visual equipment, home theatre, online games and other digital entertainment products. The *DIY* book covers computer parts such as motherboards, central processing units (CPU), video cards and other PC peripherals and accessories.

### *(ii) Circulation and readers profile*

Currently, no PC and digital magazine published in Hong Kong has its circulation or readership being audited by HKABC. Whilst *e-zone* is also not currently audited by HKABC, based on the Group's books and records, the average circulation of *e-zone* from 26th November, 2004 to 17th December, 2004 is over 60,000 copies.

*e-zone* primarily targets readers in the mass market because they can drive volume of circulation.

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### *(iii) Advertising*

*e-zone* ranked No. 1 in the category of PC and digital magazines in terms of advertising turnover (gross display advertisement revenue) according to Nielsen Media Research's AdEx data. Most advertising revenue of *e-zone* comes from IT and digital products sectors.

### *(iv) Cost*

The major costs for *e-zone* are printing fees and operation cost. As different kinds of printing machines are required for glossy magazine printing, printing of *e-zone* is outsourced to an independent commercial printing company through a tendering process rather than processed in-house. Since glossy format is adopted, the cost of printing *e-zone* is higher than the cost of printing newspapers.

### **(c) ET Press**

ET Press is a book-publishing unit of the Group. Traditionally, publications from ET Press focus on investments, finance and other business and management related genres. In 2004, another book-publishing unit called "WHY" was set up to target the youth market.

The authors and sources for ET Press publications include columnists of *HKET* and other renowned writers. The printing of these publications is outsourced to several printers which are all Independent Third Parties. The publications of ET Press are mainly distributed through major book stores in Hong Kong.

### **(d) ET Travel Publications**

From January 2003, the Group has started to publish travel guides to target tourists from Mainland China. These complementary products offer a new channel for those potential advertising clients who traditionally do not advertise in a financial newspaper. The inbound travel publications are mainly distributed to tourist hotspots including major hotels in Hong Kong. In addition, outbound publications are also published.

### **(e) Multimedia**

In 2002, ETVision started to provide audio-visual multimedia production services such as corporate videos and filming documentaries.

ETVision produces all sorts of audio-visual based products related to finance and business. The division's business includes production of television advertisements, corporate videos, government video and television programmes. Further, ETVision also provides media training for political and business figures.

## **Electronic information and solutions**

### **(a) ET Net**

ET Net's electronic financial information business was commenced in 1994. Apart from inheriting the Group's experience and expertise in providing timely investment information, ET Net also anchors in a self-developed technology platform and is one of the bilingual real-time financial information providers in Hong Kong with currently over 9,000 paid subscribers. Throughout the

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years, ET Net has forged a leading position within the financial services industry by providing a comprehensive range of real-time equities and derivatives quotation, news, commentaries and Hong Kong listed companies information to the professional market and retail investors.

ET Net consists of three business components, namely Hong Kong quotation business, Mainland China quotation business and web business. Subscribers to ET Net service comprise of both corporate and individual clients. Clients of ET Net are allowed to print information from the website for its/his/her personal use. Other than that, any reproduction, redistribution or re-dissemination is strictly prohibited from their own websites or otherwise.

(i) *Hong Kong quotation business*

The Hong Kong quotation business focuses on providing real-time price quotations of Hong Kong equities and derivatives, news and commentaries compiled by its own dedicated news team, information of Hong Kong listed companies, market related analysis and charting information. Such information is transmitted via leased line, broadband and the Internet to regions including Hong Kong, Macau, Shenzhen, Beijing, Shanghai, Guangzhou, Taiwan and Japan.

Separated and distinct from *HKET's* news team, ET Net's dedicated news team disseminates about 300 real-time news in Chinese, including latest financial news, listed companies' announcements, brokers' recommendations and records of shareholding changes, throughout the day. Daily summaries of the Shenzhen, Shanghai and Taiwan stock markets are also covered.

ET Net currently has five different content and quotation products to cater for different levels and needs of users:

- |                           |  |
|---------------------------|--|
| Hyper Version (HV)        | – first launched in 1995 (former version is named as Full Version (FV)) and modified in 1999 as a flagship and all-round product with sophisticated features for high-end professional users |
| Simple Version (SV)       | – launched in 1998 as a user-friendly and cost effective product with basic information suitable for keypad only and casual users  |
| Professional Version (PV) | – based on the HV infrastructure and launched in 2002 as a customised product for users in Mainland China  |
| Elite Version (EV)        | – launched in 2002 as a single terminal with HV interface/functions for professional private investors   |
| Internet Quotation (IQ)   | – launched in 2003 as a comprehensive Internet stock quotation and information system for general private investors  |

The Directors believe that ET Net's Hong Kong quotation business has found a market niche for providing comprehensive content coverage. In addition to its news team, the ET Net team also has good technology background to handle numerous analytical data and commentaries with no delay in price feed.

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ET Net uses high speed cable and interactive data transmission model to enable timely broadcast of real-time equities and derivatives price quotations and full brokers' activities, access to various financial information of the market and Hong Kong listed companies, and fast upgrade of programmes. ET Net adopts multi-windows front-end platform that allows simultaneous display of different information pages with specially designed pull-down menu. ET Net is committed to provide quality after-sales and customer services. ET Net has its own technical support team and software developers.

The Directors believe that content and technological dependency are important in building end-users' confidence. In order to safeguard against any failure or malfunction of the computer system or server of ET Net and to ensure that the business of ET Net will not be affected thereby, ET Net has a back-up site in Wanchai for various products. In case of a system failure in the main site in North Point, ET Net will still be able to provide real-time data from Wanchai back-up site to minimise the risk of interruption.

Major revenue source of Hong Kong quotation business is subscription income. Other revenues include software licence fees, hardware rental income and hardware and software maintenance fees. The major costs for the Hong Kong quotation business are production costs which include subscriber fees paid to the information providers, leased line charges and payroll for staff.

ET Net is currently the dominant data vendor for its key clients, including Hang Seng Bank Limited, Shanghai Commercial Bank Limited, Tai Fook Securities Company Limited, Phillip Securities (Hong Kong) Limited, Citic Capital Securities Limited, KGI Hong Kong Limited, CASH Financial Services Group, Fubon Bank (Hong Kong) Limited and DBS Vickers (Hong Kong) Limited. Other clients include Bank of America (Asia) Limited, JP Morgan Chase Bank, American Express Bank Limited, Deutsche Bank AG Hong Kong, Societe Generale (Hong Kong Branch), Nomura International (Hong Kong) Limited and Rabobank International Hong Kong Branch etc.

### *(ii) Mainland China quotation business*

The Mainland China quotation business covers major cities in Mainland China, such as Beijing, Shanghai, Shenzhen, Guangzhou and Dongguan and is provided through ET Net News Agency. Its major clients are local brokers, investment companies and listed companies in Mainland China. ET Net News Agency has obtained 涉外經濟信息發佈機構批准證書 (Certificate of Approval on Foreign Economic News Release Institution) granted by the Xin Hua News Agency which allows it to legally disseminate ET Net's information including quotations, news, Hong Kong listed company information and commentaries in Mainland China. ET Net News Agency has filed the service contracts that it entered into with Mainland China companies in relation to the dissemination of financial information through leased lines in Mainland China with the Xin Hua News Agency in accordance with the relevant PRC laws and regulation. As such, according to the Company's PRC lawyers, ET Net News Agency is legally disseminating the financial information in Mainland China in accordance with the above service contracts which have been filed with Xin Hua News Agency. Due to the large market size of Mainland China and the growing number of Mainland China corporations listed in Hong Kong, the Directors believe that the Mainland China quotation business would attract increasing demand from the Mainland China clients.

ET Net News Agency has a strategic partnership with Qianlong. Qianlong is presently engaged in the development, production and distribution of securities analysis software in Mainland China and is one of the major financial information vendors in Mainland China. Its

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major clients are local brokers. A co-operation agreement was signed between ET Net News Agency and Qianlong in November 2004. Pursuant to the said agreement, ET Net News Agency will be responsible for disseminating the Hong Kong real-time equities quotations and financial information to Qianlong through a mutually agreed channel. Qianlong will then use the information received from ET Net News Agency for the development of its own content and quotation product which will then be sold to its subscribers. According to the agreement, Qianlong will prepare and send a monthly subscribers' report to ET Net News Agency setting out, among others, the total number of subscribers using the information provided by ET Net News Agency to Qianlong and the subscription fees paid by such subscribers for the previous month. Based on such report, the parties will calculate the amount of revenue to be shared among themselves with reference to the number of subscribers of Qianlong in using the information provided by ET Net News Agency to Qianlong. Payment of revenue to ET Net News Agency will be made on a monthly basis. The Company has received legal advice from PRC lawyers that the agreement is legal and valid under the PRC laws and regulations and that ET Net News Agency has attended to applicable legal requirements under the PRC laws for entering into and performing the co-operation agreement. The Group intends to leverage on Qianlong's strengths and connections in Mainland China to further develop Hong Kong stock quotation business in Mainland China.

The products for Mainland China quotation business are grouped into three separate segments to suit the needs of different users. One product segment is catered for local brokers users with basic requirements. Another product segment is targeted at professional users. It is going to develop the PVII (Professional Version 2nd Generation) version in order to suit Mainland China users. The third product segment is for private investors.

The major revenue for the Mainland China quotation business is subscription income while the major costs are leased line charges and payroll for staff. Clients include Citic Securities Company Limited, Aluminum Corporation of China Limited, Beijing Capital Land Limited and Lianhua Supermarket Holdings Company Limited.

### *(iii) Web business*

In 2000, ET Net launched its web business, [www.etnet.com.hk](http://www.etnet.com.hk), for providing users with delayed online financial information service, equities and derivatives quotation and financial news to complement ET Net's other professional products in market penetration. [www.etnet.com.hk](http://www.etnet.com.hk) is a comprehensive financial website in Hong Kong. It is also an official gazette to publish announcements and legal notices of listed companies in Hong Kong.

The web business also acts as an online advertising and marketing channel for the Group. Online advertising includes banner and electronic direct mail advertisement. It is also expanding datafeed services such as news, market information, commentaries and recommendations, information on Hong Kong listed companies and securities quotation.

The Group is now expanding the operation of this portal to provide business selling services, rather than just a website. It is now offering the portal as a platform for online e-commerce transactions for its ET Press publications. ET Net has already developed a payment gateway system to facilitate the purchasing of online products. The Group shall continue to revamp the website by providing more advertising space and improve its layout to arouse advertisers' interest and enhancing the convenience of site navigation.

The sources of revenue for the web business come from online advertising and information licensing.

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### **(b) EPRC**

EPRC consists of three electronic businesses, namely property information business, solutions business and direct marketing business.

The existing customers include property agencies, property developers, banks, universities, utilities companies, government organisations, and property surveyors, many of whom have subscribed for the Group's property information for more than 10 years.

#### *(i) Property information business*

The Group's property information business was established in May 1991 for the purposes of developing comprehensive and user-friendly property database to satisfy the increasing demand for analytical property data (such as data on property transactions and asking information) in the property market boom in the 1990s. The problems then faced by the property industry were that only limited raw data such as the names of the assignee, the assignor, the consideration paid for and the address of the property were provided. Moreover, such limited raw data were provided in English only. Further, value-added information, such as calculation of the price per square foot, was not provided. As such, the Group commenced its property information business so as to tackle the problems.

EPRC positions itself as a strong business tool for property practitioners. Not only does it compile property transaction data, EPRC also provides property information such as asking prices, Chinese address, gross floor area, property age and its facilities. These value-added information is collected by EPRC from various sources including property owners, property agents, newspapers and property brochures.

The five major categories of customers of EPRC's property information business are property agencies, property developers, property surveyors, banks, utilities companies and governmental bodies. They include, among others, Midland Holdings Limited, Centaline Property Agency Limited, Ricacorp Properties Limited, Swire Properties Limited, Vigers Appraisal & Consulting Limited, Jones Lane LaSalle Company Limited, Colliers International Hong Kong Limited, Chesterton Petty Limited, CB Richard Ellis Limited, The MTR Corporation Limited, Kowloon-Canton Railway Corporation and The Hong Kong Housing Authority.

In 1999, e-valuation ([www.e-valuation.com.hk](http://www.e-valuation.com.hk)), a joint business project of EPRC and Vigers E-Net Limited, was formed to provide banks, property agents and investors with a professional online valuation system. The online valuation system was launched in 2000.

The major source of revenue of EPRC's property information business is subscription income while the major costs are information costs and payroll for staff.

#### *(ii) Solutions business*

EPRC's solutions business offers three products – address cleansing system, data enrichment module and Mainland China address de-duplication system. The address cleansing system is a self-developed programme for rectifying problematic and redundant address records. The system provides a Postman Beat Code for each address rectified. Postman Beat Code can lead to significant postage savings for large volume users, such as banks with enormous number of clients, as each address code is entitled to a 20% discount on postage offered by The Hongkong Post. The data enrichment module leverages on EPRC's property information database and address cleansing system to generate additional cross selling opportunities. The Mainland China address de-duplication system is developed to remove duplicate address records and to identify family relationships.



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The four major categories of customers of EPRC's solutions business are banks, utilities companies, insurance companies and governmental bodies. Clients include, among others, Hang Seng Bank Limited etc.

Revenues of EPRC's solution business mainly come from software licensing and maintenance fees.

### *(iii) Direct marketing business*

EPRC's third business is direct marketing business. It was established in 2001 as a database marketing business leveraging on the Group's enormous internal resources support from the corporate marketing team. The marketing database is frequently updated. Major sources of revenue are data and services fees.

### **(c) ET Wealth**

ET Wealth was formed by the Group in 2000 to provide tailor-made software solutions and consultancy services to large enterprises in Hong Kong. In early 2004, it restructured its business to provide its main product: ET Wealth, an electronic wealth management system targeting professional users in the banking, finance and insurance industries.

ET Wealth can integrate contents with software application by leveraging on the comprehensive funds news and commentaries provided by ET Net. It manages a full-scale database to include Hong Kong authorised funds, major off-shore funds, mirror funds and saving plans. It provides a daily funds price update and can generate up-to-date funds fact sheets. ET Wealth is also able to leverage on EPRC's expertise in property information to offer address cleansing service to its clients and to compile an ET Wealth Index so as to find out high net worth customers for the financial institutions.

The main revenue sources of ET Wealth are software licensing and customization fees, subscription fee and maintenance fee while the major cost for ET Wealth is payroll for staff. Customers include, among others, The Bank of East Asia Limited, Fubon Bank (Hong Kong) Limited and Centaline Wealth Management Limited.

The Group believes that wealth management is now a fast growing industry in Hong Kong. The selling of wealth products including funds has increased significantly in recent years. According to the Hong Kong Investment Funds Association, the amount of wealth products sold in 2004 has increased by approximately 197% as compared with 1999. As numerous wealth products are being launched by banks and financial institutions in order to attract investors, there is a growing need for ET Wealth's products. The Directors are of the view that its ET Wealth funds market database and wealth management system will be highly sought-after by these financial planners.

### **(d) ET Net Oneoffice**

ET Net Oneoffice was formed in 1999 for providing the financial market with a "One-stop-shop" trading solution that integrates front office trading system with back office settlement system so as to take care of the needs of banks and brokerage firms. Services include ordering, trading, settlement and risk management. It can be used for equities trading as well as futures and options trading. The main revenue of ET Net Oneoffice are software licensing and maintenance fees while the major costs are payroll for staff. Customers include, among others, China Construction Bank Corporation, Chinatrust Securities (Hong Kong) Limited, Kim Eng Securities (Hong Kong) Limited, First Shanghai Securities Limited, Goldbond Securities Limited, Goldbond Futures Limited and Excalibur Futures Limited.

## **Recruitment advertising and training**

### **(a) *Career Times***

The division began its operation in 1997 and launched a Chinese-language tabloid “Success Times” and later on renamed as “*Career Times*”. In 1999, the publication was changed to become an English-language recruitment weekly with the aim to provide a value-added channel for jobseekers and recruiters.

As a stand-alone publication available for purchase every Friday, *Career Times* is also redeemable at convenience stores for *HKET* readers. Complimentary copies are also circulated with the purchase of *HKET* at newsstands in key business districts such as Central, Admiralty and Wanchai. Readers include business professionals and executives.

Apart from thousands of job postings, the inclusion of a range of editorial contents that offer career advices, executive development tips and industry insights from senior management of key corporations also adds value to *Career Times*.

In 1999, careertimes.com.hk, the online version of *Career Times* was launched to provide jobseekers and human resources professionals with a comprehensive platform for job searching and recruitment. Aiming to build a community for jobseekers and to increase response rate to job postings, careertimes.com.hk offers a range of electronic services to registered members. They include Job Alert, Apply Now (i.e online job application) and Candidate Match. Members will receive email alert for any job that matches their specific requirements or background. They may then either submit cover letter and curriculum vitae to careertimes.com.hk or send the information directly to recruiters by using the Apply Now function. Alternatively, if they subscribe the Candidate Match service, careertimes.com.hk can match their specifications with recruiter’s requirements and send out applications on their behalf.

Non-members can also enjoy services such as electronic job search and browse a variety of editorial contents.

The client base of *Career Times* consists of both large and medium sized enterprises in Hong Kong. Its primary source of revenue is derived from recruitment advertisement. According to Nielsen Media Research AdEx data, *Career Times* ranked No. 2 in terms of total recruitment classified advertising revenue based on undiscounted advertising rate cards.

### **(b) *ET Business College***

In 1990, ETBC began to design and organize seminars on behalf of *HKET*, assuming the role of a seminar arm of the Group. Over the years, ET Business College has now developed to offer different kinds of training for business executives and professionals in specialised areas such as finance, investment, management and China business. Products offered by ET Business College include: (i) conferences and seminars; (ii) academic and professional courses; (iii) corporate training and consulting; and (iv) Hong Kong-Mainland China exchange programmes.

Speakers for conferences and seminars mainly come from various commercial sectors and they speak on topics which are of interests to business executives in Hong Kong and Mainland China. To ensure the quality of its speakers, ET Business College has an evaluation system whereby staff would act on the feedback that they receive from attendees. The sources of income for conferences and seminars come from sponsorship fees, event management fees and enrolment fees etc.

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As for academic and professional courses, ET Business College is cooperating with School of Continuing and Professional Education of The City University of Hong Kong in developing continuing education courses. Other strategic partners of ET Business College include School of Professional and Continuing Education of The University of Hong Kong, Li Ka Shing of Professional and Continuing Education, The Open University of Hong Kong. ET Business College also offers its own branded courses. As of 31st March, 2005, nearly 20 courses were approved and reimbursable under Continuing Education Fund. The main source of income for the academic and professional courses comes from enrolment fees.

The corporate training and consulting services offered by ET Business College are conducted by market practitioners and academics, and are aimed to provide practical and timely training for executives at managerial levels. Customers include large corporations and government departments such as The Hong Kong Housing Authority, The Hongkong Post and The MTR Corporation Limited. The sources of income for the corporate training and consulting services come from training fees and consultancy fees.

The Hong Kong-Mainland China exchange programmes include a four-week Shanghai placement programme for Hong Kong executives and study tours to Hong Kong and training programmes in Mainland China for Mainland China enterprises and governmental departments. The sources of income for these exchange programmes come from management fees and enrolment fees.

### SALES AND DISTRIBUTION

#### (a) *HKET*

Sale of *HKET* is mainly through street circulation in Hong Kong. Distribution is done mainly through two licensed distributors as required under the Registration of Local Newspapers Regulation.

The Group has a close monitoring system to ensure copies of *HKET* are delivered on a timely basis. To hedge against operational risks whilst maintaining bargaining power with the distributors, the Group mainly uses two independent distributors for distributing *HKET*. Whilst the Group has not entered into any formal agreement with either of these distributors for its newspaper circulation, the Group has maintained consistent sales orders with them. These distributors would confirm their orders for newsstand sales on a daily basis with the Group and the Group would issue invoices to them on a weekly basis.

The distributors would transport copies of *HKET* from the Group's printing house at Tai Po to newsstands, convenience store branches and supermarket branches around Hong Kong each publishing day.

The Group has no return policy for *HKET* distributed by distributors to newsstands. On the other hand, as *HKET* are sold to convenient stores on a consignment basis by one of the distributors, they can return unsold copies to the Group. In order to control wastage, copies of *HKET* delivered to such convenient stores are monitored and assigned by the Group. The Group maintains a database of such orders and reviews them on a weekly basis. As a checking tool, the Group would match the number stated in the weekly sales report received from the convenient stores against those from the distributor.

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*HKET* is also distributed in Mainland China through subscription handled by 中國圖書進出口(集團)公司 (China National Publications Import and Export (Group) Corporation) and 中國國際圖書貿易總公司 (China International Book Trading Corporation). These two Mainland China companies place subscription orders with the Group through a Hong Kong agent. Although Hong Kong newspapers face very tight regulation in Mainland China, the Directors are of the view that higher circulation of *HKET* in Mainland China will help to expand the Group's advertising business in the region.

The Group also has bulk sale arrangements with airline companies and ship companies. The Group currently maintains yearly contracts with these companies and would determine their orders on a weekly or monthly basis. The Group hires independent delivery agents to distribute *HKET* to the aircrafts and ferries. The Directors are of the view that this channel of distribution mainly acts as a circulation promotion tool rather than to generate significant revenue.

### (b) Magazines and *Career Times*

The Hong Kong street distribution of magazines and *Career Times* is made solely through one distributor. The distributor is responsible for transporting copies of magazines from the printer engaged by the Group and if in case of *Career Times*, from the Group's printing house at Tai Po directly to newsstands, convenience store branches and supermarket branches around Hong Kong each week. Return is allowed for any unsold copy.

Part of the returned copies of *e-zone* is sold at a discount to the South-East Asian countries.

### (c) Books

There are two primary sales channels for the publications of ET Press: bookstores and direct order.

ET Press has return policy for most bookstores. Peak seasons for book sale of ET Press are July when annual Hong Kong Book Fair is usually held and September to October when annual sales are usually held.

Customers may also order directly from ET Press but it only constitutes a very small portion of the total turnover.

ET Press has its own online retail channel at the portal of ET Net. It also sells its books through other sales channels, such as online bookshops. However, online sales are relatively low when compared with bookstores and direct order sales.

## MARKETING

The marketing strategy of the Group is to follow market trends in making new product offerings so as to spur *HKET* sale. *HKET* will remain a strong financial newspaper but diversifies into other general interest contents. Recognising the importance of reader's loyalty in the newspaper market, the Group aims to retain and attract readers during this process.

The Group believes that one way to acquire readers is by giving them complimentary offers to attract them to buy the newspaper. For example, the Group launched a highly popular publication called 香港股票投資指南 (Hong Kong Stock Investment Guide) from 1992 to 2002 annually which was redeemable by readers of *HKET*. Using the same concept, the Group has also launched other

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books in 2004 such as 十大賺錢之神2 (10 Gurus of Money Making 2) and 則王 (Floor Plan Bible) which were big hits among readers in the finance and property sectors. The Group has also published other books in order to expand the readership of its newspaper. These include books on business English and Mandarin to target business executives. Other publications include travel booklets on popular travel destinations such as Japan, Taiwan, Shanghai and Bangkok. By using a variety of niche products, the Group is able to support the evolution of its core newspaper business.

Content promotion is another marketing strategy. From time to time, the Group may extract certain information from *HKET* and reproduce it in the form of a special tabloid to be freely distributed near MTR stations in order to attract new readers for *HKET*.

The Group has continuously been thinking of creative and novel ways to boost the circulation of *e-zone*. For instance, it has published a guidebook on digital camera, which was redeemable using coupons plus a small redemption price, to ride on the popularity of digital camera upgrades in 2004. Other than promotional campaigns, *e-zone* makes an effort to reach, retain and attract a wider group of readers by engaging in various activities such as exhibitions, workshops, seminars and a free-to-join membership club. *e-zone*'s competitive edge is that it keeps a close monitor of the market trends so that it can produce quality content to best match the taste of the readers.

As for *Career Times*, response to recruitment advertisement is a factor for determining the success of a market player in the recruitment advertising market. Response rates depends primarily on brand awareness, circulation quantity, and the number of website visitors. Therefore, the marketing strategies of *Career Times* focus on building brand, expanding distribution channels, boosting circulation quantity, building a marketing contact database, recruiting online members and increasing traffic to its website.

## CUSTOMERS

During the Track Record Period, the five largest customers of the Group accounted for approximately 20%, 21% and 20% of the Group's total turnover in each financial year respectively, while the largest customer of the Group accounted for approximately 6%, 7% and 8% of the Group's total turnover in each financial year respectively. The top five customers of the Group during the Track Record Period were mainly newspapers and/or magazines distributors and advertising agents. The top five customers of the Group have maintained business relationships with the Group for at least 7 years. None of the Directors, their respective associates or Shareholders who own more than 5% of the entire issued share capital of the Company has any interest in any of the five largest customers of the Group. During the Track Record Period, the debtors' turnover day were approximately 69 days, 77 days and 63 days respectively, which were in line with the credit period of 30 days to 90 days that the Group generally granted to its customers. The subscribers to the Group's electronic information and solutions services and publications are required to make payment in advance. However, none of such subscribers are the top five customers of the Group during the Track Record Period.

The retail selling prices of the publications of the Group are fixed. For charges of other products and services provided by the Group, such as advertising charges and subscription fees for ET Net services, they are determined with reference to various factors including the prevailing market conditions, the volume of orders, whether there are specific requirements for the services to be provided. Therefore, there is no average price for these services.

## BUSINESS

The management of the Group reviews the doubtful debts provision on a regular basis. The provisions for doubtful debts for the years ended 31st March, 2003, 2004 and 2005 were approximately HK\$2.3 million, HK\$3.9 million and HK\$2.5 million respectively. In addition, during the years ended 31st March, 2003, 2004 and 2005, there were amounts of approximately HK\$1.7 million, HK\$0.4 million and HK\$0.3 million respectively being bad debt written off. It is the Group's policy to make provision for bad and doubtful receivables as identified. The Group does not have a general provision policy for bad and doubtful debts.

The subsequent settlement of the Group's trade receivables as at 31st March, 2005 up to 30th June, 2005 is set out below:

	<b>0-30 days</b> <i>HK\$'000</i>	<b>31-60 days</b> <i>HK\$'000</i>	<b>61-90 days</b> <i>HK\$'000</i>	<b>Over 90 days</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
Trade receivables, gross	69,110	18,269	7,245	17,642	112,266
Provision for doubtful debts	—	—	—	(6,831)	(6,831)
Trade receivables, net	69,110	18,269	7,245	10,811	105,435
Subsequent settlement up to 30th June, 2005	(54,825)	(14,855)	(6,743)	(8,299)	(84,722)
	<u>14,285</u>	<u>3,414</u>	<u>502</u>	<u>2,512</u>	<u>20,713</u>

### PROCUREMENT AND PRINTING PROCESS

#### (a) Procurement

In order to ensure best practice of cost management, with the exception of newsprint purchase, there is a tendering process to shortlist vendors for resources procurement before the final vendor is selected. The purchase of printing machines is also subject to tender.

Part of the newsprint purchase is ordered from multi-channels through an agency which keeps a mutually agreed level of newsprint inventory for the Group. On the other hand, the Group also purchases from other suppliers to source different brands of newsprint from various countries. The Group believes diversification of its sources of purchase can secure sufficient supply of newsprint as well as control of the newsprint price and quality.

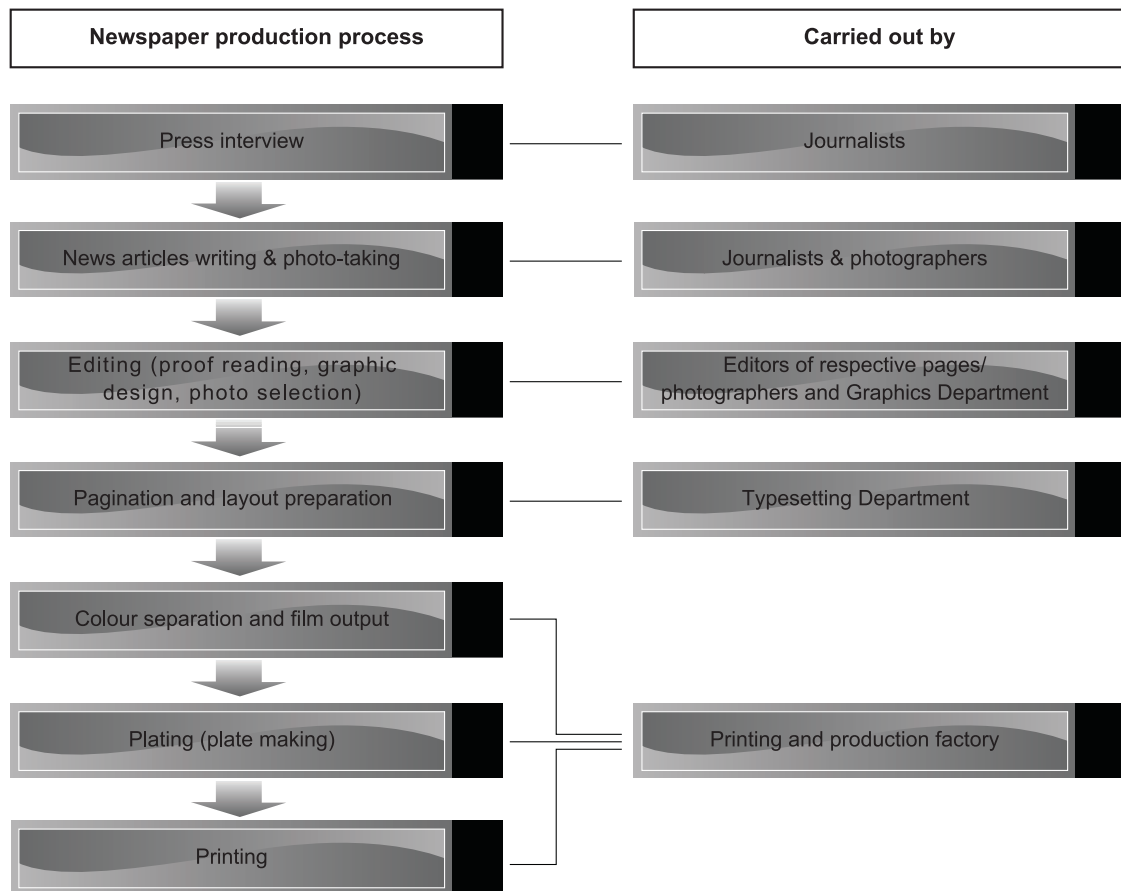
To hedge against the increase in newsprint price, the Directors believe that the Group can adopt measures such as sourcing of new brands of newsprint, controlling wastage and appointing more than one reliable newsprint manufacturer.

## BUSINESS

### (b) Printing process

The production and printing of *HKET* together with its weeklies and supplements and *Career Times* take place at the Group's printing house located at Tai Ping Industrial Centre in Tai Po. The production unit consists of three departments, namely, (a) plate-making; (b) printing; and (c) packaging, stapling and bundling. The Group has recently invested in two new printing press lines for the publishing of *HKET*. The first new press line has commenced operation in May 2005 and the second press line is expected to commence operation in the fourth quarter of 2005.

The following steps describe the newspaper production process:



Daily printing normally starts at around 7:30 p.m. and finishes by 5:00 a.m. to ensure that the newspapers are ready for the distributors to pick up and deliver to newsstands and convenience stores by 7:00 a.m.

The printing house accommodates five newspaper press lines. One of the press lines of the Group was purchased in 1990 and is currently still in production. The Directors believe that these printing machines have a very long life-span with a typical useful life of over 20 years and can often be sold to less developed countries should the Group decide to upgrade the machines.

The majority of the Group's printer units are of the so-called 'Y' type (D300 or D30, SOLNA), and the rest are of the 'tower' type (D380, SOLNA). All printer units incur wastage at the start up of the printing process in order to achieve alignment of the newsprint and the ink. For the 'tower' type unit with high level of automation, the wastage is only 40% of the 'Y' type unit, and it also requires less manpower for its operation. Hence the Group intends to change a significant number of its printer units to the 'tower' type with high level of automation.

## BUSINESS

The Group has recently invested in two new press lines for the publishing of *HKET*. Each line can produce 6 full colour broadsheets at a speed of 40,000 revolutions (1 set of 6 broadsheets per revolution) per hour. The Group installed these new machines in line with its objective to increase circulation and the number of pages of the newspaper, in particular, the advertising section. These new machines are not intended for replacement but are for future growth.

Owing to the nature of the newspaper business, the “effective” production capacity of newspaper printing is different from the “physical/actual” production capacity. The effective production capacity of the Group’s newspapers and magazines printing depends on the allowed printing time and the desired content mix for a particular publication. If longer printing time is allowed for a publication, the Group will complete the printing of that publication with the operations of less printing machines. If the Group faces a tight printing schedule, such as the printing of *HKET*, it will then need to operate more printing machines at the same time. The Group is presently able to re-schedule its printing time and staff allocation so as to increase its printing volume and output in order to meet the demands of customers and the outbreak of critical news.

The maintenance of the Group’s printers is outsourced to an Independent Third Party. They would check the running of these printers almost on a daily basis. Staff at the printing house also records any problem that they detect in a log book so that the maintenance team can follow up the next day. Should any trouble occur during the night or in an emergency, the maintenance team can be called for assistance. In the event of a major breakdown, such as complete shut down of a production line, then the different publishing teams of the Group will have to either use less colour or downsize the less-critical content. However, the Group has not experienced any major disruption which has led to the failure of newspapers distribution or the inability to fulfill advertising orders during the Track Record Period.

Currently, the Group uses cold-set printing technology to print its newspapers so no oven is required for drying. In the future, the Group is considering installing an oven for printing glossy pages for its magazines and glossy cover pages for its newspapers to avoid the need to outsource these tasks to independent printing companies. At the same time, it will save third party printing costs.

## SUPPLIERS

During the Track Record Period, the five largest suppliers of the Group accounted for approximately 48%, 33% and 43% of the Group’s total cost of sales in each financial year respectively, while the largest supplier of the Group accounted for approximately 34%, 18% and 24% of the Group’s total cost of sales in each financial year respectively. The top five suppliers of the Group during the Track Record Period were mainly printing companies, newsprint supplier, telecommunication service provider and electronic data service provider. Most of the top five suppliers of the Group have maintained business relationships with the Group for approximately 10 years. None of the Directors, their respective associates or Shareholders who own more than 5% of the entire issued share capital of the Company has any interest in any of the five largest suppliers of the Group. During the Track Record Period, the creditors’ turnover days were approximately 25 days, 60 days and 39 days respectively, which were in line with the credit period of 30 days to 60 days that the Group generally enjoyed from its suppliers.



## BUSINESS

### QUALITY CONTROL

The Group seeks to provide quality content and value-added products and/or services to its customers. Its products and/or services primarily target business executives who focus on areas such as work, finance, investment and lifestyle.

In order to maintain the quality content of the Group's products, the Group provides related internal and external training to its staff. For *HKET*, frequent surveys are conducted and focus groups are also formed to collect readers' comment on the content. The insistence in quality content of *HKET* resulting in the winning of numerous annual news and photography awards.

The printing of *HKET*, its supplements, part of its magazines and *Career Times* is undertaken by the Group itself to ensure the printing quality. Although printing of part of the magazines and books is currently undertaken by Independent Third Parties, the Group will from time to time send its own production staff to the printer's factories during the printing process to monitor the printing quality.

As for the products and services of ET Net, the following measures are taken to control quality:

- Dedicated business analysis team for product requirement management
- Collection of customers' request and feedback through help desk and surveys
- Software development process with quality assurance procedures
- Proactive system availability and performance monitoring
- Fault-tolerance measures to reduce the risk and downtime of system failure

In the software quality assurance aspect, ET Wealth is selected and sponsored by the Hong Kong Productivity Council to undertake SEI/CMMI assessment. The assessment uses the Capability Maturity Model Integration (CMMI) framework dedicated to Software Engineering which is researched and developed by The Software Engineering Institute (SEI), a US federally funded body sponsored by the US Department of Defense. CMMI consists of best practices that address the development and maintenance of products and services covering the product life cycle from conception through delivery and maintenance.

The Group has put in place various security measures and back-up systems to prevent disruption to its operation in so far as its network infrastructure and computer systems are concerned. The Group has not experienced any failures or malfunction of such security measures and back-up systems or significant disruption to the Group's operation during the Track Record Period.

## BUSINESS

### RESEARCH AND DEVELOPMENT

As at 30th June, 2005, there are about 41 staff fully engaged in the system and product development of the Group's electronic information and solutions businesses headed by experienced system directors and project managers. The Group has developed standardized procedures and quality assurance process (details of quality control is discussed in the paragraph headed "Quality Control" in this section) in each development cycle. Product development meetings are conducted regularly to monitor the development process and ensure timely delivery of the products and systems. Product strategy meetings are also conducted monthly to determine the product specifications and the overall development timetable. On 22nd October, 2002, the Group set up ET Wealth Technology in Shenzhen, to assist product development, testing, evaluation and provision of technical support. It is the Group's aim to continue to leverage on the Mainland China's resources in the development of the Group's electronic information products and solutions.

### PROPERTIES

Properties owned by the Group in Hong Kong comprise mainly publishing, printing and office premises.

The Group's head office is located at Kodak House II in North Point which is utilised for publishing and offices. Printing activities are carried out at Tai Ping Industrial Centre in Tai Po whilst stock of newsprint are primarily held in the warehouse at Tai Po.

The Group's interest in properties have been valued by Vigers Appraisal & Consulting Limited. The valuation report is set out in appendix II to this prospectus. Pursuant to the valuation performed by Vigers Appraisal & Consulting Limited, the valuation of the Group's interests in the properties as at 30th April, 2005 amounted to approximately HK\$85,351,000. This resulted in a revaluation deficit of approximately HK\$18,156,000 when compared with the net book value of approximately HK\$103,507,000 as at 31st March, 2005. Such revaluation deficit has not been included in the Group's combined accounts for the year ended 31st March, 2005. The Directors have made an assessment based on the value in use of the respective interests in properties and considered there would be no indication of impairment of these properties which triggers a provision to be made. Accordingly, no impairment loss on the properties was recognised in the Group's combined profit and loss account during the Track Record Period.

Disclosure of the reconciliation of the property interests of the Group and the valuation of such property interests as required under Rule 5.07 of the Listing Rules is set out below.

	<i>HK\$'000</i>
Market value of properties as at 30th April, 2005 as set out in Valuation Report included in appendix II to this prospectus	85,600
Less: Minority interests	<u>249</u>
Market value of properties attributable to the Group as at 30th April, 2005 as set out in appendix II to this prospectus	85,351
Less: Net book value of leasehold land and buildings as at 31st March, 2005	<u>103,507</u>
Revaluation deficit	<u><u>(18,156)</u></u>

## BUSINESS

### INSURANCE

The Group has obtained insurance coverage for its operations, covering risks like loss or damage to property, public liability, plant and machinery, office and computer equipment, movable assets, inventory, employees' compensation, medical and business travel insurance. The Directors believe that the amount of coverage is adequate for the Group.

### INTELLECTUAL PROPERTY RIGHTS AND PERSONAL DATA

The Group has registered the publishing titles "e-zone", "Property Times", "置業家居", "Money Times", "投資理財周刊", "Executive Travel", "優悅旅程", "港澳繽紛遊", "香港繽紛購物樂逍遙" and "INKY" under the Registration of Local Newspapers Ordinance and the Books Registration Ordinance. The publishing titles "香港經濟日報", "Hong Kong Economic Times", "www.etnet.com.hk" and "Career Times" are also registered under the Registration of Local Newspapers Ordinance. Under the Registration of Local Newspapers Ordinance, no local newspaper shall be registered by a name which is identical with the name of another local newspaper which has already been registered.

Copyrights in the publications of the Group, including the text, typography, photography and design layout lawfully created by the employees of the Group during the course of employment belong to the Group.

The domain names owned by the Group that are actively in use include www.hket.com, www.hketgroup.com, www.e-zone.com.hk, www.etpress.com.hk, www.etv.com.hk, www.etnet.com.hk, www.eprc.com.hk, www.e-valuation.com.hk, www.eprctracker.com, www.eprcdm.com, www.careertimes.com.hk and www.etbc.com.hk.

The Group did not experience any infringement of its intellectual property rights during the Track Record Period. The Group has implemented certain security measures to prevent infringement of its intellectual property rights, such as storing its data in an independent and password protected server and the adoption of encryption system on both data storage and transmission levels.

The Group has not been found liable for any material infringement of third parties' intellectual property rights during the Track Record Period, which has resulted in any monetary compensation made by the Group to third parties.

The Group has applied for registration of certain trademarks as more particularly set out in the paragraph headed "Intellectual property rights" in appendix IV to the prospectus. The Directors consider that they are unable to provide the expected dates of completion of the relevant application process. Nevertheless, the Directors are of the view that the fact that certain trademark applications are still being processed would have no material adverse impact on the operation of the Group. Details of the Group's intellectual property rights are set out under the paragraph "Intellectual property rights" in appendix IV to this prospectus.

In the course of conducting its businesses, the Group may have used third parties' personal data in compiling data and information. The possible infringement of the Personal Data (Privacy) Ordinance (Chapter 486) of the Laws of Hong Kong as one of the risk factors relating to the Group is set out in the section headed "Risk factors" in this prospectus.

As far as the Directors are aware, the Group has not been exposed to liabilities including damages, third party's claims and other sanctions arising from the failure to obtain valid and effective consent from third parties for the use of their personal data during the Track Record Period.

## BUSINESS

### COMPETITION

#### Publishing and multimedia

According to Nielsen Media Research AdEx data, the total newspaper gross display advertising expenditure in Hong Kong amounted to about HK\$15 billion in 2004. The newspaper publishing industry's entry barrier is relatively high in terms of recruiting sufficient number of experienced and quality editorial staff, buying and/or leasing premises to accommodate the large printing machines and capital investment (in particular the investment in printing machines).

In a city with approximately 6.88 million population, there were 47 newspapers registered with the Television and Entertainment Licensing Authority as at 31st May, 2005.

Competition (either from foreign or local publishers) in the Hong Kong newspaper industry has been very intense and it is expected that such competition will be further intensified after the launch of another free newspaper, in addition to the two free newspapers launched in April 2002 and July 2005 respectively. The Directors believe that the competition for newspaper and magazine advertising expenditures in Hong Kong is based largely upon (a) advertising results; (b) readers' profiles; (c) advertising rates; and (d) circulation levels, whilst competition for circulation (or readership) is based largely upon the content and price of the publication and the effectiveness of its distribution. Although it has been reported that the competition from free circulations could depress revenue from advertising and circulation, the Directors believe that (a) its reputation and leading status in the financial reporting service industry in publishing *HKET*; (b) its quality readership consisting of professionals, managers and executives; (c) its diversified advertisers base; and (d) its integrated solutions to its advertising customers by providing both traditional display advertising and value-added services would help the Group to become immune to most of the competitions generated by free newspapers.

The development of paperless e-commerce and e-book and the increasing use of information technology to replace printed media may have an adverse impact on the performance of the traditional printing industry. In addition, public companies listed on GEM of the Stock Exchange are now only required to publish their announcements on GEM website rather than in newspapers. As disclosed in the 2005 First Quarter Report of the Stock Exchange, the Directors note that such requirement may be further applied to Main Board issuers. The share of the revenue derived from paid announcements in *HKET* was in the range of 8-10% of the Group's total revenue for each of the three years during the Track Record Period. The Directors consider that in making paid announcements, there are considerations other than mandatory requirement in deciding the ways to disseminate information, such as the desire to enhance transparency and maintain company image, as well as the intention to increase publicity of certain types of paid announcements, such as formal notice and results announcement. This can be exemplified by the observation that some listed companies place results announcement or formal notice in more than one Chinese newspaper, which is beyond the mandatory requirement. It is because announcements placed in newspapers constitute an important information source for retail investors. As such and in view of the uncertain schedule and lack of concrete details for the change of information dissemination mechanisms of Main Board issuers, the Directors reckon that they are unable to predict the exact effect of such change on the Group's revenue. Should the requirement of publishing announcements on the Stock Exchange's website rather than in newspapers be further applied to Main Board listed companies, the Group's advertising revenue generated from announcements published in *HKET* may be adversely affected. Further, the performance of the Group's publishing and multimedia business is directly affected by the performance of Hong Kong's economy. Any adverse economic developments in Hong Kong could result in reduced demand for the Group's newspapers and/or magazines and/or spending on advertising.

## BUSINESS

In order to differentiate itself from the mass-market newspaper publishers and to minimise direct competition, *HKET* is committed to develop and provide niche, value-added content and services to its readers. According to the HKABC reports on newspapers with circulation audited, Nielsen Media Research AdEx data and Media Index Report, *HKET* is the leading financial newspaper in Hong Kong.

The Directors consider that all publishers (either foreign or local) engaged in Chinese-language PC and digital magazines are competitors of *e-zone*. Although competition is keen, the Directors consider that the Group has an established position in the PC and digital magazines market through the strengths of *e-zone* in promotions, quality content and appealing package. Quality content is very important as it helps *e-zone* build its brand image as a quality magazine and maintain its status in the market. Currently no PC and digital magazine published in Hong Kong has its circulation being audited by HKABC.

According to Nielsen Media Research AdEx data, the total magazine gross display advertising expenditure in Hong Kong amounted to HK\$6.2 billion. In terms of advertising turnover (gross display advertisement revenue), *e-zone* ranked No. 1 in the category of PC and digital magazines according to Nielsen Media Research's AdEx data of 2004.

### **Electronic information and solutions**

The Directors believe that ET Net has established good brand name in the industry and has strong appearance in the professional market. The Directors believe that there are very few players (either foreign or local) in the Hong Kong securities market which have a strong local news team to provide real-time news and commentaries in addition to real-time trading information and historical information search offered. The entry barrier of the industry is relatively high in terms of significant initial investments in hardware equipment and the number of experienced IT professionals and quality software programmers.

Although there are companies in Hong Kong offering property information similar to that of EPRC, the Directors consider that the strength of the EPRC property information business comes from its data quality and product variety. With regard to address cleansing and data enrichment, there are very few competitors in the market which can provide similar service to the clients. As for the Mainland China address de-duplication service, the Directors are not aware of any company offering similar service.

ET Wealth is a leading vendor who can integrate contents with software application. Its ability to manage a full-scale database to include Hong Kong authorised funds, major off-shore funds, saving plans and mirror funds and to provide daily fund price update and up-to-date fund fact sheets makes it winning the competitive advantages over other application solution providers.

The Directors believe that the strength of ET Net Oneoffice comes from the fact that there are few competitors in the market that can provide a one-stop-shop solution for equities and derivatives trading from ordering, trading, settlement to risk management.

The Group's electronic information and solutions business is directly affected by the performance of Hong Kong's economy. Any adverse economic developments in Hong Kong could affect the willingness of the professional participants in the financial, brokerage and property industry to increase or expand their current usage. This may in turn affect the revenue and profitability of the Group's electronic information and solutions business.

### Recruitment advertising and training

*Career Times* competes primarily with other recruitment advertising media operators in Hong Kong. The printed version and web version of *Career Times* offer an extensive coverage of recruitment information. [www.careertimes.com.hk](http://www.careertimes.com.hk) offers a user-friendly search function and provides job seekers with a wide range of interactive career-related information online. According to Nielsen Media Research AdEx data, the total gross recruitment classified advertising expenditure in Hong Kong amounted to HK\$1,181 million in 2004. The Directors believe that the Group is able to continue to compete successfully with other recruitment advertising media operators based on its capability to provide numerous interactive services to job seekers and developed information systems, and its established position in the market. According to Nielsen Media Research AdEx data, *Career Times* ranked No. 2 in terms of gross total recruitment classified advertising revenue since 2002.

Whilst there are other associations providing business trainings, conferences and seminars, they are not seen as direct competitors for ET Business College's executive training business due to their less-focused product range. ET Business College has now developed to provide training for business executives and professionals in specialized areas such as finance, investment, management and China business. ET Business College is able to leverage on the Group's extensive advertising and marketing resources to advertise and promote its various services.

However, the Group's recruitment advertising and training business is directly affected by the performance of Hong Kong's economy. Any adverse economic developments in Hong Kong could result in reduced demand for the Group's recruitment newspaper and/or spending on recruitment advertising. Further, it may also affect the willingness of business executives and professionals to participate in business trainings, conferences and seminars.

## RELATIONSHIP WITH CONTROLLING SHAREHOLDER AND DIRECTORS

### CONTROLLING SHAREHOLDER

Golden Rooster will own 62.74% of the issued share capital of the Company immediately following the completion of the Share Offer (assuming no exercise of the Over-allotment Option), and is the controlling shareholder of the Company. Golden Rooster is itself an investment holding company.

Golden Rooster is neither a major supplier nor major customer of the Group, and does not provide any service to or have any business directly with the Group. SZ Advertising, which is a connected person, is a wholly owned subsidiary of HK Holding, which is in turn an indirect subsidiary of Golden Rooster. The Directors currently expect that, upon Listing, the Group will continue to have transactions with SZ Advertising which will constitute connected transactions of the Company for the purposes of Chapter 14A of the Listing Rules. Details of such connected transactions are set out in the section headed “Connected transactions” in this prospectus. The Directors believe that, despite the continuing connected transactions, the Group is capable of carrying on its businesses independently of, and will not place undue reliance on, its controlling shareholder (including its respective associates) after the Listing.

### ADSALE PUBLISHING LIMITED

Each of Mr. Chu Yu Lun and Mr. Fung Siu Por, Lawrence is a Director and has an effective interest of approximately 26.6% in Adsale Publishing Limited, a company incorporated in Hong Kong on 7th April, 2000, and Mr. Chu is also a director of Adsale Publishing Limited.

Adsale Publishing Limited, with its publication facilities located in Hong Kong, is engaged in the publication of industrial magazines catered for readers in the textile, plastic and rubber, packaging, machinery and automotive industries. They are mainly catered for readers in specific sectors of industries such as textiles, plastic and rubber, packaging, machinery and automotive. There are in total five magazines published by Adsale Publishing Limited as at the Latest Practicable Date. They include *A.T.A Journal*, *Packaging Pro*, *Chinamac Journal*, *China Plastic & Rubber Journal* and *China Textile & Apparel*, which are either bi-monthly or quarterly published magazines. The nature and content of these magazines are different from those that the Group’s publishing facilities are currently focusing on, being servicing and consumer products related magazines and newspaper focused on financial news contents. The target readers of Adsale Publishing Limited are mainly situated in Mainland China and other countries in the Asia Pacific Regions while the Group mainly serves the Hong Kong market. Although the Group plans to expand in Mainland China for advertising business and business cooperation with media companies in Mainland China, the Directors confirm that the targeted readers of the Group are of an entirely different niche. Hence, the Group does not consider itself facing competition from Adsale Publishing Limited after Listing. The Group does not plan to venture into other business activities not covered by the Restricted Activity (as defined in the paragraph headed “Deed of Non-competition” below) which will constitute potential competition with the business of the covenantors (as defined in the paragraph headed “Deed of Non-competiton” below).

As most of the magazines published by Adsale Publishing Limited are distributed to target readers free of charge, their main source of revenue comes from advertising. In addition, their advertisers are mostly international companies with related industry background while the advertisers of the Group are from a wide variety of business sectors and mainly come from local markets. Given the clear delineation from its main categories of publications, the Directors are of the view that no competing interests arise with regard to the business of Adsale Publishing Limited insofar as the Group is concerned.

## RELATIONSHIP WITH CONTROLLING SHAREHOLDER AND DIRECTORS

The Directors also consider that the business of Adsale Publishing Limited has been operating independently from the Group, and that the Company is capable of carrying on its business independently of, and at arm's length from the business of Adsale Publishing Limited. The editor and editorial function of the Group and Adsale Publishing Limited are two independent separate teams. Mr. Chu Yu Lun is the founder and chairman of Adsale Group (Adsale Publishing Limited is a member company of Adsale Group) and involves in the formulation of the business strategies of Adsale Group; however, Mr. Chu does not involve in the day-to-day management of Adsale Publishing Limited. The day-to-day business operations of Adsale Publishing Limited are handled by management team headed by a general manager. None of these management personnel of Adsale Publishing Limited is a member of the staff of or has a managerial role within the Group. For this reason and that the target readers of Adsale Publishing Limited are of an entirely different niche from that of the Group, as explained above, the Directors consider that the business of Adsale Publishing Limited is neither synergetic nor essential to the Group and therefore Adsale Publishing Limited was not included in the Group pursuant to the Reorganisation. The interests of Mr. Chu Yu Lun and Mr. Fung Siu Por, Lawrence in Adsale Publishing Limited are exceptions to Restricted Activity (as defined in the paragraph headed "Deed of Non-competition" below) under the deed of non-competition, on the basis of specific disclosure of their interests in Adsale Publishing Limited in this prospectus. Please refer to the paragraph headed "Deed of Non-competition" below for further details.

Save as disclosed above, none of the controlling shareholder of the Company or any of the Directors has interest in any business apart from that of the Group which competes or is likely to complete, either directly or indirectly, with the business of the Group.

### DEED OF NON-COMPETITION

Subject to the terms therein, Golden Rooster as controlling shareholder and Mr. Fung Siu Por, Lawrence and Mr. Chu Yu Lun as Directors have as covenantors entered into a deed of non-competition in favour of the Company, pursuant to which each of the covenantors has undertaken to the Company (for itself and for the benefit of its subsidiaries) to procure that it/he would not, and would procure that its/his associates would not, either on its/his own account or in conjunction with or on behalf of any person, firm or company, directly or indirectly be interested or engaged in or acquire or hold any right or interest (in each case whether as a shareholder, director, partner, agent or otherwise and whether for profit, reward or otherwise) in any business which is or is about to be engaged in newspaper, magazine and book publishing, recruitment advertising, training for business executives and provision of financial and related information, those other businesses of the Group as set out in this prospectus and businesses ancillary to any of the foregoing, in each case, as more particularly described or contemplated in this prospectus ("Restricted Activity"), subject to the following exceptions:

- (a) any of the covenantors and/or its/his associates would be entitled to invest, participate and be engaged in any Restricted Activity, regardless of value, which has been offered or made available to the Group, provided always that information about the principal terms thereof has been disclosed to the Company and the Company has, after review and approval by its independent non-executive Directors, confirmed that it does not wish to be involved or engaged, or to participate, in the relevant Restricted Activity and provided also that the principal terms on which that covenantor (or its/his relevant associate(s)) invests, participates or engages in the Restricted Activity are substantially the same as or not more favourable than those disclosed to the Company and that such decision will be announced by the Company;



## RELATIONSHIP WITH CONTROLLING SHAREHOLDER AND DIRECTORS

- (b) the non-competition undertaking does not apply in relation to those investments in and operations of companies which are engaging in Restricted Activity in which the covenantors (and their respective associates) were already directly or indirectly, interested as at the Latest Practicable Date and details of which have been specifically disclosed in this prospectus; and
- (c) the non-competition undertaking does not apply in respect of the holding of or interests in shares or other securities in any company which conducts or is engaged in any Restricted Activity, provided that, in the case of such shares, they are listed on a stock exchange and either:
  - (i) the relevant Restricted Activity (and assets relating thereto) accounts for less than 10% of the relevant company's consolidated turnover or consolidated assets, as shown in that company's latest audited accounts; or
  - (ii) the total number of the shares held by the covenantors and their associates or in which they are together interested does not amount to more than 10% of the issued shares of that class of the company in question, provided that the covenantors and their respective associates, whether acting singly or jointly, are not entitled to appoint a majority of the directors of that company and that at all times there is a holder of such shares holding (together, where appropriate, with its associates) a larger percentage of the shares in question than the covenantors and their respective associates together hold.

The only exempted Restricted Activity which the Directors and the covenantors have been able to identify is the interests of Mr. Fung Siu Por, Lawrence and Mr. Chu Yu Lun in Adsale Publishing Limited. Although such activity is exempted under the deed of non-competition, given the clear delineation from the Group's main categories of publications from those of Adsale Publishing Limited, the Directors confirm that no competing interests arise with regard to the business of Adsale Publishing Limited. As far as the Directors are aware, and the covenantors confirm that, none of the companies set out in Note 25 to the accountants' report as set out in appendix IA to this prospectus, including Adsale Exhibition Services Limited, is engaged in the Restricted Activities. The Directors are not aware of any companies owned by any of the covenantors which are engaged in the Restricted Activities, save for those already disclosed in this prospectus.

Each of the covenantors also represented and warranted in the deed of non-competition that, apart from the disclosures made in this prospectus, neither it/he nor any of its/his associates is currently engaging, directly or indirectly, in the Restricted Activity otherwise than through the Group.

## CONNECTED TRANSACTIONS

During the Track Record Period, the Group has entered into certain transactions with its connected persons (as defined in the Listing Rules). Some of these transactions are expected to be continued after the Listing, and will constitute connected transactions of the Company for the purposes of Chapter 14A of the Listing Rules, and which may be subject to the reporting, announcement and/or independent shareholders' approval requirements contained in Chapter 14A of the Listing Rules.

### **1. EXEMPT CONTINUING CONNECTED TRANSACTIONS**

The following continuing connected transactions of the Group are exempted from all reporting, announcement and independent shareholders' approval requirements contained in Chapter 14A of the Listing Rules.

#### **(a) Real-time data information subscription service**

During the Track Record Period, the Group has been providing real-time data information subscription service to numerous companies, including Roctec Credit Limited ("Roctec Credit"). Roctec Credit is a company beneficially owned as to 50% by Mr. Chu Yu Lun who is a Director, and hence it is a connected person. The Directors note that such real-time data information subscription service is provided on terms no more favourable than those offered to third parties, and therefore consider it to be made on normal commercial terms. The Directors expect that the Group will continue to provide real-time data information subscription service to Roctec Credit and/or other connected persons after the Listing.

To the extent that the annual aggregate subscription fees received by the Group from Roctec Credit and/or any other connected persons do not exceed 0.1% of the Company's market capitalisation from time to time, such transactions are exempted from all reporting, announcement and independent shareholders' approval requirements contained in Chapter 14A of the Listing Rules.

#### **(b) Provision of brokerage trading solutions for trading platform**

During the Track Record Period, the Group has been providing brokerage trading solutions to Roctec Credit (as defined in paragraph 1(a) above) and Roctec Securities Company Limited ("Roctec Securities") in respect of its trading platform. Roctec Securities is a company beneficially owned as to 35% by each of Mr. Fung Siu Por, Lawrence and Mr. Chu Yu Lun who are Directors. Both Roctec Credit and Roctec Securities are therefore connected persons.

The Directors note that the provision of such brokerage trading solutions was made on terms no more favourable than those offered to third parties, and therefore consider it to be made on normal commercial terms. The Directors expect that the Group will continue to provide brokerage trading solutions to Roctec Credit and Roctec Securities and/or other connected persons after the Listing.

To the extent that the annual aggregate fees received by the Group from Roctec Credit and Roctec Securities and/or any other connected persons do not exceed 0.1% of the Company's market capitalisation from time to time, such transactions are exempted from all reporting, announcement and independent shareholders' approval requirements contained in Chapter 14A of the Listing Rules.

## CONNECTED TRANSACTIONS

### (c) Consultant royalties

During the Track Record Period, the Group has engaged Wayca Development Limited (“Wayca”) to provide commentaries, talks, seminar moderatorship, articles and other contributions in relation to investor education and investment-related topics. Wayca is a company beneficially owned by Mr. Shek Kang Chuen, a Director, and is therefore a connected person. Royalties were paid to Wayca for its contributions. The Directors note that such royalties were negotiated on arm’s length basis and therefore consider these transactions to be conducted on normal commercial terms. The Directors expect that the Group will continue to seek Wayca and/or other connected persons’ contributions after the Listing.

To the extent that the annual aggregate royalties paid by the Group to Wayca and/or any other connected persons do not exceed 0.1% of the Company’s market capitalisation from time to time, such transactions are exempted from all reporting, announcement and independent shareholders’ approval requirements contained in Chapter 14A of the Listing Rules.

## 2. NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

### 2.1 The following continuing connected transactions are subject only to the reporting and announcement requirements contained in Chapter 14A of the Listing Rules.

#### Office rental expenses

The Group has been renting office space from the following companies:

- Charm Data Limited
- Honley Limited
- HK Holding

Each of Charm Data Limited and Honley Limited is beneficially owned by Mr. Chu Yu Lun (who is a Director) as to 50% and both are therefore associates of Mr. Chu Yu Lun, and hence connected persons. HK Holding is approximately 84.81% beneficially owned by Golden Rooster, a controlling shareholder of the Company, and is hence a connected person.

Rentals have been charged against the Group at prevailing market rates. Vigers Appraisal & Consulting Limited, the Company’s property valuer, has also confirmed its opinion that such rental charges were fair and reasonable and reflected the prevailing market rates as at the respective commencement of such lease arrangements. On that basis, the Directors consider that the rentals paid by the Group to Charm Data Limited, Honley Limited and HK Holding during the Track Record Period were fair and reasonable.

For each of the three years ended 31st March, 2005, the aggregate rentals paid by the Group to Charm Data Limited, Honley Limited and HK Holding, in aggregate, amounted to approximately HK\$5,907,000, HK\$4,961,000 and HK\$5,066,000 respectively.

## CONNECTED TRANSACTIONS

As these transactions do not involve any acquisition of assets, the Directors do not consider the asset, profit, revenue or equity capital percentage ratios to be applicable. The Directors therefore consider that only the consideration ratio is applicable and meaningful for the purposes of Chapter 14A of the Listing Rules.

The consideration percentage ratio in respect of such rentals paid by the Group for any of the three years ended 31st March, 2005 exceeds 0.1% but is less than 2.5% of the Company's expected initial total market capitalisation as at the commencement of dealing of the Shares on the Main Board.

The Directors expect that the Group will continue to rent office space from Charm Data Limited, Honley Limited and HK Holding after the Listing. Written tenancy agreements have been entered into between the Group and each of Charm Data Limited and Honley Limited for a 2-year term ending on 31st March, 2007 at a fixed monthly rental, with an option to renew for another year ending on 31st March, 2008 subject to the agreement of the monthly rental for the extended term. A written tenancy agreement has also been entered into between the Group and HK Holding for the period from 1st April, 2005 to 9th January, 2006, with an option to extend to 30th March, 2008 subject to the renewal of the headlease between the landlord of the relevant premises and HK Holding. The rental payable by the Group to HK Holding during the aforesaid term is and will be the same as the rent charged by the landlord of the relevant premises against HK Holding.

On the basis of the pre-agreed rental for the 2-year term and the projected rental for the optional third year, the Directors expect that the aggregate rentals that will be paid by the Group to Charm Data Limited, Honley Limited and HK Holding for each of the three years ending on 31st March, 2008, on an aggregate basis, will not exceed a maximum cap of approximately HK\$5,400,000, HK\$5,400,000 and HK\$5,940,000 respectively. Each of these maximum caps is more than 0.1% but less than 2.5% of the Company's expected initial total market capitalisation as at the commencement of dealing of the Shares on the Main Board.

### **2.2 The following continuing connected transactions are subject to the reporting, announcement and shareholders' approval requirements contained in Chapter 14A of the Listing Rules.**

#### **Advertising income from Mainland China**

SZ Advertising is a wholly-owned subsidiary of HK Holding incorporated in March 2005 and principally engaged in the design, production, agency and dissemination of domestic and foreign advertisements in Mainland China. HK Holding is in turn approximately 84.81% beneficially owned by Golden Rooster, a controlling shareholder of the Company. As such, SZ Advertising is an associate of Golden Rooster and hence a connected person. As part of the Group's pre-listing reorganisation and pursuant to a conditional sale and purchase agreement entered into between HKET Limited (a wholly-owned subsidiary of the Company) and HK Holding prior to the Listing ("S&P Agreement"), the entire interest in the registered capital of SZ Advertising shall be transferred to HKET Limited upon completion of certain PRC regulatory procedures. Upon completion of the S&P Agreement, which is currently expected to occur after the Listing, SZ Advertising shall become a wholly-owned subsidiary of the Company and hence not a connected person. Timing of the completion of the acquisition of SZ Advertising cannot be ascertained at the moment as it is subject to the approval

## CONNECTED TRANSACTIONS

procedures in the PRC. Prior to such completion, however, SZ Advertising shall remain a connected person and any of its transactions with the Group (including HKET Limited) will constitute a connected transaction under the Listing Rules.

HKET Limited is principally engaged in the publication of newspapers, books and magazines in Hong Kong. In order to tap into the vast PRC customer base, HKET Limited entered into an advertising services agreement with SZ Advertising prior to the Listing, pursuant to which HKET Limited will provide advertising services to SZ Advertising in consideration for advertising fees to be agreed between the parties from time to time. Pursuant to the S&P Agreement, the Group shall undertake all management functions of SZ Advertising and be accountable for all profits and losses which may be recorded by SZ Advertising. On that basis, the Directors consider that the advertising fees to be received from SZ Advertising from time to time to be fair and reasonable. Based on the advice from the Company's PRC legal lawyers, the terms of the S&P Agreement, including the profits and losses allocation arrangement as disclosed in this prospectus, are in compliance with the PRC laws. Upon completion of the transfer of the equity interests in SZ Advertising, the holding by HKET Limited of the entire equity interest in SZ Advertising will not be prohibited by the PRC laws and SZ Advertising, being a member of the Group, can carry out the approved business activities. In accordance with the relevant accounting standards issued by Hong Kong Institute of Certified Public Accountants, the financial statements of SZ Advertising will be consolidated into the Group's accounts from the date of the completion of the acquisition. Accordingly, the results of SZ Advertising before the completion will be accounted for as pre-acquisition results upon the completion of the acquisition.

The Directors expect that HKET Limited will continue to provide advertising services to SZ Advertising after the Listing and that there will be a substantial increase in advertising fees derived from SZ Advertising over the three years ending on 31st March, 2008. For the year ending on 31st March, 2006, based on current business levels, the expected market potential and growth, the increasing exposure of the Group in Mainland China through SZ Advertising and the setting up of advertising offices in major cities in Mainland China in the future, the Directors expect that the advertising fees to be received from SZ Advertising will be approximately HK\$10,000,000. For the year ending on 31st March, 2007, the Directors expect that there will be an increase of 100% in such advertising fees due to the Group's establishment and expected rapid expansion of such revenue channel in Mainland China and the increase of advertising activities in Mainland China generally. For the year ending on 31st March, 2008, the Directors expect that such rate of increase will be reduced to 50%, as the market for providing advertising services to customers in Mainland China become more competitive.

On the basis of the above expectations, the Directors expect that the aggregate advertising fees that will be received by the Group from SZ Advertising for each of the three years ending on 31st March, 2008, on an aggregate basis, will not exceed a maximum cap of approximately HK\$10,000,000, HK\$20,000,000 and HK\$30,000,000 respectively. The maximum cap in respect of the year ending on 31st March, 2006 is more than 0.1% but less than 2.5% of the Company's expected initial total market capitalisation as at the commencement of dealing of the Shares on the Main Board. Each of the maximum caps for the two years ending on 31st March, 2008, however, is more than 2.5% of the Company's expected initial total market capitalisation as at the commencement of dealing of the Shares on the Main Board.

## CONNECTED TRANSACTIONS

### 3. WAIVER FROM STRICT COMPLIANCE WITH CHAPTER 14A OF THE LISTING RULES

#### 3.1 Non-exempt continuing connected transactions described in paragraph 2.1 above

A waiver has been sought from the Stock Exchange in respect of strict compliance with the reporting and announcement requirements in accordance with the Listing Rules.

The transactions described in paragraph 2.1 above occur on a recurring basis and will constitute ongoing connected transactions of the Company. The Directors confirm that such transactions are or will be conducted on normal commercial terms and on an arm's length basis in accordance with terms as set out in the respective written agreements between the Group and the relevant connected persons.

The Directors have requested the Stock Exchange to grant a waiver from compliance with these requirements under Rule 14A.42(3) of the Listing Rules and the Stock Exchange has agreed to grant such a waiver. The Company confirms that it will comply with Rules 14A.35(1), 14A.35(2), 14A.36, 14A.37, 14A.38, 14A.39 and 14A.40 of the Listing Rules.

In respect of Rules 14A.35(2) and 14A.36(1), the maximum aggregate annual cap for each category of transaction described in paragraph 2.1 above shall not exceed the applicable limit set out below:

Paragraph	Cap
2.1	For each of the three years ending on 31st March, 2008, the cap is set at HK\$5,400,000, HK\$5,400,000 and HK\$5,940,000 respectively.

#### 3.2 Non-exempt continuing connected transactions described in paragraph 2.2 above

A waiver has been sought from the Stock Exchange in respect of strict compliance with the reporting, announcement and shareholders' approval requirements in accordance with the Listing Rules.

The transactions described in paragraph 2.2 above occur on a recurring basis and will constitute ongoing connected transactions of the Company. The Directors confirm that such transactions will be conducted on normal commercial terms and on arm's length bases in accordance with terms as set out in the respective written agreements between HKET Limited and SZ Advertising.

The Directors have requested the Stock Exchange to grant a waiver from compliance with these requirements under Rule 14A.42(3) of the Listing Rules and the Stock Exchange has agreed to grant such a waiver. The Company confirms that it will comply with Rules 14A.35(1), 14A.35(2), 14A.36, 14A.37, 14A.38, 14A.39 and 14A.40 of the Listing Rules.

## CONNECTED TRANSACTIONS

In respect of Rules 14A.35(2) and 14A.36(1), the maximum aggregate annual cap for the transactions described in paragraph 2.2 above shall not exceed the applicable limit set out below:

Paragraph	Cap
2.2	For each of the three years ending on 31st March 2008, the cap is set at HK\$10,000,000, HK\$20,000,000 and HK\$30,000,000 respectively.

The Directors (including the independent non-executive Directors), after reviewing the above transactions under paragraphs 2.1 and 2.2 and their respective bases, are of the view that the above proposed annual caps are fair and reasonable.

#### 4. WRITTEN AGREEMENTS

All of the above-mentioned non-exempt continuing connected transactions as described in paragraphs 2.1 and 2.2 above are documented in written agreements.

The following table is a summary of the particulars of their respective written agreements:

	Category	Name of service provider/ landlord	Name of service recipient/ tenant	Effective date	Termination date	Duration
2.1	Office rental expenses	Charm Data Limited	HKET Limited	1st April, 2005	31st March, 2007	2 years*
		Honley Limited	ET Net	1st April, 2005	31st March, 2007	2 years*
		HK Holding	HKET Limited	1st April, 2005	9th January, 2006	9 months**
2.2	Advertising income from Mainland China	HKET Limited	SZ Advertising	1st April, 2005	31st March, 2008	3 years

\* With option to renew for another year ending on 31st March, 2008.

\*\* With option to extend to 30th March, 2008, subject to the renewal of the headlease between HK Holding and the landlord.

## CONNECTED TRANSACTIONS

### 5. SUMMARY OF THE GROUP'S CONTINUING CONNECTED TRANSACTIONS

The following table is a summary of the historical and projected amounts of the above-mentioned continuing connected transactions in respect of the three years ended 31st March, 2005 and the three years ending on 31st March, 2008 respectively.

#### Exempt Continuing Connected Transactions

	Historical figures	
	Year ended 31st March	Approximately HK\$
Paragraph 1(a) Real-time data information subscription service	2003	16,000
	2004	85,000
	2005	118,000
Paragraph 1(b) Provision of brokerage trading solutions for trading platform	2003	230,000
	2004	187,000
	2005	291,000
Paragraph 1(c) Consultant royalties	2003	96,000
	2004	78,000
	2005	164,000

#### Non-exempt continuing connected transactions

	Historical figures		Proposed annual cap	
	Year ended 31st March	Approximately HK\$	Year ending 31st March	Approximately HK\$
Paragraph 2.1 Office rental expenses	2003	5,907,000	2006	5,400,000
	2004	4,961,000	2007	5,400,000
	2005	5,066,000	2008	5,940,000
Paragraph 2.2 Advertising income from Mainland China	2003	Nil	2006	10,000,000
	2004	Nil	2007	20,000,000
	2005	Nil	2008	30,000,000



## CONNECTED TRANSACTIONS

### 6. CONFIRMATIONS

#### **Confirmation from the Directors**

The Directors (including the independent non-executive Directors) confirm that all of the above-mentioned continuing connected transactions were entered into on normal commercial terms and in the ordinary and usual course of business, and are fair and reasonable to the Group and are in the interests of the Shareholders as a whole.

#### **Confirmation from the Sponsor**

The Sponsor has reviewed relevant documentation, information and historical data provided by the Company and has participated in due diligence and discussions among the adviser(s) to the Company and the Company to satisfy itself of the reliability of the information provided in relation to the connected transactions described above. Based on the above, the Sponsor is of the view that (i) the continuing connected transactions described above for which waivers are sought have been entered into in the ordinary and usual course of business of the Company, on normal commercial terms and are fair and reasonable and in the interests of the Shareholders as a whole and (ii) that the proposed annual caps for these continuing connected transactions referred to above are fair and reasonable.

## DIRECTORS, SENIOR MANAGEMENT AND STAFF

### DIRECTORS

#### Executive Directors

**Mr. Fung Siu Por, Lawrence**, aged 55, Chairman of the Group since its inception. Mr. Fung is a founder of *HKET*. He was also the first Chief Editor and Publisher of *HKET*. Mr. Fung is responsible for the overall strategic planning and development, policy-making and setting corporate missions of the Group. He has over 20 years of successful entrepreneurial experience in media and publishing, securities trading, computer technology and exhibition industries. Mr. Fung obtained a Bachelor of Social Science degree from The University of Hong Kong and a Master of Arts degree in Economics from University of Manchester in the United Kingdom. In 2003, Mr. Fung was awarded the Gold Bauhinia Star by the Government of the Hong Kong Special Administrative Region. He is also a Director of Hong Kong University Graduates Association Education Foundation.

**Mr. Mak Ping Leung (alias: Mr. Mak Wah Cheung)**, aged 55, is the Managing Director of the Group, a founder and currently the Publisher of *HKET*. Mr. Mak is responsible for formulating the business strategies and the overall management of publishing, multimedia services, recruitment advertising and printing production of the Group. He has over 30 years of extensive experience in the media and publishing industry. Prior to joining the Group in 1987, he was the Bureau Chief of Wen Wei Po, European Bureau in London, and was later promoted to the Deputy General Manager of Wen Wei Po. Mr. Mak obtained his Bachelor of Arts degree from The University of Hong Kong and had attended a journalism programme “Journalists in Europe” in France. Mr. Mak is currently the honorary advisor of Hong Kong Institute of Marketing and a Director of Hong Kong Copyright Licensing Association Limited. In 1988, Mr. Mak was elected as one of the Ten Outstanding Young Persons of Hong Kong.

**Mr. Chan Cho Biu**, aged 48, is the Associate Publisher and Chief Editor of *HKET*. Mr. Chan joined the Group in 1988 and is responsible for the editorial development of *HKET*. Mr. Chan has over 20 years of solid experience in the media and publishing industry. Prior to joining the Group, he had worked with the Hong Kong Economic Journal and Radio Television Hong Kong. Mr. Chan holds a Bachelor of Science degree and a Postgraduate Diploma in Education from The Chinese University of Hong Kong. Mr. Chan was also the Chairman of the Hong Kong News Executives' Association in 2001 and 2002.

**Mr. Shek Kang Chuen**, aged 57, is a founder of *HKET* since its inception and currently the Associate Publisher and Head of Research Department of *HKET*. Mr. Shek is responsible for the overall development and management of Research Department and the supplements of *HKET*. Mr. Shek has over 17 years of solid experience in the media and publishing industry. He is a columnist in *HKET* and its associated magazines and on the website of [www.etnet.com.hk](http://www.etnet.com.hk). Besides that, Mr. Shek has written several books on topics of investment, finance and wealth management. He is a regular speaker in various investment and wealth management conferences and seminars. He is currently a host of an investment programme for Radio Television Hong Kong. Mr. Shek obtained a Bachelor of Arts degree from The University of Hong Kong and a Postgraduate Diploma in Education from The University of Hong Kong.

**Ms. See Sau Mei Salome**, aged 42, is the Managing Director of ET Net, EPRC, ETBC, ET Net Oneoffice and ET Wealth. Ms. See joined the Group in 1989, responsible for the Group's marketing strategy and operations. She was later assigned to start and take charge of the Group's electronic information, solutions and training businesses. Ms. See has over 17 years of solid experience in the information and technology industry. Prior to joining the Group, Ms. See worked in the regional marketing office of a multinational computer equipment corporation, Digital Equipment Limited

## DIRECTORS, SENIOR MANAGEMENT AND STAFF

where she gained extensive experience in digital technology and got profound understanding about advanced networking. Ms. See obtained a Bachelor of Arts degree from Macquarie University, Australia.

### Non-executive Director

**Mr. Chu Yu Lun**, aged 55, joined the Group and was appointed as the Non-executive Director in 2004. Mr. Chu is the founder and Chairman of the Adsale Group. Established in December, 1977 in Hong Kong under the name of The Adsale People, the company registered as Adsale People Limited in 1985. The Adsale Group is an international trade media group in the Asia-Pacific region. Its major business include organising international trade fairs, publishing international trade journals and providing virtual exhibitions and e-publications. Mr. Chu has extensive experience in the exhibitions industry. Mr. Chu received a master degree in Business Administration at The Chinese University of Hong Kong in 1984 after his bachelor degree in Science from The University of Hong Kong in 1973. For years, Mr. Chu has taken active participation in social activities personally and on behalf of his companies. He is the current Chairman of the Hong Kong Exhibition and Convention Industry Association (“HKECIA”) and has been the Founding President of Hong Kong University Science Alumni Association Limited, External Advisor for the program Bachelor of Arts in Travel Industry Management of Hong Kong Polytechnic University, Member of China Business Focus Group of the Continuing Education Fund of Hong Kong SAR Government and Appointed Member of Hong Kong Examinations and Assessment Authority, Advisor of China Expo Forum for International Cooperation. His commitment in the industry grants him an award of “The Top Ten People in China Exhibition Industry 2001 & 2003”.

### Independent non-executive Directors

**Mr. Chan Mo Po, Paul**, aged 50, was appointed as the Independent Non-executive Director in May 2005. Mr. Chan is the Managing Partner of Paul Chan & Partners, Certified Public Accountants and an Independent Non-executive Director of The Wharf (Holdings) Limited, Proview International Holdings Limited, Citic Resources Holdings Limited, China Resources Cement Holdings Limited, I.T Limited and Kingmaker Footwear Holdings Limited, all of which are companies listed on the Stock Exchange. Mr. Chan has over 27 years experience in the accounting and finance field and is currently the Vice President of the Hong Kong Institute of Certified Public Accountants (“HKICPA”). He had also been the former Chairman of the Association of Chartered Certified Accountants (“ACCA”) – Hong Kong for the year 1996/1997, and a former member of ACCA’s World Council in the United Kingdom. Mr. Chan obtained both his Bachelor and Master degrees in Business Administration from The Chinese University of Hong Kong. He is a practicing Certified Public Accountant in Hong Kong and a fellow member of the Society of Chinese Accountants and Auditors, the Institute of Chartered Secretaries and Administrators, the Hong Kong Institute of Company Secretaries and the Taxation Institute of Hong Kong.

Prior to his appointment as an Independent Non-executive Director, Mr. Chan had participated as a speaker at seminars and courses organised by ET Business College, and his accountancy firm, Paul Chan & Partners, as mentioned above, had also cooperated with ET Business College in organising seminars and courses on specific accountancy-related topics. The aggregate fees which have been paid to Mr. Chan as a speaker and the aggregate enrolment fees which have been received by his firm as a co-organiser of the relevant seminars and courses during the Track Record Period were of insignificant amounts and represented an immaterial percentage of the revenue generated from the total seminars and courses organised by ET Business College during the same period. On 29th May, 2005, Mr. Chan’s firm has entered into a termination agreement with ET Business College for terminating the above relationship.

**Mr. Chow On Kiu**, aged 54, was appointed as the Independent Non-executive Director in April 2005. Mr. Chow has extensive experience in banking, finance, trading, investment as well as

## DIRECTORS, SENIOR MANAGEMENT AND STAFF

property investment in Mainland China. He was a Director of Sun Hung Kai Securities Limited from 1979 to 1985, Managing Director of Tian An China Investment Limited, a company listed on the Stock Exchange, from 1987 to 1992 and Executive Director of Next Media Limited, a company listed on the Stock Exchange, from 1999 to 2002. Mr. Chow graduated with a Bachelor degree in Social Science from The University of Hong Kong.

**Mr. Lo Foo Cheung**, aged 56, was appointed as the Independent Non-executive Director in April 2005. Mr. Lo is the Founder and Chairman of FC Packaging Holding Limited, one of the leading can manufacturers in the Greater China. Mr. Lo has extensive experience in the industrial and manufacturing industry in Hong Kong and the Mainland China. He is currently standing committee member and Chairman of Training Committee of the Chinese General Chamber of Commerce, Vice Chairman of Expo Standing Committee of the Chinese Manufacturers' Association of Hong Kong, Vice President of China Packaging Federation, council member of the Hong Kong Quality Assurance Agency, member of Board of Directors of Hong Kong Design Centre, member of the Advisory Board on Business Studies of Lingnan University and Chairman of Chinese Christian Universities Alumni Association. Mr. Lo previously served as member of the Business Advisory Group chaired by the Financial Secretary of Hong Kong, member of Small and Medium Enterprises Committee of Hong Kong, Vice Chairman of the Young Industrialists Council of Hong Kong, Chairman of the Chinese Executive Club of the Hong Kong Management Association and member of the Board of Trustees of Chung Chi College of The Chinese University of Hong Kong. Mr. Lo holds a Bachelor degree in Social Science and a Master degree in Business Administration from The Chinese University of Hong Kong. Mr. Lo was a winner of the Young Industrialist Award of Hong Kong in 1988.

### SENIOR MANAGEMENT

#### In respect of publishing and multimedia

**Mr. Yau Shing Mu**, aged 45, is the Executive Chief Editor of *HKET* and joined the Group in 1992. Mr. Yau has over 12 years experience in media and publishing industry. Mr. Yau graduated with a Bachelor of Social Science degree from The Chinese University of Hong Kong and a Bachelor of Laws degree from University of London.

**Mr. Tsang Chung Wing**, aged 43, is the Deputy Chief Editor of *HKET* and joined the Group in 1993. Mr. Tsang has over 12 years experience in the media and publishing industry and graduated with a Bachelor of Social Science degree from The Chinese University of Hong Kong.

**Ms. Sham Yee Lan**, aged 47, is the Deputy Chief Editor of *HKET* and responsible for the Court and Local News Sections. Ms. Sham has over 10 years experience in the media and publishing industry. Prior to joining the Group in 2001, Ms. Sham was the Managing Editor of Apple Daily Online. She obtained a Diploma in Communication from Hong Kong Baptist University.

**Mr. Tsang Sai Ming**, aged 39, is the Deputy Chief Editor of *HKET* and responsible for the Finance and Investment Sections. Mr. Tsang has over 15 years of experience in the media and publishing industry. Prior to joining the Group in 1993, Mr. Tsang worked as a reporter in the Hong Kong Economic Journal. He obtained a Bachelor of Social Science degree from The Chinese University of Hong Kong.

**Mr. Lau Siu Cheong Rocky**, aged 42, is the Deputy Chief Editor of *HKET* and responsible for the Property Section and Football GO!. Mr. Lau has over 14 years of experience in the media and publishing industry. Prior to joining the Group in 1992, Mr. Lau worked as a reporter in a local Chinese-language newspaper. He obtained a Certificate of Journalism from Chu Hai Post Secondary College.

## DIRECTORS, SENIOR MANAGEMENT AND STAFF

**Ms. Chan Lok Sze**, aged 35, is the Managing Editor of e-zone and Assistant Controller of the Features Sections of *HKET*. Ms. Chan has over 9 years editorial experience in the media and publishing industry. Ms. Chan obtained a Bachelor of Arts degree in Public Policy and Management from University of Ulster, UK. She joined the Group in 1995.

**Mr. Ho Yu On Andy**, aged 36, is the General Manager of *HKET* Limited and Head of Advertising Department. He oversees all sales and marketing activities of advertisements in *HKET* and its associated magazines. He has over 13 years of experience in the advertising industry. Mr. Ho joined the Group in 1991 and obtained a Bachelor of Arts degree in Sociology from Hong Kong Baptist University.

**Mr. Wong Tak Kie**, aged 39, is the Advertising Director of *HKET* Limited. He is responsible for the sales and marketing activities of the property and Mainland China supplement advertisements of *HKET* and its associated magazines. Mr. Wong joined the Group in 2000 and has over 10 years sales and marketing experience in the media industry. He obtained a Master of Science degree in Marketing from Napier University, Edinburgh, UK. He is also a Chartered Marketer of the Chartered Institute of Marketing.

**Mr. Lai Chun Fai**, aged 38, is the Circulation Director of the Group and the General Manager of Euron Limited. Mr. Lai has over 13 years experience in the field of circulation. He joined the Group in 1992 and graduated with a Higher Diploma in Production and Industrial Engineering from The University of Hong Kong Polytechnic and a Master of Science degree in Marketing from Napier University Edinburgh, UK. Mr. Lai is also a Chartered Marketer of the Chartered Institute of Marketing.

**Mr. Leung Ka Wing**, aged 52, is the Executive Director of ETVision and Associate Publishing Director of ET Press. He is responsible for developing and managing the overall operations of multimedia production and services as well as ET Press and WHY Publication of the Group. Prior to joining the Group in 2000, Mr. Leung was the News and Affairs Controller of Television Broadcasts Limited and has over 25 years extensive experience in the media and broadcasting industry. He obtained a Diploma in Communication from Hong Kong Baptist University.

### In respect of electronic information and solutions

**Mr. Sin Yiu Fat**, aged 47, is the News and Research Director of ET Net. Mr. Sin has over 20 years editorial and financial research experience in the media and securities industry. Prior to joining the Group in 1995, he held various reporting, editorial and research positions in different newspapers, radios and securities companies such as South China Morning Post, Oriental Daily News, Sing Tao Daily, Radio Television Hong Kong, Hong Kong Commercial Radio Broadcasting, Quam Securities Limited (formerly known as DMT Securities Limited). Mr. Sin holds a Bachelor of Journalism degree from National Ching Chi University in Taiwan.

**Mr. Chan Cho Kwai**, aged 32, is the Regional Business Director of ET Net and responsible for ET Net's Hong Kong and Mainland China business development. Mr. Chan has over 7 years of experience in the information and technology industry. Mr. Chan joined the Group in 2000 and prior to that, he worked in a famous computer equipment and technology company for 2 years. Mr. Chan obtained a Diploma of Computer Studies from Sutton Coldfield College of Further Education, UK.

## DIRECTORS, SENIOR MANAGEMENT AND STAFF

**Mr. Lai Chung Hay**, aged 38, is the System Director of ET Net and is responsible for system development, computer network maintenance and support, and the design of the overall networking infrastructure. Mr. Lai has over 10 years of experience in the information and technology industry. Mr. Lai joined the Group in 1995 and was engaged in the early development of ET Net's electronic financial information system. Mr. Lai holds a Bachelor of Science degree in Economics and Accountancy from The City University, London.

**Mr. Tse Man Fai**, aged 41, is the Assistant General Manager of EPRC and responsible for product and system development, data mining and management. Mr. Tse has worked in the property information industry for 8 years. He joined the Group in 1999 and graduated from Lingnan College with a Higher Diploma in Accountancy.

### In respect of recruitment advertising and training

**Ms. Pang Ka Yi**, aged 39, is the Executive Director of ETBC and responsible for the overall business development and operations of the training business of the Group. Ms. Pang has over 17 years of experience in the public relations and training industry. Ms. Pang joined the Group in 1993 and prior to that, she held management positions in the areas of public relations and training of a non-profit making organization. Ms. Pang holds a Bachelor of Arts degree from The University of Hong Kong.

### In respect of marketing, human resources, administration and IT support

**Ms. Chan Ming Chu, Ada**, aged 40, is the Corporate Communication and Marketing Director and responsible for the corporate promotion, brand building, public relations and the overall marketing and promotional activities of the Group. Ms. Chan has over 15 years marketing experience in both private and non-profit making sectors. She joined the Group in 1992 and obtained a Bachelor of Social Sciences degree from The University of Hong Kong and a Master degree in Business Administration from The Chinese University of Hong Kong.

**Ms. Chat Tai Dai**, aged 40, is the Human Resources and Administration Director and responsible for the procurement, human resources management, property management and general administrative functions of the Group. Ms. Chat has over 12 years of experience in the human resources and administrative areas. Ms. Chat joined the Group in 1992 and obtained a Bachelor of Arts degree and diplomas in Business Management, Training Management from The Chinese University of Hong Kong and a Master of Science degree in China Business Studies from The Hong Kong Polytechnic University.

**Ms. Hui Siu Yee**, aged 38, is the IT Services Manager of the Group and responsible for sourcing, integrating, developing and maintaining the in-house computer network and system; and also the development and maintenance of various websites of the Group. Ms. Hui has over 7 years of experience in the information technology industry. Prior to joining the Group in 2000, she worked for various financial institutions such as GE Capital, American Express International Inc, Westpac Banking Corporation and Bankers Trust Australia. Ms. Hui holds a Bachelor degree in Multidisciplinary Science from Curtin University, Australia.

### COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

**Mr. Chan Wa Pong**, aged 53, is the Company Secretary of the Company, Chief Financial Officer of the Group and is a member of the senior management of the Company. Mr. Chan is also the Executive Director of ET Net and Career Times Online Limited. Mr. Chan studied accountancy in North East London Polytechnic and is a fellow member of the Association of Chartered Certified

## DIRECTORS, SENIOR MANAGEMENT AND STAFF

Accountants and a member of the Hong Kong Institute of Certified Public Accountants. Mr. Chan has over 25 years of financial and management experience in London and Hong Kong. Prior to joining the Group in 1990, Mr. Chan was the Chief Accountant of a multinational gas manufacturer in Hong Kong and the Financial Controller of a paper product manufacturer in Hong Kong.

**Ms. Chan Kit Man Fanny**, aged 35, is the Qualified Accountant of the Company pursuant to Rule 3.24 of the Listing Rules and Financial Controller of the Group. Ms. Chan is responsible for the accounting and financial activities of the Group and is a member of the senior management of the Company. Ms. Chan received a Bachelor degree in accountancy from The Hong Kong Polytechnic University and is a fellow member of the Hong Kong Institute of Certified Public Accountants. Ms. Chan has over 12 years accounting, auditing and financial experience. Prior to joining the Group in 2000, she had worked with an international accounting firm.

### DIRECTORS' REMUNERATION

During the Track Record Period, the total remuneration (comprising fees, salaries and allowances, discretionary bonuses and pension scheme contributions) and benefits in kind of the Directors were about HK\$13.6 million, HK\$10.5 million and HK\$11.7 million respectively. The aggregate remuneration and benefits in kind payable to the Directors for the year ending 31st March, 2006 are estimated to be about HK\$12.2 million.

Further information about the service agreements entered into between the Company and the Directors is set out in the section headed "Further information about Directors, management and staff" in appendix IV to this prospectus.

### AUDIT COMMITTEE

The Company has established an audit committee pursuant to a resolution of the Directors passed on 29th April, 2005 in compliance with Rules 3.21 to 3.23 of the Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group and provide advice and comments to the Board. The audit committee consists of the three independent non-executive Directors, namely Mr. Chan Mo Po, Paul, Mr. Chow On Kiu and Mr. Lo Foo Cheung. Mr. Chan Mo Po, Paul is the Chairman of the audit committee.

### NOMINATION COMMITTEE

The Company established a nomination committee on 29th April, 2005 with written terms of reference. The nomination committee has three members comprising Mr. Chow On Kiu, Mr. Chan Mo Po, Paul and Mr. Chu Yu Lun. The chairman of the nomination committee is Mr. Chow On Kiu. The nomination committee is mainly responsible for making recommendations to the Board on the appointment of Directors and the management of Board succession.

### REMUNERATION COMMITTEE

The Company established a remuneration committee on 29th April, 2005 with written terms of reference. The primary duty of the remuneration committee is to review the terms and conditions of remuneration packages. The remuneration committee consists of Mr. Lo Foo Cheung, Mr. Chow On Kiu and Mr. Chu Yu Lun, two of whom are independent non-executive Directors. The remuneration committee is chaired by Mr. Lo Foo Cheung, an independent non-executive Director.

## DIRECTORS, SENIOR MANAGEMENT AND STAFF

### STAFF

As at the 30th June, 2005, the Group had a total of approximately 1,049 full-time employees, including 1,033 Hong Kong employees and 16 Mainland China employees. The following table shows a breakdown of employees of the Group by functions.

	<b>Total number of employees</b>
Editorial	368
Design, production and distribution	338
Sales, marketing and customer services	150
Finance, human resources and administration	79
IT and technical support	66
Research and development	41
Management	7
	<hr/>
Total	<u>1,049</u>

### Relationship with staff

The Group recognises the importance of good relationship with its employees. The remuneration payable to employees includes salaries and, possibly, allowances and/or bonuses. The Group has not experienced any material problems with its employees or disruption to its operations due to labour disputes, nor has it experienced any material difficulties in the recruitment and retention of experienced staff. The Directors believe that the Group has good working relationship with its employees.

### Share Option Scheme

Employees and directors of the Group, among others, are entitled to participate in the Share Option Scheme at the discretion of the Board. The principal terms of the Share Option Scheme are summarised in the section headed "Share Option Scheme" in appendix IV to this prospectus.

### Benefits

During the Track Record Period, the Group has made contributions to the mandatory provident funds scheme ("MPF") and provident funds scheme registered under Occupational Retirement Schemes Ordinance (Chapter 426 of the laws of Hong Kong) ("ORSO Schemes") in accordance with the local regulations of Hong Kong.

The pension costs of the Group in relation to MPF and ORSO Schemes during the Track Record Period amounted to HK\$7.7 million, HK\$7.8 million and HK\$8.6 million respectively.



## **DIRECTORS, SENIOR MANAGEMENT AND STAFF**

### **COMPLIANCE ADVISER**

The Company is expected to appoint BNP Paribas Peregrine, which is also the Sponsor, as its compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise the Company in the following circumstances:

- (1) before the publication of any regulatory announcement, circular or financial report;
- (2) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchase;
- (3) where the Company proposes to use the proceeds of the initial public offering in a manner different from that detailed in this prospectus or where the business activities, developments or results of the Company deviate from any forecast, estimate, or other information in the prospectus; and
- (4) where the Stock Exchange makes an inquiry of the Company regarding unusual movements in the price or trading volume of the securities of the Company.

The term of the appointment shall commence on the Listing Date and end on the date on which the Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the Listing.

## SHARE CAPITAL

<i>Authorised share capital:</i>		<i>HK\$</i>
<u>2,000,000,000</u>	Shares	<u>200,000,000</u>
<i>Shares issued and to be issued, fully paid or credited as fully paid:</i>		
312,000,000	Shares in issue	31,200,000
10,400,000	Shares to be issued under the Public Offer (subject to reallocation)	1,040,000
93,600,000	Shares to be issued under the Placing (subject to reallocation)	9,360,000
<i>Total:</i>		
<u>416,000,000</u>	Shares	<u>41,600,000</u>

### ASSUMPTIONS

The above table assumes that the Share Offer becomes unconditional but does not take into account any Shares which may be allotted and issued under the Over-allotment Option or upon the exercise of options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company pursuant to the Issuing Mandate and the Repurchase Mandate granted to the Directors as described below.

### RANKING

The Offer Shares, including the Shares issuable pursuant to the Over-allotment Option, will rank pari passu in all respects with all other Shares in issue and to be issued as mentioned in this prospectus, and in particular, will rank equally for all dividends and other distributions declared, made or paid after the date of this prospectus.

### SHARE OPTION SCHEME

The Company has conditionally adopted the Share Option Scheme on 19th July, 2005, the principal terms of which are summarised in the paragraph headed "Share Option Scheme" in appendix IV to this prospectus.

## SHARE CAPITAL

### ISSUING MANDATE

Subject to the fulfilment of the conditions stated in “Structure of the Share Offer – Conditions of the Share Offer”, the Directors have been granted a general unconditional mandate to allot, issue and deal with unissued Shares and to make all grant, offers, agreements or options which might require such Shares to be allotted and issued or dealt with, subject to the requirement that the aggregate nominal value of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued, otherwise than pursuant to a rights issue, or scrip dividend scheme or similar arrangement, or a specific authority granted by shareholders, shall not exceed the sum of:

- 20% of the aggregate nominal value of the share capital of the Company in issue immediately following completion of the Share Offer (excluding Shares that may be issued under the Over-allotment Option); and
- the aggregate nominal value of the share capital of the Company repurchased by the Company, if any, pursuant to the Repurchase Mandate referred to below.

The allotment and issue of Shares under a rights issue, scrip dividend scheme or similar arrangement, or the exercise of any subscription rights under options which may be granted under the Share Option Scheme, any adjustment of rights to subscribe for Shares under options and warrants or a specific authority granted by the Shareholders do not generally require the approval of the Shareholders in general meeting and the aggregate nominal value of Shares which the Directors are authorised to allot and issue under this mandate will not be reduced by the allotment and issue of such Shares.

The Issuing Mandate will expire:

- at the conclusion of the next annual general meeting of the Company; or
- on the expiration of the period within which the next annual general meeting of the Company is required to be held by the Articles or any applicable laws of the Cayman Islands to be held; or
- when it is varied or revoked by an ordinary resolution of the Shareholders in general meeting,

whichever is the earliest.

For further details of this general mandate, see the sub-paragraph headed “Written resolutions of the sole Shareholder passed on 19th July, 2005” under the paragraph headed “Further information about the Company” in appendix IV to this prospectus.

## SHARE CAPITAL

### REPURCHASE MANDATE

Subject to the fulfilment of the conditions stated in “Structure of the Share Offer – Conditions of the Share Offer”, the Directors have been granted a general unconditional mandate to exercise all the powers of and on behalf of the Company to repurchase Shares with an aggregate nominal value of not exceeding 10% of the aggregate nominal amount of the share capital of the Company in issue immediately following completion of the Share Offer (excluding Shares that may be issued under the Over-allotment Option).

This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares are listed, and which is recognised by the SFC and the Stock Exchange for this purpose, and which are made in accordance with all applicable laws and requirements of the Listing Rules. A summary of the relevant Listing Rules regarding the repurchase of Shares is set out in the paragraph headed “Repurchase by the Company of its own securities” in appendix IV to this prospectus.

The mandate will expire:

- at the conclusion of the next annual general meeting of the Company; or
- on the expiration of the period within which the next annual general meeting of the Company is required to be held by the Articles or any applicable laws of the Cayman Islands to be held; or
- when it is varied or revoked by an ordinary resolution of the Shareholders in general meeting,

whichever is the earliest.

For further details of this general mandate, see the sub-paragraph headed “Written resolutions of the sole Shareholder passed on 19th July, 2005” under the paragraph headed “Further information about the Company” in appendix IV to this prospectus.

## SUBSTANTIAL SHAREHOLDERS

As far as the Directors are aware, and without taking into account any Shares which may be issued under the Share Offer or any exercise of options under the Share Option Scheme, the following persons (other than Directors) will, immediately following the completion of the Share Offer (assuming the Over-allotment Option is not exercised), be directly or indirectly interested in 10% or more of the nominal value of the Shares carrying the right to vote in all circumstances at general meetings of the Company:

Name	Number of Shares	Approximate attributable interest (%)
Golden Rooster ( <i>Note 1</i> )	261,000,000	62.740
Mr. Fung Siu Por, Lawrence ( <i>Note 2</i> )	261,000,000	62.740
Mr. Chu Yu Lun ( <i>Note 3</i> )	261,000,000	62.740

*Notes:*

1. The issued share capital of Golden Rooster is owned as to 33.5% by Mr. Fung Siu Por, Lawrence, 33.5% by Mr. Chu Yu Lun and the remaining 33% by Putt Putt Company Limited. Putt Putt Company Limited is a wholly owned subsidiary of Koala Association S.A., which is in turn wholly owned by The Flex Trust. The Flex Trust is an irrevocable professionally managed trust settled by Mr. Leong Ka Chai on 30th March, 2000, with a subsidiary of an international bank acting as trustee. Mr. Leong Ka Chai was neither a director nor an employee of any of the Group companies during the Track Record Period and up to the Latest Practicable Date. The trust was established partially as a non-discretionary trust and partially as a discretionary trust. 40% of the assets under the trust are for the benefit of six named individuals who, while being relatives of Mr. Leong Ka Chai are Independent Third Parties, and the remaining trust assets of the trust are held by the trustee as discretionary trust for the benefit of a pool of charitable institutions. As this part of the trust is discretionary, the entitlement of each such charitable institution under the trust is subject to the discretion of the trustee.
2. Mr. Fung Siu Por, Lawrence owns 33.5% of the issued share capital of Golden Rooster. 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.
3. Mr. Chu Yu Lun owns 33.5% of the issued share capital of Golden Rooster. For the purpose of Part XV of the SFO, Mr. Chu Yu Lun is therefore deemed interested in the Shares held by Golden Rooster.
4. Putt Putt Company Limited owns 33%, hence less than one-third, of the issued share capital of Golden Rooster. For the purpose of Part XV of the SFO, Putt Putt Company Limited is not deemed interested in the Shares held by Golden Rooster.

Save as disclosed above, the Directors are not aware of any other person who will, immediately following completion of the Share Offer and the transfers of the Bonus Shares but taking no account of Shares which may be taken up under the Share Offer or any exercise of options under the Share Option Scheme and assuming no exercise of the Over-allotment Option, be directly or indirectly interested in 10% or more of the Shares then in issue or have a direct or indirect equity interest in any member of the Group representing 10% or more of the equity in such entity.

Golden Rooster, Mr. Fung Siu Por, Lawrence and Mr. Chu Yu Lun have undertaken to the Company and each of the Underwriters that they shall not and shall procure that the relevant registered holder(s) shall not (except pursuant to or in connection with the stock borrowing

## SUBSTANTIAL SHAREHOLDERS

arrangement referred to in the sub-section headed “Stabilisation Action” in the section headed “Structure of the Share Offer” in this prospectus):

- (a) in the period commencing on the date of this prospectus and ending on the date which is six months from the date on which dealings in the Shares commence on the Stock Exchange, dispose of, nor enter into agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of those Shares in respect of which they are shown by this prospectus to be the beneficial owners; or
- (b) in the period of six months commencing on the date on which the period referred to in (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in (a) above if, immediately following such disposal or upon the exercise of enforcement of such options, rights, interests or encumbrances, they would cease to be controlling shareholders.

Golden Rooster, Mr. Fung Siu Por, Lawrence and Mr. Chu Yu Lun have also undertaken to the Stock Exchange, the Company and each of the Underwriters that within the period from the date of this prospectus and ending on the date which is 12 months from the date on which dealings in the Shares first commence on the Stock Exchange, they shall:

- (1) when they pledge/charge any securities of the Company beneficially owned by them in favour of an authorised institution pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform the Company of such pledge/charge together with the number of Shares so pledged/charged; and
- (2) when they receive indications, whether verbal or written, from the pledgee/chargee that any of the pledged/charged Shares will be disposed of, immediately inform the Company of such indications.

The Company will inform the Stock Exchange as soon as it has been informed of the matters referred to in (1) and (2) above by Golden Rooster, Mr. Fung Siu Por, Lawrence and Mr. Chu Yu Lun and disclose such matters by way of a press announcement.

## FINANCIAL INFORMATION

### INDEBTEDNESS

#### Borrowings

At the close of business on 31st May, 2005, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this prospectus, the Group had aggregate outstanding borrowings of approximately HK\$99.5 million, including secured short-term bank loan of approximately HK\$26.0 million, outstanding obligations under finance leases of approximately HK\$54.0 million and secured long-term bank loans of approximately HK\$19.5 million.

#### Collateral

As at 31st May, 2005, bank borrowings of approximately HK\$99.5 million were secured by:

- (i) certain leasehold land and buildings situated in Hong Kong with a net book value of approximately HK\$96.2 million as at 31st May, 2005;
- (ii) an unlimited cross-corporate guarantee provided by Asianway (Far East) Limited, Euron Limited and Safe City Limited, all being subsidiaries of the Group;
- (iii) an unlimited corporate guarantee provided by HKET Limited; and
- (iv) an unlimited joint and several personal guarantee provided by Mr. Fung Siu Por, Lawrence and Mr. Mak Ping Leung.

The creditor bank has agreed in principle that the guarantee under (iv) above be replaced by corporate guarantee to be issued by the Company upon Listing.

#### Contingent liabilities

The Group had no material contingent liabilities as at 31st May, 2005.

#### Capital commitments and other commitments

As at 31st May, 2005, the future aggregate minimum lease payments under non-cancellable operating lease totalled approximately HK\$12.1 million and capital commitment in respect of purchase of fixed assets totalled HK\$13.6 million.

#### Disclaimer

Save as otherwise disclosed in the paragraph headed "Indebtedness" in the "Financial Information" section in this prospectus and apart from intra-group liabilities and normal trade payables, as at the close of business on 31st May, 2005, the Group did not have any outstanding mortgages, charges, pledges, debentures, loan capital, bank loans and overdrafts, debt securities or other similar indebtedness, finance leases or hire purchase commitments, acceptance liabilities or acceptance credits, guarantees or other material contingent liabilities.

#### No material change

Save as otherwise disclosed in the paragraph headed "Indebtedness" in the "Financial Information" section in this prospectus, the Directors have confirmed that there has been no material change in the indebtedness, commitments and contingent liabilities of the Group since 31st May, 2005.

## FINANCIAL INFORMATION

### SELECTED COMBINED FINANCIAL AND OPERATING DATA

The selected combined financial data set forth below have been extracted from the combined financial information of the Group as at and for each of the three years ended 31st March, 2005, all of which is set forth in the accountants' report included in appendix IA to this prospectus (the "Financial Information"). The principal accounting policies (other than the basis of preparation) adopted in the preparation of the Financial Information are in accordance with accounting principles generally accepted in Hong Kong and conform with accounting standards issued by the Hong Kong Institute of Certified Public Accountants.

Investors should read these selected combined financial data together with appendix IA to this prospectus and the discussion under the caption "Management discussion and analysis of financial condition and results of operations" below.

#### Profit and loss data:

	Years ended 31st March,		
	2003 <i>HK\$'000</i>	2004 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
<b>Turnover</b>	<b>540,448</b>	<b>515,669</b>	<b>608,412</b>
Cost of goods sold	<u>(311,051)</u>	<u>(307,558)</u>	<u>(350,980)</u>
<b>Gross profit</b>	<b>229,397</b>	<b>208,111</b>	<b>257,432</b>
Other revenues	13,334	3,235	462
Selling and distribution expenses	(72,108)	(64,813)	(75,024)
General and administrative expenses	<u>(110,082)</u>	<u>(108,535)</u>	<u>(101,427)</u>
<b>Operating profit</b>	<b>60,541</b>	<b>37,998</b>	<b>81,443</b>
Finance costs	<u>(712)</u>	<u>(523)</u>	<u>(556)</u>
<b>Profit before taxation</b>	<b>59,829</b>	<b>37,475</b>	<b>80,887</b>
Taxation	<u>(11,453)</u>	<u>(10,178)</u>	<u>(14,461)</u>
<b>Profit after taxation</b>	<b>48,376</b>	<b>27,297</b>	<b>66,426</b>
Minority interests	<u>(10,539)</u>	<u>(1,292)</u>	<u>(1,332)</u>
<b>Profit for the year</b>	<b><u>37,837</u></b>	<b><u>26,005</u></b>	<b><u>65,094</u></b>
Basic earnings per share ( <i>HK cents</i> )	<u>12.13</u>	<u>8.33</u>	<u>20.86</u>



## FINANCIAL INFORMATION

### Selected balance sheet data:

	<b>As at 31st March,</b>		
	<b>2003</b>	<b>2004</b>	<b>2005</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Non-current assets</b>			
Fixed assets	175,804	175,801	208,204
Deferred tax assets	–	–	1,207
	175,804	175,801	209,411
<b>Total non-current assets</b>	175,804	175,801	209,411
<b>Current assets</b>			
Inventories	242	1,845	3,704
Trade and other receivables	111,171	121,053	128,992
Due from a related company	777	602	602
Bank balances and cash	31,713	27,752	39,072
	143,903	151,252	172,370
<b>Total current assets</b>	143,903	151,252	172,370
<b>Non-current liabilities</b>			
Loan from a shareholder	34,686	36,005	–
Obligations under finance leases	–	14,574	11,578
Bank loans secured	16,127	11,780	15,599
Deferred tax liabilities	8,674	9,739	10,528
	59,487	72,098	37,705
<b>Total non-current liabilities</b>	59,487	72,098	37,705
<b>Current liabilities</b>			
Trade and other payables	64,508	87,806	109,374
Taxation payable	5,464	3,836	4,197
Due to a related company	88,744	71,202	11,983
Current portion of obligations under finance leases	–	3,063	3,018
Current portion of bank loans, secured	5,148	4,347	4,721
Short-term bank loans, secured	12,202	–	32,156
	176,066	170,254	165,449
<b>Total current liabilities</b>	176,066	170,254	165,449
<b>Total liabilities</b>	235,553	242,352	203,154
<b>Total equity and liabilities</b>	319,707	327,053	381,781

## FINANCIAL INFORMATION

### Other financial data:

	Years ended 31st March,		
	2003	2004	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash inflow from operating activities	78,440	62,439	100,456
Net cash outflow from investing activities	(24,300)	(23,610)	(54,453)
Net cash outflow from financing activities	(30,533)	(42,790)	(34,683)
	(30,533)	(42,790)	(34,683)

### MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*Investors should read the following discussion and analysis in conjunction with the combined financial information of the Group as at and for the three years ended 31st March, 2005, which is set forth in the accountants' report included as appendix IA to this prospectus (the "Financial Information"). Except for the Financial Information, the remainder of the Group's financial information, including forward-looking debt obligations set forth in the "Liquidity and Capital Resources" subsection below, presented in this section has been extracted or derived from management accounts or other records of the Group. Investors should read the whole of the accountants' report included as appendix IA to this prospectus and not rely merely on the information contained in this section.*

#### OVERVIEW

The principal businesses of the Group are sales of advertising space, newspapers, magazines and book publishing, provision of electronic information and solutions services, and organization of educational programme, seminars and professional training courses. Income generated from sales of advertising space constitutes majority source of the Group's total turnover.

During the Track Record Period, the Group has encountered difficult times following the outbreak of the SARS in Hong Kong and has caught up the rebound of the economy very quickly afterwards.

The Group has revamped *e-zone*, one of the magazines previously bundled with *HKET* and started to be sold separately in November 2003. The revamped version of *e-zone* has contributed to the increase of circulation income of the Group.

The Group's financial results over the Track Record Period have been most significantly impacted by the following factors:

#### The economy of Hong Kong

The outbreak of the SARS in 2003 significantly affected the economy of Hong Kong especially the retail market. The economy's spending on advertisement or promotion dropped significantly and the growth of media industry was seriously hampered.

## FINANCIAL INFORMATION

### **The policy of Mainland China**

Individual travellers from Mainland China has boosted the retail industry of Hong Kong and the Group has benefited from the increase of advertising expenditure of the industry. The Group has also grasped the opportunity to enter into the travelling magazine/booklet market with focus on the individual travellers from the Mainland China.

### **The activity of Hong Kong Stock Market**

As *HKET* is a newspaper focused on financial news, activities and the transaction volume of Hong Kong Stock Market may be an influential factor for the circulation volume of *HKET*. The number of IPO activity may have direct impact on the advertising income of the Group since *HKET* is one of the key market players in the announcement advertisement sector. The transaction volume of Hong Kong Stock Market may also affect the number of subscribers to the Group's electronic information services.

### **Financial presentation**

The Company was incorporated in the Cayman Islands on 15th February, 2005. Pursuant to an agreement dated 19th July, 2005 entered into with HK Holding, the then holding company of the subsidiaries now comprising the Group, and the then shareholders of HK Holding, HKET Group (BVI) acquired all the HK Holding's equity interests in Asianway (Far East) Limited, EPRC, ETBC, ET Net (BVI), ETVision, Euron Limited, HKET China Investment (BVI) Limited, HKET Limited, iCareerTimes and Safe City Limited. Pursuant to an agreement dated 19th July, 2005 entered into between the Company and the then shareholders of HKET Group (BVI), the Company acquired, inter alia, all the issued share capital of HKET Group (BVI). After the above group reorganisation, the Company became the holding company of the above companies and their subsidiaries now comprising the Group, and the full list of subsidiaries is set out in Note 26 of the accountants' report included as appendix 1A to this prospectus.

As all entities involved in the above group reorganisations were under common control throughout the Track Record Period, for the purposes of the financial information included in the accountants' report, the combined profit and loss accounts, combined cash flow statements and combined statements of changes in equity of the Group for each of the three years ended 31st March, 2005, include the financial information of companies now comprising the Group as if the current group structure had been in existence throughout the three years ended 31st March, 2005, or since their respective dates of incorporation/establishment or their effective dates of acquisition, whichever is the shorter period.

The combined balance sheets of the Group as at 31st March, 2003, 2004 and 2005 have been prepared to present the assets and liabilities of the Group as at these dates as if the current group structure had been in existence at these dates. All significant intra-group transactions and balances have been eliminated on combination.

## FINANCIAL INFORMATION

### Description of certain income statement items

#### Turnover

The following table sets forth a breakdown of the total turnover of the Group for the Track Record Period:

	Years ended 31st March,					
	2003		2004		2005	
	<i>HK\$'000</i>	<i>% of total</i>	<i>HK\$'000</i>	<i>% of total</i>	<i>HK\$'000</i>	<i>% of total</i>
Turnover:						
Advertising income	349,850	64.7%	329,891	64.0%	393,492	64.7%
Circulation income	63,363	11.7%	73,907	14.3%	94,942	15.6%
Service income	118,081	21.9%	103,713	20.1%	109,772	18.0%
Enrolment income	9,154	1.7%	8,158	1.6%	10,206	1.7%
Total	<u>540,448</u>	<u>100%</u>	<u>515,669</u>	<u>100%</u>	<u>608,412</u>	<u>100%</u>

Advertising income comprises a major source of turnover for the Group. Significant part of it is derived from the publishing and multimedia business. The advertising income from publishing and multimedia segment is mainly derived from the publishing of *HKET* and its associated magazines and *e-zone*.

Circulation income is mainly derived from the distribution of *HKET* and its associated magazines, *e-zone* and sales of book publications. The significant increases in circulation income by 16.6% and 28.5% in the years ended 31st March, 2004 and 31st March, 2005 respectively were mainly due to the stand-alone sales of *e-zone* magazine which started from November 2003 onwards.

Service income is mainly derived from the provision of information subscription services and other related maintenance and solutions services. Majority of the service income is derived from the electronic information and solutions segment.

Enrolment income is mainly derived from the organization of educational programmes, seminars and professional training courses.

#### Cost of goods sold

Cost of goods sold of the Group primarily consists of the following:

	Years ended 31st March,					
	2003		2004		2005	
	<i>HK\$'000</i>	<i>% of total</i>	<i>HK\$'000</i>	<i>% of total</i>	<i>HK\$'000</i>	<i>% of total</i>
Cost of goods sold:						
Content expenses	41,884	13.5%	38,638	12.6%	43,614	12.4%
Depreciation charges	9,561	3.1%	10,237	3.3%	10,882	3.1%
Newsprint costs	60,003	19.2%	67,032	21.8%	86,896	24.8%
Printing costs	62,099	20.0%	40,953	13.3%	44,125	12.6%
Solutions expenses	23,351	7.5%	17,378	5.7%	14,609	4.2%
Staff costs	104,348	33.5%	111,105	36.1%	132,077	37.6%
Others	9,805	3.2%	22,215	7.2%	18,777	5.3%
Total	<u>311,051</u>	<u>100%</u>	<u>307,558</u>	<u>100%</u>	<u>350,980</u>	<u>100%</u>

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Staff costs represented approximately 37.6% of the cost of goods sold in the year ended 31st March, 2005. Staff costs mainly consist of staff salaries and benefits, including pensions costs.

Newsprint costs represented approximately 24.8% of the costs of goods sold in the year ended 31st March, 2005. The increase in newsprint costs was mainly due to the increase in import paper price and the increase in the circulation volume of the Group.

Printing costs represented approximately 12.6% of the cost of goods sold in the year ended 31st March, 2005. The decrease in printing costs in the year ended 31st March, 2004 was mainly due to the assumption of printing function of *HKET* and its associated magazines by the Group's printing house which was previously outsourced to an independent third party.

Content expenses represented approximately 12.4% of the cost of goods sold in the year ended 31st March, 2005. It mainly consists of information subscription expenses and content contribution expenses.

Solutions expenses mainly represented monthly dataline charges and equipment maintenance charges for supporting the dissemination of financial data to subscribers.

### *Other revenues*

Other revenues mainly consists of the following:

	<b>Years ended 31st March,</b>		
	<b>2003</b>	<b>2004</b>	<b>2005</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Other revenues:			
Management fee income	5,152	1,232	384
Rental income from machinery and properties	7,740	1,898	65
Bank interest income	74	11	13
Interest income from a related company	368	94	–
	<u>13,334</u>	<u>3,235</u>	<u>462</u>

Other revenues mainly comprise management fee income and rental income from machinery and properties. The Group receives majority of its management fee income by providing material sourcing services and production and administrative support services to an Independent Third Party, and receives majority of its rental income from machinery and properties by leasing machineries and office spaces to an Independent Third Party in performing printing business.

The management arrangement with the Independent Third Party was ceased on 30th June, 2003 and the Group has repossessed the equipment and office spaces for its own use.

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### *Selling and distribution expenses*

Selling and distribution expenses mainly consist of the following:

	Years ended 31st March,					
	2003		2004		2005	
	HK\$'000	% of total	HK\$'000	% of total	HK\$'000	% of total
Selling and distribution expenses:						
Distribution expenses	6,970	9.7%	7,672	11.8%	7,244	9.7%
Depreciation charges	123	0.2%	124	0.2%	122	0.2%
Premises expenses	2,345	3.2%	2,262	3.5%	2,080	2.8%
Promotion expenses	7,686	10.7%	5,751	8.9%	7,086	9.4%
Staff costs	45,126	62.6%	40,294	62.2%	50,339	67.1%
Others	9,858	13.6%	8,710	13.4%	8,153	10.8%
<b>Total</b>	<b><u>72,108</u></b>	<b><u>100%</u></b>	<b><u>64,813</u></b>	<b><u>100%</u></b>	<b><u>75,024</u></b>	<b><u>100%</u></b>

Selling and distribution expenses mainly comprise staff costs, promotion expenses and distribution expenses. Staff costs mainly consist of staff salaries and benefits of the sales and circulation related staff and the sales commission expenses. Promotion expenses are mainly incurred for promotion activities to drive circulation number which in turn supports the growth of advertising income. Distribution expenses mainly consist of transportation and other logistic expenses.

### *Administrative expenses*

Administrative expenses primarily consist of staff costs of general staff, depreciation charges on the Group's leasehold buildings and office equipments and premise costs.

	Years ended 31st March,					
	2003		2004		2005	
	HK\$'000	% of total	HK\$'000	% of total	HK\$'000	% of total
Administration expenses:						
Depreciation charges	11,564	10.5%	13,201	12.2%	11,102	11.0%
Office expenses	1,002	0.9%	987	0.9%	1,034	1.0%
Premises costs	5,777	5.2%	5,632	5.2%	5,268	5.2%
Staff costs	81,675	74.2%	78,794	72.6%	75,793	74.7%
Utilities charges	1,036	1.0%	1,091	1.0%	1,134	1.1%
Others	9,028	8.2%	8,830	8.1%	7,096	7.0%
<b>Total</b>	<b><u>110,082</u></b>	<b><u>100%</u></b>	<b><u>108,535</u></b>	<b><u>100%</u></b>	<b><u>101,427</u></b>	<b><u>100%</u></b>

### *Finance costs*

Finance costs mainly consist of interest on bank loans and finance lease charges, which were incurred for the financing of the Group in acquiring printing equipment for the expansion of printing capacity.

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### *Taxation*

The Group is mainly subject to Hong Kong profits tax which is calculated based on the applicable tax rates and the assessable profits of the Company and its subsidiaries.

Deferred income tax assets of the Group are recognised for tax losses carried forward to the extent that realization of the related tax benefit through the future taxable profits is probable.

### **Critical accounting policies and practices**

The Group's discussion and analysis of its financial condition and results of operations is based on the combined financial statements prepared in accordance with HK GAAP as set out in appendix IA to this prospectus. The Group's significant accounting policies are set forth in note 2 to the Group's combined financial statements. The Group's reported financial condition and results of operations are sensitive to accounting methods, assumptions and estimates that underlie the preparation of the combined financial statements. The Group bases its assumptions and estimates on historical experience, the experience of other companies in the industry and on various other assumptions that the Group believes to be reasonable, the results of which form the basis for making judgments about the carrying amounts of assets and liabilities and the Group's results. The Group's management evaluates its assumptions and estimates on a regular basis. Actual results may differ from these estimates, and the Group's estimates may differ from other estimates that could be made under different assumptions and conditions.

The selection of critical accounting policies, the judgments and uncertainties affecting application of those policies and the sensitivity of reported results and financial condition to changes in conditions and assumptions are factors to be considered when reviewing the Group's combined financial statements. The Group believes that the following critical accounting policies involve the most significant judgments and estimates used in the preparation of its combined financial statements.

### **Changes to Hong Kong accounting standards may result in changes in the future as to how the Group's results and financial position are prepared and presented.**

The principal accounting policies (other than the basis of preparation) adopted in the preparation of the Group's audited combined financial information are in accordance with accounting principles generally accepted in Hong Kong and conform with accounting standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and revised Hong Kong Accounting Standards ("HKAS"), herein collectively referred to as the new HKFRSs, which are generally effective for accounting periods beginning on or after 1st January, 2005. The Group has not early adopted these new HKFRSs in the Financial Information. These new/revised standards applicable to the Group cover leasehold land under HKAS 17 "Leases" and financial instruments under HKAS39 "Financial Instruments: Recognition and Measurement". Based on the Group's preliminary assessment, there would be no material impact on the Group's owners' equity as at 31st March, 2005 and the Group's profit for the year then ended had the new HKFRSs been adopted from 1st April, 2004 onwards.

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### Revenue recognition

Revenue is recognised when the outcome of a transaction can be measured reliably and when it is probable that the economic benefits associated with a transaction will flow to the Group. Revenue is recognised on the following bases:

- (i) Advertising income is recognised when the relevant advertisement is published.
- (ii) Circulation income comprises the sales of newspapers, magazines and books, is recognised on the transfer of risks and rewards of ownership, which generally coincides with the date of delivery.
- (iii) Service income is principally derived from the provision of information subscription services and other related maintenance and solution services. Service income is recognised when the services are rendered.
- (iv) Enrolment income on provision of professional training is recognised when the training services are rendered.

### Related party transactions

In the view of the directors (including independent non-executive directors), the related party transactions as described in note 25 of the Accountants' Report were negotiated at arm's length and were conducted on normal commercial terms and in the ordinary course of business and their terms were fair and reasonable.

### Year ended 31st March, 2005 compared to year ended 31st March, 2004

#### *Turnover*

For the year ended 31st March, 2005, turnover increased by HK\$92.7 million or 18.0%, from HK\$515.7 million in the year ended 31st March, 2004 to HK\$608.4 million in the year ended 31st March, 2005. Turnover from advertising income, circulation income, service income and enrolment income has increased substantially in the year ended 31st March, 2005. In particular, advertising income increased by HK\$63.6 million or 19.3%, from HK\$329.9 million to HK\$393.5 million in the year ended 31st March, 2005 and such increase was principally due to the recovery and resumed advertising/marketing campaign after the SARS outbreak. In addition, circulation income increased by HK\$21.0 million or 28.4%, from HK\$73.9 million to HK\$94.9 million in the year ended 31st March, 2005 and such increase was mainly due to the full year effect of the success of the spin-off of *e-zone* as a separately sold magazine in November 2003. Service income increased by HK\$6.1 million or 5.9%, from HK\$103.7 million to HK\$109.8 million in the year ended 31st March, 2005; such increase was in line with the overall increase of activity in the Hong Kong stock market after the downturn of economy. Enrolment income increased by HK\$2.0 million or 24.4%, from HK\$8.2 million to HK\$10.2 million in the year ended 31st March, 2005 and such increase was mainly due to the increase of investment seminars held by the Group to cope with the need for investment information during the bloom in investment market in the year ended 31st March, 2005.



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### *Cost of goods sold*

Cost of goods sold increased by HK\$43.4 million or 14.1%, from HK\$307.6 million in the year ended 31st March, 2004 to HK\$351.0 million in the year ended 31st March, 2005 which is in line with the increase in turnover in the corresponding period. The increase was principally due to the increase in staff costs by HK\$21.0 million and newsprint costs of HK\$19.9 million. The increase in staff costs was mainly due to the expansion of printing and production and editorial departments. The increase in newsprint costs was mainly due to the global increase in paper cost during the year 2004 and 2005.

### *Gross profit*

The Group's gross profit margin increased from 40.4% in the year ended 31st March, 2004 to 42.3% in the year ended 31st March, 2005. The slight increase of gross profit margin was mainly due to a portion of the cost of goods sold that were fixed in nature and did not vary in line with the turnover.

As the Group continued to operate with a positive and relatively stable gross profit margin, the increase in turnover for the year ended 31st March, 2005 had generated an increase of gross profit by 23.7% or HK\$49.3 million from HK\$208.1 million in the year ended 31st March, 2004 to HK\$257.4 million in the year ended 31st March, 2005.

### *Other revenues*

Other revenues decreased by HK\$2.7 million or 84.4%, from HK\$3.2 million in the year ended 31st March, 2004 to HK\$0.5 million in the year ended 31st March, 2005. Other revenues consist primarily of management fee income and rental income, and this decrease was mainly due to the cessation of the sub-lease of property and machinery rental to a third party from 1st July, 2003 onwards.

### *Selling and distribution expenses*

Selling and distribution expenses increased by HK\$10.2 million or 15.7%, from HK\$64.8 million in the year ended 31st March, 2004 to HK\$75.0 million in the year ended 31st March, 2005. This increase was principally due to increase in staff costs by HK\$10.0 million. The increase in staff costs was mainly due to the increase in sales commission by HK\$4.5 million which was in line with the increase in turnover and the expansion of sales and circulation related departments.

### *Administrative expenses*

Administrative expenses decreased by HK\$7.1 million or 6.5%, from HK\$108.5 million in the year ended 31st March, 2004 to HK\$101.4 million in the year ended 31st March, 2005. This decrease was principally due to the decrease in staff costs by HK\$3 million and depreciation charges by HK\$2.1 million.

### *Operating profit*

The Group's operating profit increased by HK\$43.4 million or 114.2%, from HK\$38.0 million in the year ended 31st March, 2004 to HK\$81.4 million in the year ended 31st March, 2005 which was in line with the growth of gross profit. The Group's operating margin (operating profit expressed as a percentage of turnover) increased from 7.4% in the year ended 31st March, 2004 to 13.4% in the year ended 31st March, 2005 since major selling and administrative expenses were relatively fixed except sale commissions.

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### *Finance costs*

Finance costs remained stable in the years ended 31st March, 2004 and 2005. Finance costs consist primarily of the interest expenses on bank loans and interest element of finance leases. Finance costs that were directly attributable to the acquisition of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalised as part of the cost of that asset.

### *Profit before taxation*

The Group's profit before taxation increased by HK\$43.4 million or 115.7%, from HK\$37.5 million in the year ended 31st March, 2004 to HK\$80.9 million in the year ended 31st March, 2005. The increase was in line with the growth of gross profit following the increase in turnover after the rebound of the overall economic environment that drove the increase of advertising and marketing activities. The increase in turnover by HK\$92.7 million contributed to the increase in gross profit by HK\$49.3 million for the year ended 31st March, 2005. The increase in gross profit was net off against the increase in selling and distribution expenses of HK\$10.2 million, which was mainly caused by the increase in sales commission and the expansion of sales and circulation related departments, and the decrease in administrative expenses of HK\$7.1 million, principally due to the reduction of general staff costs and depreciation charges.

### *Taxation*

Taxation increased by HK\$4.3 million or 42.2%, from HK\$10.2 million in the year ended 31st March, 2004 to HK\$14.5 million in the year ended 31st March, 2005. This increase was principally due to an increase in the Group's pre-tax profit. The Group's effective tax rate, expressed as the taxation charge as a percentage of profit before taxation, was 27.2% in the year ended 31st March, 2004 and 17.9% in the year ended 31st March, 2005. This change was mainly due to tax effect of tax losses not recognised in the year ended 31st March, 2004 and utilisation of previously unrecognised tax losses in the year ended 31st March, 2005.

### *Profit for the year*

The Group's profit for the year increased by HK\$39.1 million or 150.4%, from HK\$26.0 million in the year ended 31st March, 2004 to HK\$65.1 million in the year ended 31st March, 2005. The increase was in line with the increase of operating profit by HK\$43.4 million net off by the increase of taxation by HK\$4.2 million. The Group's net profit margin increased from 5.0% in the year ended, 31st March, 2004 to 10.7% in the year ended 31st March, 2005. Such increase was a result of the fixed portion of operating expenses including a portion of the cost of goods sold and the administrative expenses. The increase of turnover may not have direct impact on the relatively fixed expenses. The net profit growth of the Group was a result of the Group's ability to grasp the opportunities in the rebound of the economy.

## **Year ended 31st March, 2004 compared to year ended 31st March, 2003**

### *Turnover*

For the year ended 31st March, 2004, turnover decreased by HK\$24.8 million or 4.6%, from HK\$540.5 million in the year ended 31st March, 2003 to HK\$515.7 million in the year ended 31st March, 2004. Apart from the circulation income, turnover from all other sources decreased in the year ended 31st March, 2004. Advertising income decreased by HK\$20.0 million or 5.7%, from HK\$349.9 million to HK\$329.9 million in the year ended 31st March, 2004 and such decrease was

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mainly due to the deferred corporate promotion/marketing campaigns during the downturn of the economy. Service income, which was mainly derived from electronic information and solutions segment, decreased by HK\$14.4 million or 12.2%, from HK\$118.1 million to HK\$103.7 million and such decrease was mainly due to the decrease in activity in the Hong Kong stock market. Enrolment income decreased by HK\$1 million or 10.9%, from HK\$9.2 million to HK\$8.2 million in the year ended 31st March, 2004 and such decrease was mainly due to the decrease of co-organized courses during the period of the outbreak of SARS when intention to enroll into courses was reduced.

Circulation income on the contrary increased by HK\$10.5 million or 16.6%, from HK\$63.4 million to HK\$73.9 million in the year ended 31st March, 2004. Such increase was mainly due to the effect of stand-alone sales of e-zone started from November 2003 and the impact of outbreak of the SARS on readers' habit was insignificant.

### *Cost of goods sold*

Cost of goods sold decreased by HK\$3.5 million or 1.1%, from HK\$311.1 million in the year ended 31st March, 2003 to HK\$307.6 million in the year ended 31st March, 2004, which is in line with the slight decrease in turnover in the corresponding period.

### *Gross profit*

The Group's gross profit margin decreased from 42.4% in the year ended 31st March, 2003 to 40.4% in the year ended 31st March, 2004. The slight decrease of gross profit margin was a result of relatively fixed in nature portion of cost of goods sold that did not vary in line with the turnover. The Group's gross profit decreased by HK\$21.3 million or 9.3% from HK\$229.4 million in the year ended 31st March, 2003 to HK\$208.1 million in the year ended 31st March, 2004. The decrease of gross profit was in line with the decrease of turnover in the year ended 31st March, 2004.

### *Other revenues*

Other revenues decreased by HK\$10.1 million or 75.9%, from HK\$13.3 million in the year ended 31st March, 2003 to HK\$3.2 million in the year ended 31st March, 2004. Other revenues consist primarily of management fee income and rental income from leasing of machinery and the sub-lease of properties respectively. The decreases in both revenue items are due to the cessation of the sub-lease of property and machinery rental to a third party from 1st July, 2003 onwards.

### *Selling and distribution expenses*

Selling and distribution expenses decreased by HK\$7.3 million or 10.1%, from HK\$72.1 million in the year ended 31st March, 2003 to HK\$64.8 million in the year ended 31st March, 2004. This decrease was principally due to the reduced number of sales force of publishing and multimedia segment and the reduction in promotional activities as a result of the SARS and the overall weak economy of Hong Kong in the first half of 2004.

### *Administrative expenses*

Administrative expenses decreased by 1.6 million or 1.5%, from HK\$110.1 million in the year ended 31st March, 2003 to HK\$108.5 million in the year ended 31st March, 2004. This decrease is mainly due to the decrease in general staff costs.

### *Operating profit*

The Group's operating profit decreased by HK\$22.5 million or 37.2%, from HK\$60.5 million in the year ended 31st March, 2003 to HK\$38.0 million in the year ended 31st March, 2004 which was

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in line with the decline of gross profit. The Group's operating margin (operating profit expressed as a percentage of turnover) decreased from 11.2% in the year ended 31st March, 2003 to 7.4% in the year ended 31st March, 2004. The decrease of operating margin was a result of the relatively fixed in nature operating expenses such as the administrative expenses and part of the selling expenses that did not vary in line with the turnover.

### *Finance costs*

Finance costs decreased by HK\$0.2 million or 28.6%, from HK\$0.7 million in the year ended 31st March, 2003 to HK\$0.5 million in the year ended 31st March, 2004.

### *Profit before taxation*

The Group's profit before taxation decreased by HK\$22.3 million or 37.3%, from HK\$59.8 million in the year ended 31st March, 2003 to HK\$37.5 million in the year ended 31st March, 2004. The decrease was in line with the decline of gross profit as a result of the adverse effect of the outbreak of the SARS in the first half of 2003. The decrease in turnover by HK\$24.8 million resulted in the decrease in gross profit by HK\$21.3 million. The decrease in selling and distribution expenses and administrative expenses was countered by the decrease in other revenues for the year ended 31st March, 2004.

### *Taxation*

Taxation decreased by HK\$1.3 million or 11.3%, from HK\$11.5 million in the year ended 31st March, 2003 to HK\$10.2 million in the year ended 31st March, 2004. This decrease was principally due to the decrease in the Group's pre-tax profit. The Group's effective tax rate, expressed as the taxation charge as a percentage of profit before taxation, was 19.1% in the year ended 31st March, 2003 and 27.2% in the year ended 31st March, 2004. This change was mainly due to tax effect of tax losses not recognised.

### *Minority interests*

Minority interests decreased by HK\$9.2 million or 87.6%, from HK\$10.5 million to HK\$1.3 million in the year ended 31st March, 2004. The decrease was mainly due to the impact of the outbreak of the SARS on the recruitment market which in turn led to the decrease in turnover and net profit of Career Times Online Limited, a 60% indirect owned subsidiary of the Group.

### *Profit for the year*

The loss of electronic information and solutions segment increased by HK\$9.1 million or 267.6%, from HK\$3.4 million to HK\$12.5 million in the year ended 31st March, 2004. The increase in loss was mainly due to the increase in start up cost of ET Wealth product and ET Net's stock quotation product in Mainland China. The Group's profit for the year decreased by HK\$11.8 million or 31.2%, from HK\$37.8 million in the year ended 31st March, 2003 to HK\$26.0 million in the year ended 31st March, 2004. The decrease was in line with the decrease of operating profit by HK\$22.5 million and net off by the decrease of minority interests by HK\$9.2 million. The Group's net profit margin decreased from 7.0% in the year ended 31st March, 2003 to 5.0% in the year ended 31st March, 2004. And such decrease was a result of the fixed portion of operating expenses including a portion of the cost of goods sold and the administrative expenses net off by the decrease of minority interest. The decrease of turnover did not result in proportional saving on the relatively fixed expenses.

## LIQUIDITY AND CAPITAL RESOURCES

### **Overview**

The Group's principal sources of liquidity and capital resources have been, and are expected to continue to be, cash flow from operations and debt financing from banks. The Group's principal uses of cash have been, and are expected to continue to be, operational costs and the repayment of bank loans.

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### Net current assets

As at 31st May, 2005, the Group had net current assets of approximately HK\$41.0 million. Current assets were mainly comprised of inventories of approximately HK\$4.0 million, trade and other receivables of approximately HK\$151.5 million and bank balances and cash of approximately HK\$37.0 million. Current liabilities were mainly comprised of trade and other payables of approximately HK\$107.4 million, short term bank loans and other borrowings (those due within one year) of approximately HK\$39.9 million, taxation payable of approximately HK\$4.2 million.

The Group had net current liabilities of HK\$32.2 million and HK\$19.0 million as at 31st March, 2003 and 31st March, 2004. The net current liabilities arose as a result of a short term loan from a related company for the purchase of leasehold properties and fixed assets for the use of the Group. The loan, which was unsecured and repayable on demand, had been fully repaid in April 2005. As at 31st March, 2005, the Group was in a net current assets position of HK\$6.9 million.

For the years ended 31st March, 2003 and 2004, the Electronic Information and Solutions segment suffered losses of approximately HK\$3.4 million and HK\$12.5 million respectively. The losses of this segment were mainly due to the outbreak of the SARS in Hong Kong. In addition, the Group commenced to develop the fund database and wealth management solutions, which incurred relatively high staff costs during the said period.

However, the results of this segment have been improved significantly for the year ended 31st March, 2005 because of the rebound of Hong Kong economy in late 2003 and a better control in the total operating costs of this business segment. For the year ended 31st March, 2005, the segment profit was approximately HK\$2.1 million.

As at 31st March, 2004 and 2005, Recruitment Advertising and Training segment had net segment liabilities of approximately HK\$17.6 million and HK\$6 million respectively. This segment was negatively affected by the outbreak of the SARS in Hong Kong, which made a pressure on cash flows of this segment. However, following the rebound of Hong Kong economy in late 2003, the cash flows of this segment have continually improved.

### Cash flows

The Group has been profitable on an operating basis throughout the Track Record Period and has obtained banking facilities for financing its expansion of printing house. The positive operating cash flow has enabled the Group to repay the shareholder's loan and short term borrowing from a related company during the Track Record Period.

The availability of adequate working capital of the Group will be affected by the Group's profitability, which may be affected by several factors, such as overall Hong Kong economic condition and government policies, which may be beyond the Group's control. To the extent that the Group does not generate sufficient cash flow from its operation to meet its cash requirements, it may rely on external borrowings.

The following table sets forth a condensed summary of the Group's audited statements of cash flows for the periods indicated:

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	<b>Years ended 31st March,</b>		
	<b>2003</b>	<b>2004</b>	<b>2005</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Other financial data:</i>			
Net cash inflow from operating activities	78,440	62,439	100,456
Net cash outflow from investing activities	(24,300)	(23,610)	(54,453)
Net cash outflow from financing activities	(30,533)	(42,790)	(34,683)
Gross profit	229,397	208,111	257,432
Profit for the year	37,837	26,005	65,094

As of 31st March, 2005, the Group's primary source of liquidity was cash and cash equivalents balances of HK\$39.1 million, denominated principally in Hong Kong dollars, an increase of HK\$11.3 million from the cash and cash equivalents balances of HK\$27.8 million as at 31st March, 2004. Cash generated from operations, when not needed for working capital requirements, is held principally in money market accounts.

The Group's major source of working capital was generated from the operating activities of the Group. The certainty of the Group's cash flows depends on the profitability of the Group.

### *Net cash inflow from operating activities*

Net cash inflow from operating activities amounted to HK\$78.4 million, HK\$62.4 million and HK\$100.5 million for the three years ended 31st March, 2005. The decrease in net cash inflow of HK\$16.0 million for the year ended 31st March, 2004 and the increase in net cash inflow of HK\$38.1 million for the year ended 31st March, 2005 were in line with the fluctuation of the operating result of the Group for the three years ended 31st March, 2005.

### *Net cash outflow from investing activities*

Net cash outflow from investing activities amounted to HK\$24.3 million, HK\$23.6 million and HK\$54.5 million for the three years ended 31st March, 2005. The net cash outflow from investing activities mainly represented payment for the capital expenditure of the Group. During the year ended 31st March, 2005, the Group committed to purchase two new printing press lines for the expansion of the Group's printing capacity, one of them was delivered and payment for the purchase was made during the year ended 31st March, 2005 and the other new press line shall be installed in the following financial year which will require an extra cash outflow of approximately HK\$43.6 million. During the years ended 31st March, 2003 and 2004, the Group purchased some printing parts to further enhance the printing capacity of the old printing machinery and renovated the office in Kodak House II for the expansion of the Group's business such as the revamp of *e-zone*.

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### *Net cash outflow from financing activities*

Net cash outflow from financing activities amounted to HK\$30.5 million, HK\$42.8 million and HK\$34.7 million for the three years ended 31st March, 2005. The increase in net cash outflow from financing activities of HK\$12.3 million for the year ended 31st March, 2004 was mainly due to the increase in dividend payment of HK\$10.8 million by one of the Group's subsidiaries. The decrease in net cash outflow from financing activities of HK\$8.1 million for the year ended 31st March, 2005 was mainly due to the decrease in dividend payment of HK\$20.3 million by one of the Group's subsidiaries, the inception of bank loans for financing the acquisition of one new printing press line and leasehold property at Tai Po of HK\$41.0 million and the increase of repayment of a shareholder's loan, short-term borrowing from a related company and bank loans amounted to HK\$50.0 million.

The Group continues to rely on the cash flow from operating activities and banking facilities to finance its operation and expansion of printing house. The relative cost of capital resources depends on the fluctuation of the HIBOR since the Group's bank loan and obligation under finance leases are subject to interest charge by reference to HIBOR. The Group's banking facilities were secured by some of the Group's leasehold properties, corporate guarantees and personal guarantees from two executive Directors which will be replaced by the corporate guarantee from the Company upon Listing.

### **Borrowings, loans and banking facilities**

As at 31st March, 2005, the Group had aggregate outstanding borrowings of HK\$79.1 million comprised of a short-term bank loan of HK\$32.2 million, amount due to a related company of HK\$12.0 million, current portions of long-term bank loans and finance leases of HK\$7.7 million and long-term bank loans and finance leases of HK\$27.2 million.

The Group's short-term bank loan as at 31st March, 2005 represented an import loan for the purchase of printing machinery. The short-term bank loan was subsequently repaid by the inception of a six years finance lease in April 2005.

The above borrowings, except the amount due to a related company which was repaid subsequent to 31st March, 2005, were secured by the Group's leasehold land and buildings and the respective machinery under the prescribed finance leases.

Set forth below are the aggregate amounts as at 31st March, 2005 of the Group's future cash payment obligations under its existing debt and lease arrangements:

	<b>Payment due by period</b>				<b>After 5 years</b>
	<b>Total</b>	<b>Less than 1 year</b>	<b>1-2 years</b>	<b>3-5 years</b>	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Contractual Obligations:</b>					
Long-term debts	34,916	7,739	7,830	18,331	1,016
Short-term debts	32,156	32,156	–	–	–
Total contractual cash obligations	56,746	50,273	6,473	–	–

The contractual cash obligation of HK\$56.7 million represents operating lease commitments of office premises and printing house of the Group and commitment for the purchase of printing machinery.

## FINANCIAL INFORMATION

### Capital expenditures

The Group has committed to purchase another new printing machine in the forthcoming financial year in amount of HK\$43.6 million. The Group has already obtained adequate banking facilities in financing the said purchase. The banking facilities obtained by the Group to finance the new printing machine is a finance lease of HK\$79.8 million with a term of six years and an interest rate by reference to HIBOR.

The increase of the Group's commitment as at 31st March, 2004 is primarily due to the purchase of two new printing lines for capacity expansion. One of the printing lines was already installed and the other one is expected to be installed in the forthcoming financial year.

The Group may adjust the amount of its capital expenditures upward or downward based on cash flow from operations, the progress of expansion, and market conditions. There can be no assurances that it will be able to raise additional capital should it become necessary on terms acceptable to the Group or at all. The sale of additional equity or equity-linked securities may result in additional dilution to the Company's shareholders.

### Market risks

#### *Interest rate risks*

The Group is exposed to certain interest rate risk on its existing floating rate debt. Upward fluctuations in interest rates increase the cost of existing floating-rate debt and new debt. The Group's bank loan and obligation under finance leases are subject to interest charge at a certain percentage over HIBOR. The fluctuation of HIBOR will have direct impact on finance costs of the Group.

#### *Foreign currency exchange risks*

Most of the income and expenditures of the Group are denominated in Hong Kong dollars and, for certain purchases of newsprint, in US dollars. The value of the Hong Kong dollars is correlated to that of the US dollars and hence, the Group does not have any material foreign exchange exposure. The Group has not implemented or entered into any type of instruments or arrangements to hedge against currency exchange fluctuations for the period under review. As at 31st March, 2005, the Group did not have outstanding hedging instruments.

### Off-balance sheet transactions

The Group has no off-balance sheet transactions.

### Financial ratios

	For the year ended		
	31st March, 2003	31st March, 2004	31st March, 2005
Current ratio <sup>1</sup>	0.82 times	0.89 times	1.04 times
Quick ratio <sup>2</sup>	0.82 times	0.88 times	1.02 times
Debtor turnover days <sup>3</sup>	69 days	77 days	63 days
Creditor turnover days <sup>4</sup>	25 days	60 days	39 days
Gearing ratio <sup>5</sup> (%)	10.5%	10.3%	17.6%
Interest coverage <sup>6</sup>	85.0 times	72.7 times	146.5 times



## FINANCIAL INFORMATION

1. Current ratio is calculated based on the total current assets divided by the total current liabilities at the end of the year. The numbers in the table above reflect this ratio and these numbers are not expressed as a percentage.
2. Quick ratio is calculated based on the difference between the total current assets and the inventories divided by the total current liabilities at the end of the year. The numbers in the table above reflect this ratio and these numbers are not expressed as a percentage.
3. Debtor turnover days is calculated based on trade receivables at the end of the year divided by turnover during the year times the number of days during the year.
4. Creditor turnover days is calculated based on trade payables at the end of the year divided by cost of sales (excluding staff costs and depreciation charges) during the year times the number of days during the year.
5. Gearing ratio is calculated based on the total debt divided by the total assets at the end of the year. Total debt refers to the total interest bearing liabilities at the end of the year.
6. Interest coverage is calculated based on profit before interest and tax divided by interest expense for the year.

Over the Track Record Period, the Group's current ratio gradually improved from 0.82 times to 1.04 times. The improvement during the year ended 31st March, 2004 was primarily due to the increase in trade receivables from advertising sales of the successful revamp of *e-zone* in November 2003, which not only brought extra circulation revenue to the Group, but also the additional advertising revenue as the advertising market experienced a strong rebound after the SARS outbreak in the first quarter of 2004. The current ratio further improved between 2004 and 2005 as the Group has satisfied current obligations due to related companies.

For the year ended 31st March, 2004, the slight increase in the Group's quick ratio was due to the increase in trade receivables from advertising sales of the successful revamp of *e-zone* in November 2003, which brought extra circulation revenue to the Group and the pick-up of advertising revenue on the back of a strong recovery in the advertising market after the SARS outbreak in the first quarter of 2004. Between 2004 and 2005, the further improvement of quick ratio from 0.88 times to 1.02 times was due to the reduction of the amount due to a related company.

The Group's debtors' turnover days for the year ended 31st March, 2005 was 63 days, 14 days shorter than the 77 days for the year ended 31st March, 2004. The improvement was mainly a result of the increased effort put forth by the Group in debt collection during the year ended 31st March, 2005. The slightly longer debtor turnover days for the year ended 31st March, 2004 as compared to the previous year was caused by the combined effects of the decrease in total turnover as a result of the SARS outbreak in mid-2003 and the increase in trade receivables from a resurgent revenue growth after the strong rebound of advertising market in the first quarter of 2004.

The Group's creditors' turnover days for the year ended 31st March, 2005 was 39 days, 21 days shorter than the 60 days for the year ended 31st March, 2004. The decrease was mainly due to sufficient cash flow which led to lower trade creditor amounts, and in turn, resulted in lower creditors' turnover days. During the year ended 31st March, 2004, the increase in creditors' turnover days from 25 days to 60 days was attributed to the combined effects of the increase in newsprint costs as a result of the global increase of newsprint price and the increased advertising and circulation volume of both newspapers and their associated magazines in the first quarter of 2004.

## **FINANCIAL INFORMATION**

The Group's gearing ratio has remained relatively stable throughout the Track Record Period except for the increase for the year ended 31st March, 2005 by 7.3%. The increase was primarily due to an import loan for financing the acquisition of printing machinery to support the expansion of the Group's printing capacity. On the other hand, the interest coverage decreased from 85 times to 72.7 times during the year ended 31st March, 2004 because of the lower earnings before interest and tax as a result of impact brought about by the SARS outbreak in mid-2003 which deteriorated all revenue streams of the Group. For the year ended 31st March, 2005, interest coverage improved significantly from 72.7 times to 146.5 times. This was mainly due to the increase in profit before interest and tax and the relatively low interest cost incurred by the Group.

### **DISTRIBUTABLE RESERVES**

As at 31st March, 2005, the Company did not have any reserves available for distribution to shareholders of the Company.

### **DIVIDENDS AND WORKING CAPITAL**

#### **Dividends**

The Company has not declared any dividend since its incorporation on 15th February, 2005. For the year ended 31st March, 2003, 2004 and 2005, Career Times Online Limited declared dividends of approximately HK\$26.8 million, HK\$4.5 million and HK\$5.6 million respectively to its shareholders.

The declaration of dividends is subject to the discretion of the Board and any final dividend for the year is subject to shareholders' approval. The amounts of dividends will be subject to the discretion of the Board and will depend upon a number of factors, including the Group's earnings, investment requirements, working capital requirement, general financial conditions and any factors considered relevant by the Board.

Subject to the availability of the Company's cash and distributable reserves, the Group's investment requirements, and the cash flow and working capital requirements of the Group, it is the Company's current intention to distribute about 35% of the net profits of the Group for the period from the date of allotment of the Offer Shares to 31st March, 2006 as dividends to the Shareholders, and to recommend annually the distribution to Shareholders of about 35% of the Group's annual net profits as dividends in the foreseeable future.

#### **Working capital**

The Directors are of the opinion that, taking into account the present available banking facilities and internal financial resources of the Group and the estimated net proceeds of the Share Offer, the Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this prospectus.

## FINANCIAL INFORMATION

### UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following statement of unaudited pro forma adjusted net tangible assets of the Group is based on the audited combined net assets of the Group as at 31st March, 2005, as shown in the accountants' report, the text of which is set out in appendix IA to this prospectus and adjusted as follows:

	<b>Audited combined net tangible assets of the Group as at 31st March, 2005 HK\$'000</b>	<b>Estimated net proceeds from the Share Offer (Note 1) HK\$'000</b>	<b>Unaudited pro forma adjusted net tangible assets (Notes 2 and 3) HK\$'000</b>	<b>Unaudited pro forma adjusted net tangible assets per Share (Notes 2, 3 and 4) HK\$</b>
Based on an Offer price of HK\$1.43 per Share . . . . .	177,468	133,001	310,469	0.75
Based on an Offer price of HK\$1.70 per Share . . . . .	177,468	160,375	337,843	0.81

*Notes:*

1. The estimated net proceeds from the Share Offer are derived after deduction of the underwriting fees and other related expenses payable by the Company, and takes no account of any Shares which may fall to be issued pursuant to the exercise of options granted under the Share Option Scheme or of any Shares which may be issued or repurchased by the Company pursuant to the general mandates referred to in the paragraph headed "Written resolutions of the sole Shareholder passed on 19th July, 2005" in the section headed "Further information about the Company" in appendix IV to this prospectus.
  
2. Subsequent to 31st March, 2005, in June 2005, Career Times Online Limited, a 60% indirectly owned subsidiary of the Company, declared a final dividend of HK\$3,625,000 for the year ended 31st March, 2005. Such dividend has not been adjusted in the unaudited pro forma adjusted net tangible assets and unaudited pro forma adjusted net tangible assets per Share. 60% of the dividend would be paid to the Group while the remaining 40% would be paid to the other shareholder.
  
3. As at 30th April, 2005, the Group's property interests were revalued by Vigers Appraisal & Consulting Limited, an independent property valuer, and the relevant property valuation report is set out in appendix II – Property Valuation. Pursuant to the valuation performed by Vigers Appraisal & Consulting Limited, the valuation of the Group's interests in the properties as at 30th April, 2005 amounted to approximately HK\$85,351,000. This resulted in a revaluation deficit of approximately HK\$18,156,000 when compared with the net book value of approximately HK\$103,507,000 as at 31st March, 2005. The above adjustment does not take into account the deficit arising from revaluation of the Group's property interests. Such revaluation deficit has not been included in the Group's combined accounts for the year ended 31st March, 2005.

The unaudited pro forma adjusted net tangible asset value per Share is arrived at after the adjustments referred to in the preceding paragraph and on the basis that 416,000,000 Shares are in issue and that the Over-allotment Option is not exercised.

### NO MATERIAL ADVERSE CHANGE

The Directors confirm that there is no adverse material change in the financial or trading position or prospects of the Group since 31st March, 2005 (being the date to which the latest financial statements of the Group were made up).

## FUTURE PLANS AND USE OF PROCEEDS

### FUTURE PLANS

The Group's mission is to become a leading branded financial and business information and services provider in Greater China. In order to pursue this mission, the Group plans to ride on its branded platform and expand its product line as well as business geographically, and to enhance its operation efficiency, including:

#### **Business expansion in Mainland China**

HKET Limited has entered into a conditional sale and purchase agreement with HK Holding to acquire the entire registered capital of SZ Advertising, a subsidiary of HK Holding. The acquisition of SZ Advertising will increase the exposure of the Group in Mainland China and the opportunities for the Group to explore business co-operation with other media companies in Mainland China with strong growth potential. HK\$30 million is reserved for the planned expansion in the coming three financial years.

The Group also plans to pursue development and customization of ET Net quotation product so as to cater for the specific needs of the Mainland China market. PV II is the one under development. With the launch of the customized products and increased hardware setup coupled with the Group's knowledgeable and committed sales team, it is believed that the Group is able to not only increase its market coverage in this segment but also, through the provision of customized products, build a sustainable relationship with its customers. HK\$20 million is reserved for the said expansion in the coming three financial years.

#### **Product line expansion**

##### *Hong Kong publishing business*

The Group intends to extend beyond newspaper publishing to diversify its advertising revenue. Leverage on the success of *e-zone* in the magazine market, the Group has plans to publish around two servicing and/or consumer products magazines in one to two financial years' time in order to strengthen and diversify its readership base and hence advertising and circulation income base. During the same period, the Group also plans to seek for opportunities in book publishing expansion and other publishing businesses to add to its current product offering. HK\$30 million is reserved for the plans.

##### *Electronic information business, enhancement of the financial portal ([www.etnet.com.hk](http://www.etnet.com.hk))*

The Group plans to expand its ET Net datafeed business in Mainland China, Taiwan and Japan by setting up a centralized information pool with content and data procured from its full product lines. By doing so, it is easier to customize the outputs in accordance with the customers' need in different markets. The development project is currently in progress. To facilitate advertising and e-commerce growth in its portal business, the Group is currently in the process of revamping its popular financial portal [www.etnet.com.hk](http://www.etnet.com.hk) with content enrichment. HK\$20 million will be put in to finance the said projects in the coming three financial years.

## FUTURE PLANS AND USE OF PROCEEDS

### *Cater for high market growth in wealth management*

The Group believes that wealth management is a high growth market in Hong Kong, driven primarily by an increasingly affluent population with a higher propensity to invest. ET Wealth, a wealth management system offering both content and software application for professional users in the banking, finance and insurance industry, was launched in 2004. With the market potential and expected fast changing needs, the Group believes that development and related content enhancement in ET Wealth are vital for business growth. HK\$10 million is reserved for financing in the coming three financial years.

### **Upgrade newspaper production technology by adoption of “computer-to-plate” technology in the pre-press section**

The Group is looking for an appropriate timing in the coming three financial years for adoption of “computer-to-plate” technology in the pre-press section so as to reduce material cost, manpower resources and production lead time. Financing of the plan requires an input of HK\$25 million.

### **USE OF PROCEEDS**

The Directors believe that the Share Offer will raise and strengthen the Group’s corporate profile and capital base, and will provide funding for achieving the Group’s business strategy and carrying out its future plans.

Assuming that the Over-allotment Option is not exercised, the net proceeds of the Share Offer, after deduction of underwriting commission and estimated expenses of approximately HK\$16.1 million payable by the Group, are estimated to be approximately HK\$146.7 million (based on an Offer Price of HK\$1.565 per Share, being the mid-point of the stated range of the Offer Price of between HK\$1.43 and HK\$1.70 per Share). The Directors currently plan to use such net proceeds as follows:

1. approximately HK\$50 million for business expansion in Mainland China, consisting of:
  - (a) approximately HK\$30 million for advertising business and business co-operation with other media companies in Mainland China; and
  - (b) approximately HK\$20 million for developing ET Net’s quotation and information products to suit local usage and increase market coverage;
2. approximately HK\$30 million for publishing around two servicing and/or consumer products magazines in Hong Kong;
3. approximately HK\$20 million for developing financial information pool for datafeed businesses, revamping the existing financial portal ([www.etnet.com.hk](http://www.etnet.com.hk)) to include more content to expand its online advertising and e-commerce businesses;
4. approximately HK\$10 million for developing wealth management system and related content enhancement;
5. approximately HK\$25 million to upgrade newspaper production technology by adopting “computer-to-plate” technology in the pre-press section; and
6. the remaining amount to be used as general working capital.

## **FUTURE PLANS AND USE OF PROCEEDS**

In the event that the Over-allotment Option is exercised in full, the additional net proceeds of approximately HK\$23.8 million (based on an Offer Price of HK\$1.565 per Share, being the mid-point of the stated range of the Offer Price of between HK\$1.43 and HK\$1.70 per Share) will be applied by the Group as additional general working capital of the Group.

To the extent that the net proceeds of the Share Offer are not immediately required for the above purposes or if the Group is unable to effect any part of its development plan as intended, it may hold such funds in short-term deposits with banks and/or financial institutions in Hong Kong for so long as it deems to be in the best interests of the Group. The Directors may re-allocate the use of the net proceeds should any of the above plans not be implemented. In such event, the Company will comply with the appropriate disclosure requirements under the Listing Rules.

## UNDERWRITING

### UNDERWRITERS

#### Placing Underwriters

BNP Paribas Peregrine  
UOB Kay Hian (Hong Kong) Limited  
DBS Asia Capital Limited  
First Shanghai Securities Limited  
Guotai Junan Securities (Hong Kong) Limited  
Tai Fook Securities Company Limited

#### Public Offer Underwriters

BNP Paribas Peregrine  
UOB Kay Hian (Hong Kong) Limited  
DBS Asia Capital Limited  
First Shanghai Securities Limited  
Guotai Junan Securities (Hong Kong) Limited  
Tai Fook Securities Company Limited

### UNDERWRITING ARRANGEMENTS AND EXPENSES

#### Underwriting Agreement

Under the Underwriting Agreement, the Company has agreed to offer (a) the Public Offer Shares for subscription on and subject to the terms and conditions of this prospectus and the related application forms; and (b) the Placing Shares for subscription by professional investors, institutional investors and other investors which are anticipated to have a sizeable demand on and subject to the terms and conditions of this prospectus.

In addition, the Company has granted the Over-allotment Option to BNP Paribas Peregrine (for itself and on behalf of the Underwriters) exercisable from time to time no later than 30 days after the last day for lodging applications under the Public Offer to require the Company to issue an aggregate of up to 15,600,000 additional new Shares, representing 15% of the Shares initially available under the Share Offer, on the same terms as those applicable to the Placing, to cover over-allocations in the Placing, if any.

Subject to the listing committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares (including the Shares to be issued pursuant to the exercise of the Over-allotment Option) and to certain other conditions set out in the Underwriting Agreement being satisfied (or where appropriate, waived in whole or in part), (a) the Public Offer Underwriters have severally agreed to subscribe or procure subscribers, on the terms and conditions of this prospectus and the related application forms, for the Public Offer Shares now being offered and which are not taken up under the Public Offer; and (b) the Placing Underwriters have severally agreed to subscribe or procure subscribers or placees for the Placing Shares which have not been subscribed or placed pursuant to the Placing. If the Underwriting Agreement does not become unconditional or is terminated in accordance with the terms therein, the Company will make an announcement as soon as possible.

## UNDERWRITING

### Grounds for termination

The obligations of the Underwriters to subscribe or procure subscribers for the Offer Shares will be subject to termination by notice in writing from BNP Paribas Peregrine (for itself and on behalf of the Underwriters) if any of the following events occur prior to 8:00 a.m. on the Listing Date:

- (1) there has come to the notice of BNP Paribas Peregrine:
  - (a) that any statement, reasonably considered by BNP Paribas Peregrine to be material, contained in this prospectus, the relevant application forms in relation to the Share Offer and/or the offering circular issued in connection with the Placing was, when it was issued, or has become untrue, incorrect or misleading in any material respect; or
  - (b) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute an omission therefrom reasonably considered by BNP Paribas Peregrine to be material to the Share Offer; or
  - (c) any material breach of any of the obligations imposed upon any party to the Underwriting Agreement (other than on any of the Underwriters); or
  - (d) any change or development involving a prospective change in the conditions, business affairs, prospectus or the financial or trading position of any member of the Group which is reasonably considered by BNP Paribas Peregrine as material in the context of the Share Offer; or
  - (e) any breach, reasonably considered by BNP Paribas Peregrine to be material, of any of the warranties given by the Company and Golden Rooster under the Underwriting Agreement;
- (2) there shall develop, occur, exist or come into effect:
  - (a) any event, or series of events, beyond the reasonable control of the Underwriters (including, without limitation, acts of government, strikes, lock-outs, fire, explosion, flooding, civil commotion, acts of war, acts of God, acts of terrorism, outbreak of diseases or epidemics including SARS and H5N1 and such related/mutated forms or interruption or delay in transportation) which in the reasonable opinion of BNP Paribas Peregrine has or would have the effect of making any part of the Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Share Offer or pursuant to the underwriting thereof; or
  - (b) any change or development involving a prospective change, or any event or series of events likely to result in any change or development involving a prospective change in local, national, international, financial, economic, political, military, industrial, fiscal, regulatory currency or market conditions or any monetary or trading settlement systems or matters and/or disaster (including any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange, or a material development of the Hong Kong dollars against any foreign currencies, or any assumption in securities settlement or clearance service or procedures in Hong Kong or anywhere in the world); or



## UNDERWRITING

- (c) any new law or regulation or change or development involving a prospective change in existing laws or regulations or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in Hong Kong or any other jurisdictions relevant to any member of the Group; or
- (d) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for the US or by the European Union (or any member thereof) on Hong Kong or any other jurisdictions relevant to any member of the Group; or
- (e) a change or development occurs involving a prospective change in taxation or exchange control (or the implementation of any exchange control) in Hong Kong or any other jurisdictions relevant to any member of the Group; or
- (f) any litigation or claim of material importance of any third party being threatened or instigated against any member of the Group; or
- (g) a valid demand by any creditor for repayment or payment of any indebtedness of any member of the Group or in respect of which any member of the Group is liable prior to its stated maturity; or
- (h) any loss or damage sustained by any member of the Group (howsoever caused and whether or not the subject of any insurance or claim against any person); or
- (i) a petition is presented for the winding-up or liquidation of any member of the Group or any member of the Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of the Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of the Group or anything analogous thereto occurs in respect of any member of the Group; or
- (j) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent authority) or other jurisdictions relevant to any member of the Group;

which in the sole opinion of BNP Paribas Peregrine (1) is or will or could reasonably be expected to have a material adverse effect on the business, financial or other condition or prospects of the Company or the Group; or (2) has or will have or could reasonably be expected to have a material adverse effect on the success of the Share Offer or the level of applications under the Public Offer or the level of interest under the Placing; or (3) makes it inadvisable or inexpedient for the Share Offer to proceed.

## UNDERWRITING

### Undertakings

The Company has undertaken to the Underwriters in the Underwriting Agreement that, except pursuant to the Share Offer (including the Over-allotment Option) and options which may be granted under the Share Option Scheme and save as mentioned in this prospectus or with the prior written consent of BNP Paribas Peregrine (on behalf of the Underwriters) and in compliance with the Listing Rules, it will not, and will procure that its subsidiaries will not, allot, issue, or agree to allot or issue, any Shares or other securities, including warrants or convertible or exchangeable securities or grant or agree to grant any options or other rights carrying any right to subscribe for or otherwise acquire any securities or enter into any swap or other arrangement that transfers, in whole or in part, any of the economic consequence of ownership of any Shares or offer to agree to do any of the foregoing or announce any intention to do so within the six months from the Listing Date.

Golden Rooster, Mr. Fung Siu Por, Lawrence and Mr. Chu Yu Lun have undertaken to the Company and each of the Underwriters that without the prior written consent of BNP Paribas Peregrine (on behalf of the Underwriters) each of them shall not and will procure that the relevant registered holder(s) shall not (except pursuant to or in connection with the stock borrowing arrangement referred to in the paragraph headed “Stabilisation Action” in the section headed “Structure of the Share Offer” in this prospectus, (a) in a period commencing on the date of this prospectus and ending on a date which is six months from the Listing Date, dispose of, nor enter into any agreements to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any of those securities in respect of which they are shown by this prospectus to be the beneficial owner(s); and (b) in the period of six months commencing on a date on which the period referred to above expires, dispose of nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any of the securities referred to above if immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, that they would cease to be a controlling shareholder for the purposes of the Listing Rules.

Golden Rooster, Mr. Fung Siu Por, Lawrence and Mr. Chu Yu Lun have further undertaken to the Company and each of the Underwriters that they will comply with all restrictions and requirements under the Listing Rules on the disposal by them or by the registered holder of any Shares or other securities of the Company in respect of which they are, or are shown by this prospectus to be, the beneficial owners.

### COMMISSION AND EXPENSES

The Underwriters will receive a commission of 2.5% of the aggregate Offer Price of all the Public Offer Shares and the Placing Shares (including Shares to be issued pursuant to the Over-allotment Option), out of which they will pay any sub-underwriting commission. Such fee and commission, together with the Stock Exchange listing fees, the Stock Exchange trading fee, the SFC transaction levy, the investor compensation levy, legal and other professional fees, printing and other expenses relating to the Share Offer which are currently estimated to be about HK\$16.1 million in aggregate (based on an Offer Price of HK\$1.565 per Share, being the mid-point of the stated range of the Offer Price of between HK\$1.43 and HK\$1.70 per Share and the assumption that the Over-allotment Option is not exercised) is to be borne by the Company.

### UNDERWRITERS’ INTERESTS IN THE COMPANY

Save for its obligations under the Underwriting Agreement, none of the Underwriters or any of their respective holding companies, or any of their respective subsidiaries was beneficially interested, directly or indirectly, in any shareholding in the Company or any of its subsidiaries or has any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in the Company or any of its subsidiaries.

## STRUCTURE OF THE SHARE OFFER

### OFFER PRICE AND PRICE PAYABLE ON APPLICATION

The Offer Price will not be more than HK\$1.70 per Share and is expected to be not less than HK\$1.43 per Share. Based on the maximum Offer Price of HK\$1.70 per Share, plus 1% brokerage fee, 0.005% SFC transaction levy, 0.002% investor compensation levy and 0.005% Stock Exchange trading fee, one board lot of 2,000 Shares will amount to a total of HK\$3,434.41.

The Offer Price is expected to be determined by the Company and BNP Paribas Peregrine (on behalf of the Underwriters) at or before 6:00 a.m. on Thursday, 28th July, 2005, or such later time as may be agreed by the Company and BNP Paribas Peregrine (on behalf of the Underwriters) but in any event no later than Friday, 29th July, 2005.

If, based on the level of interest expressed by prospective professional, institutional and other investors during the book-building process, BNP Paribas Peregrine (on behalf of the Underwriters, and with the consent of the Company) thinks it appropriate (for instance, if the level of interest is below the indicative Offer Price range), the indicative Offer Price range may be reduced below that stated in this prospectus at any time prior to the morning of the latest day for lodging applications under the Public Offer. In such case, the Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Public Offer cause there to be published in the International Herald Tribune, Hong Kong Edition (in English) and the Hong Kong Economic Times (in Chinese) notice of the reduction of the indicative Offer Price range. Such notice will also include any financial information which may change as a result of any such reduction. If applications for Public Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Public Offer, then even if the Offer Price is so reduced, such applications cannot be subsequently withdrawn.

If, for any reason, the Offer Price is not agreed between the Company and BNP Paribas Peregrine (on behalf of the Underwriters) before the Price Determination Time (or such later time and/or day as agreed), the Share Offer will not proceed and will lapse.

### CONDITIONS

Acceptance of all applications for the Share Offer will be conditional upon:

- (i) the listing committee of the Stock Exchange granting a listing of and permission to deal in the Shares (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option, subject only to allotment); and
- (ii) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional (including the waiver of any condition(s) by BNP Paribas Peregrine on behalf of the Underwriters) and not being terminated in accordance with the terms of that agreement or otherwise,

in each case on or before the dates and times specified in the Underwriting Agreement or such later date as BNP Paribas Peregrine may agree with the Company not being later than 30 days after the date of this prospectus. If these conditions are not fulfilled, all application monies will be returned, without interest, on the terms set out in the section headed "Terms and conditions of the Public Offer" in this prospectus. In the meantime, such monies will be held in a separate bank account with the receiving banker or other licensed bank(s) in Hong Kong.

## STRUCTURE OF THE SHARE OFFER

The consummation of each of the Public Offer and the Placing is conditional upon, amongst other things, the other becoming unconditional and not having been terminated in accordance with its terms.

### PREFERENCE TO FULL-TIME EMPLOYEES

Up to a maximum of 1,040,000 Public Offer Shares, representing 10% of the total number of Shares initially available under the Public Offer and 1% of the Offer Shares, are available for subscription by full-time employees of the Group (excluding the directors or the chief executive of the Company and its subsidiaries, the existing beneficial owners of Shares and their respective associates) (the “Eligible Employees”) on a preferential basis, if their applications for the Public Offer Shares are made on the **PINK** application forms. As at 30th June, 2005, there are about 930 Eligible Employees. Allocation of these Public Offer Shares will be based on the written guidelines consistent with the allocation guidelines contained in Practice Note 20 to the Listing Rules and distributed to the Eligible Employees. Under such written guidelines, the allocation will be made on a pro rata basis in an equitable manner based solely on the level of valid applications received from Eligible Employees. The allocation in any event will be on the basis to be determined by the Board after taking into account of all relevant factors and will be made on a pro rata basis in an equitable manner based on the level of valid applications received from the Eligible Employees. No favour will be given to the Eligible Employees who apply for a large number of Shares or any Eligible Employees who held a senior position within the Group and applications made on **PINK** application forms for more than the maximum number of Shares available for subscription by Eligible Employees will be rejected.

### OFFER MECHANISM – BASIS OF ALLOCATION OF SHARES

#### The Share Offer

The Share Offer consists of the Placing and the Public Offer. The 104,000,000 Shares initially offered will comprise 93,600,000 Shares being offered under the Placing and 10,400,000 Shares being offered under the Public Offer. The 104,000,000 Shares being offered under the Share Offer will represent 25% of the Company’s enlarged share capital immediately after completion of the Share Offer (without taking into account exercise of the Over-allotment Option).

Subject to possible reallocation on the basis set forth below, 10,400,000 Shares, representing 10% of the total number of Shares initially being offered under the Share Offer, will be offered to the public in Hong Kong under the Public Offer. The Public Offer is open to all members of the public in Hong Kong as well as to institutional and professional investors.

Out of the total 104,000,000 Shares offered pursuant to the Share Offer, 93,600,000 Shares, representing 90% of the total number of Shares initially being offered under the Share Offer, will be placed with professional and institutional investors in Hong Kong, Singapore and elsewhere under the Placing.

In connection with the Share Offer, the Company has granted to BNP Paribas Peregrine the Over-allotment Option which is exercisable no later than 30 days after the last day for the lodging of applications under the Public Offer. Pursuant to the Over-allotment Option, the Company may be required to issue up to an aggregate of 15,600,000 additional Shares (representing 15% of the number of Shares initially being offered under the Share Offer) to cover over-allocations in the Placing. BNP Paribas Peregrine may also cover over-allocations in the Placing by purchasing Shares in the secondary market or by a combination of purchases in the secondary market and the exercise, in part or in full, of the Over-allotment Option. The number of Shares that may be

## STRUCTURE OF THE SHARE OFFER

over-allocated will not exceed the maximum number of Shares that may be issued under the Over-allotment Option. Any such secondary market purchases will be made in compliance with all applicable laws, rules and regulations. If the Over-allotment Option is exercised in full, on completion of the Share Offer, the Offer Shares will represent about 27.71% of the Company's enlarged issued share capital.

If BNP Paribas Peregrine decides to exercise the Over-allotment Option, it will be exercised solely to cover over-allocations in the Placing. The Placing Shares (including any over-allocations) will be allocated prior to the commencement of trading of the Shares on the Stock Exchange.

The levels of indication of interest in the Placing and the basis of allotment and the results of applications under the Public Offer are expected to be published in the International Herald Tribune, Hong Kong Edition (in English) and in the Hong Kong Economic Times (in Chinese) on or before Tuesday, 2nd August, 2005.

The net proceeds from the Share Offer, after deducting commissions and expenses and assuming an Offer Price of HK\$1.565 per Share (being the mid-point of the stated range of the Offer Price between HK\$1.43 and HK\$1.70 per Share) and that the Over-allotment Option is not exercised at all, are estimated to be about HK\$146.7 million. If the Over-allotment Option is exercised in full, the Company would receive additional net proceeds (after deducting commissions and expenses attributable to the exercise of the Over-allotment Option) of about HK\$23.8 million.

### **The Placing**

The Company is initially offering 93,600,000 Placing Shares, representing 90% of the total number of Shares initially being offered in the Share Offer, for subscription by way of the Placing. The Placing is fully underwritten by the Placing Underwriters, subject to the terms and conditions of the Underwriting Agreement.

The Placing Underwriters are soliciting from prospective professional, institutional and other investors indications of interest in acquiring Placing Shares in the Placing. Professional investors generally include brokers, dealers and companies (including fund managers) whose ordinary business involves dealing in shares and other securities and entities which regularly invest in shares and other securities. Prospective professional and institutional investors will be required to specify the number of Placing Shares they would be prepared to acquire either at different prices or at a particular price. This process is known as "book building". In Hong Kong, retail investors should apply for Shares in the Public Offer, as retail investors applying for Placing Shares, including retail investors applying through banks and other institutions, are unlikely to be allocated any Placing Shares.

Allocation of the Placing Shares pursuant to the Placing is based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investor is likely to buy further and/or hold or sell its Shares after the Listing. Such allocation is generally intended to result in a distribution of the Placing Shares on a basis which would lead to the establishment of a broad shareholder base to the benefit of the Company and its shareholders as a whole.

If the Public Offer is not fully subscribed, BNP Paribas Peregrine may reallocate all or any unsubscribed Shares originally included in the Public Offer to the Placing.

## STRUCTURE OF THE SHARE OFFER

The Placing Underwriters or selling agents nominated by the Placing Underwriters shall, on behalf of the Company, conditionally place the Placing Shares with professional, institutional and other investors in Hong Kong, Singapore and other regions outside the US. The placing of the Placing Shares shall be subject to the offering restrictions set out under the section “Information about this prospectus and the Share Offer” in this prospectus.

The Placing is conditional on the same conditions as set out in the section “Conditions” above. The total number of Placing Shares to be allotted and issued pursuant to the Placing may change as a result of the clawback arrangement referred to in the section “The Public Offer” below, the exercise of the Over-allotment Option and any reallocation of unsubscribed Shares originally included in the Public Offer.

### **The Public Offer**

The Company is initially offering 10,400,000 Public Offer Shares, representing 10% of the total number of Shares initially being offered in the Share Offer, for subscription by way of a public offer in Hong Kong. The Public Offer Shares are being offered at the Offer Price. The Public Offer is fully underwritten by the Public Offer Underwriters, subject to the terms and conditions of the Underwriting Agreement.

The total number of Shares available for subscription under the Public Offer (after taking into account the Public Offer Shares available for subscription by Eligible Employees and of any reallocation referred to below) is to be divided equally into two pools for allocation purposes: pool A and pool B. The Shares in pool A will be allocated on an equitable basis to applicants who have applied for Shares with an aggregate subscription price of HK\$5 million (excluding the brokerage fee, the SFC transaction levy, the investor compensation levy and the Stock Exchange trading fee payable) or less. The Shares in pool B will be allocated on an equitable basis to applicants who have applied for Shares with an aggregate subscription price of more than HK\$5 million (excluding the brokerage fee, the SFC transaction levy, the investor compensation levy and the Stock Exchange trading fee payable) and up to the value of pool B (4,680,000 Shares). Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If Shares in one (but not both) of the pools are undersubscribed, the surplus Shares will be transferred to the other pool to satisfy demand in the pool and be allocated accordingly.

Applicants can only receive an allocation of Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications within either pool or between pools and any application for more than the total number of Shares originally allocated to each pool (i.e., 4,680,000 Shares) are liable to be rejected. Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the application form submitted by him that he and any person(s) for whose benefit he is making the application have not received any Shares under the Placing, and such applicant’s application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be).

The allocation of the Shares between the Placing and the Public Offer is subject to adjustment. If the number of Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times the number of Shares initially available for subscription under the Public Offer, then Shares will be reallocated to the Public Offer from the Placing, so that the total number of Shares available for subscription under the Public Offer will increase to 31,200,000 Shares, representing 30% of the Shares initially available for subscription under the Share Offer.

## **STRUCTURE OF THE SHARE OFFER**

If the number of Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times the number of Shares initially available for subscription under the Public Offer, then the number of Shares to be reallocated to the Public Offer from the Placing will be increased so that the total number of Shares available for subscription under the Public Offer will be 41,600,000 Shares, representing 40% of the Shares initially available for subscription under the Share Offer. If the number of Shares validly applied for under the Public Offer represents 100 times or more the number of Shares initially available for subscription under the Public Offer, then the number of Shares to be reallocated to the Public Offer from the Placing will be increased, so that the total number of Shares available for subscription under the Public Offer will increase to 52,000,000 Shares, representing 50% of the Shares initially available for subscription under the Share Offer. In each such case, the additional Shares reallocated to the Public Offer will be allocated equally between pool A and pool B and the number of Shares allocated to the Placing will be correspondingly reduced.

In addition, if the Public Offer is not fully subscribed, BNP Paribas Peregrine in its discretion may reallocate all or any unsubscribed Shares originally included in the Public Offer to the Placing.

BNP Paribas Peregrine is the global coordinator and lead manager of the Public Offer which is underwritten at the Offer Price by the Public Offer Underwriters, on and subject to the terms and conditions of the Underwriting Agreement.

Allocation of Public Offer Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by applicants but, subject to that, will be made strictly on a pro rata basis, although this could, where appropriate, consist of balloting. Balloting would mean that some applicants may receive a higher allocation than others who have applied for the same number of Public Offer Shares and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

### **OVER-ALLOTMENT AND STABILISATION**

#### **Over-allotment Option**

In connection with the Share Offer, the Company has granted to BNP Paribas Peregrine the Over-allotment Option, which will be exercisable by BNP Paribas Peregrine no later than 30 days after the last day for lodging applications under the Public Offer. Pursuant to the Over-allotment Option, the Company may be required to issue and allot at the Offer Price up to an aggregate of 15,600,000 additional Shares, representing 15% of the total number of Shares initially available under the Share Offer, in connection with over-allocations in the Placing, if any. If the Over-allotment Option is exercised in full, the additional Offer Shares will represent about 3.61% of the Company's enlarged issued share capital following the completion of the Share Offer and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, a press announcement will be made.

## STRUCTURE OF THE SHARE OFFER

### Stabilisation action

In connection with the Share Offer, BNP Paribas Peregrine, or any person acting for it, may over-allocate or effect transactions with a view to supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the issue date of this prospectus. Such transactions, if commenced, may be discontinued at any time. BNP Paribas Peregrine has been or will be appointed as stabilising manager for the purpose of the Share Offer in accordance with the Securities and Futures (Price Stabilising) Rules made under the SFO and, should stabilising transactions be effected in connection with the Share Offer, this will be at the absolute discretion of BNP Paribas Peregrine and will be effected in accordance with the laws, rules and regulations in place in Hong Kong on stabilisation.

Following any over-allotment of Shares in connection with the Share Offer, BNP Paribas Peregrine or any person acting for it may cover such over-allocation by (among other methods) making purchases in the secondary market or exercising the Over-allotment Option. Any such purchases will be made in compliance with all applicable rules and regulatory requirements including the Securities and Futures (Price Stabilising) Rules made under the SFO. The number of Shares which can be over-allocated will not exceed the number of Shares which may be issued upon the full exercise of the Over-allotment Option, being 15,600,000 Shares representing 15% of the Shares initially available under the Share Offer.

In order to facilitate the over-allocations in connection with the Share Offer, BNP Paribas Peregrine may choose to borrow Shares from Shareholders under stock borrowing arrangements, or acquire Shares from other sources, including the exercise of the Over-allotment Option. Such stock borrowing arrangements may include arrangements agreed between BNP Paribas Peregrine and Golden Rooster. For the purposes of these stock borrowing arrangements, BNP Paribas Peregrine has applied on behalf of Golden Rooster to the Stock Exchange for a waiver from strict compliance with Rule 10.07 (1)(a) of the Listing Rules which otherwise restricts the disposal of Shares by controlling shareholders following a new listing. The waiver is granted subject to the condition that:

- (a) the stock borrowing arrangements with Golden Rooster under the stock borrowing agreement entered into with BNP Paribas Peregrine may only be effected by BNP Paribas Peregrine for the settlement of over-allocations in connection with the Placing;
- (b) the maximum number of Shares borrowed from Golden Rooster will be limited to the maximum number of Shares which may be issued upon the full exercise of the Over-allotment Option;
- (c) the same number of Shares borrowed from Golden Rooster must be returned to it or its nominees (as the case may be) no later than three business days following the earlier of (i) the last day for exercising the Over-allotment Option; or (ii) the date on which the Over-allotment Option is exercised in full; and
- (d) Golden Rooster will not receive any payment or benefit in respect of such stock borrowing arrangement and the stock borrowing arrangement entered into will be conducted in accordance with all applicable laws and regulatory requirements.

The possible stabilising action which may be taken by BNP Paribas Peregrine in connection with the Share Offer may involve (among other things) (i) over-allotment of Shares; (ii) purchases of Shares; (iii) establishing, hedging and liquidating positions in Shares; (iv) exercising the Over-allotment Option in whole or in part; and/or (v) offering or attempting to do any of the foregoing.



## STRUCTURE OF THE SHARE OFFER

Specifically, prospective applicants for and investors in Offer Shares should note that:

- BNP Paribas Peregrine may, in connection with any stabilising action, maintain a long position in the Shares;
- there is no certainty regarding the extent to which and the time period for which BNP Paribas Peregrine will maintain such a position;
- liquidation of any such long position by BNP Paribas Peregrine may have an adverse impact on the market price of the Shares;
- no stabilising action can be taken to support the price of the Shares for longer than the stabilising period which will begin on the Listing Date following announcement of the Offer Price and is expected to expire on 26th August, 2005, being the 30th day after the last day for lodging applications under the Public Offer. After this date, when no further action may be taken to support the price of the Shares, demand for the Shares, and therefore the price of the Shares, could fall;
- the price of any security of the Company (including the Shares) cannot be assured to stay at or above its Offer Price by the taking of any stabilising action; and
- stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares.

## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

### 1. METHODS TO APPLY FOR THE PUBLIC OFFER SHARES

You may apply for the Public Offer Shares by using one of the following methods:

- using a **WHITE** or **YELLOW** and/or **PINK** application form; or
- electronically instructing HKSCC to cause HKSCC Nominees to apply for Public Offer Shares on your behalf.

### 2. WHICH APPLICATION METHOD YOU SHOULD USE

#### (a) **WHITE** application forms

Use a **WHITE** application form if you want the Public Offer Shares to be registered in your own name.

#### (b) **YELLOW** application forms

Use a **YELLOW** application form if you want the Public Offer Shares to be registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.

#### (c) **PINK** application forms

Use a **PINK** application form if you are a full-time employee of the Group (other than a director or a chief executive of the Company and its subsidiaries, an existing beneficial owner of the Shares or their respective associates), want the Public Offer Shares to be registered in your own name and want your application to be given preferential treatment. Up to 1,040,000 Shares under the Public Offer representing 1% of the total number of Shares initially available under the Share Offer, are available for subscription by eligible full-time employees of the Group.

Joint applications are not permitted. You may not apply on behalf of other person(s) as a nominee.

#### (d) **Instruct HKSCC to make an electronic application on your behalf**

Instead of using a **YELLOW** application form, you may electronically instruct HKSCC to cause HKSCC Nominees to apply for the Public Offer Shares on your behalf via CCASS. Any Public Offer Shares allocated to you will be registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.

## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

### 3. WHERE TO COLLECT THE APPLICATION FORMS

(a) You can collect a **WHITE** application form and a prospectus from:

**Any participant of the Stock Exchange**

or

**BNP Paribas Peregrine Capital Limited**

36th Floor, ICBC Tower  
3 Garden Road  
Central  
Hong Kong

or

**UOB Kay Hian (Hong Kong) Limited**

15th Floor, AON China Building  
29 Queen's Road Central  
Hong Kong

**DBS Asia Capital Limited**

22nd Floor, The Center  
99 Queen's Road Central  
Hong Kong

**First Shanghai Securities Limited**

19th Floor, Wing On House  
71 Des Voeux Road Central  
Hong Kong

**Guotai Junan Securities (Hong Kong) Limited**

27th Floor, Grand Millennium Plaza  
181 Queen's Road Central  
Hong Kong

**Tai Fook Securities Company Limited**

25th Floor, New World Tower  
16-18 Queen's Road Central  
Hong Kong

or

any of the following branches of **Bank of China (Hong Kong) Limited**:

<b>Branches</b>	<b>Address</b>
<b><i>Hong Kong Island</i></b>	
Bank of China Tower Branch	3rd Floor, 1 Garden Road
Central District (Wing On House) Branch	71 Des Voeux Road Central
Taikoo Shing Branch	G1006-7, Hoi Sing Mansion, Taikoo Shing
409 Hennessy Road Branch	409-415 Hennessy Road, Wan Chai
North Point (Kiu Fai Mansion) Branch	413-415 King's Road, North Point

## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

### *Kowloon*

Hoi Yuen Road Branch	55 Hoi Yuen Road, Kwun Tong
Shanghai Street (Mong Kok) Branch	611-617 Shanghai Street, Mong Kok
Mong Kok (President Commercial Centre) Branch	608 Nathan Road, Mong Kok
Humphrey's Avenue Branch	4-4A Humphrey's Avenue, Tsim Sha Tsui

### *New Territories*

Castle Peak Road (Tsuen Wan) Wealth Management Centre	167 Castle Peak Road, Tsuen Wan
Tuen Mun Town Plaza Branch	Shop 2, Tuen Mun Town Plaza Phase II, Tuen Mun
Lucky Plaza Branch	Lucky Plaza, Wang Pok Street, Shatin

- (b) You can collect a **YELLOW** application form and a prospectus during normal business hours from 9:00 a.m. on Friday, 22nd July, 2005 until 12:00 noon on Wednesday, 27th July, 2005 from:
- (1) the Depository Counter of HKSCC at 2nd Floor, Vicwood Plaza, 199 Des Voeux Road Central, Hong Kong; or
  - (2) the Customer Service Centre of HKSCC at Upper Ground Floor, V-Heun Building, 128-140 Queen's Road Central, Hong Kong.
- (c) Your broker may have **YELLOW** application forms and this prospectus available.
- (d) You can collect a **PINK** application form from the Company secretary, Mr. Chan Wa Pong, at the Company's head office and principal place of business in Hong Kong at 6th Floor, Kodak House II, 321 Java Road, North Point, Hong Kong.

#### 4. WHEN TO APPLY FOR THE PUBLIC OFFER SHARES

##### (a) **WHITE** or **YELLOW** application forms

Completed **WHITE** or **YELLOW** application forms, with a cheque or banker's cashier order attached, must be lodged by 12:00 noon on Wednesday, 27th July, 2005, or, if the application lists are not open on that day, by the time and date stated in the sub-paragraph headed "Effect of bad weather conditions on the opening of the application lists" below.

## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Your completed **WHITE** or **YELLOW** application form, with payment attached, should be deposited in the special collection boxes provided at any of the branches of Bank of China (Hong Kong) Limited listed under the paragraph headed “Where to collect the application forms” in this section at the following times:

**Friday, 22nd July, 2005 – 9:00 a.m. to 5:00 p.m.**  
**Saturday, 23rd July, 2005 – 9:00 a.m. to 12:00 noon**  
**Monday, 25th July, 2005 – 9:00 a.m. to 5:00 p.m.**  
**Tuesday, 26th July, 2005 – 9:00 a.m. to 5:00 p.m.**  
**Wednesday, 27th July, 2005 – 9:00 a.m. to 12:00 noon**

### (b) **PINK** application forms

Completed **PINK** application forms, with a cheque or banker’s cashier order attached, must be returned to the Company secretary, Mr. Chan Wa Pong, at the Company’s head office and principal place of business in Hong Kong at 6th Floor, Kodak House II, 321 Java Road, North Point, Hong Kong by 4:00 p.m. on Tuesday, 26th July, 2005.

### (c) **Electronic application instructions to HKSCC**

CCASS Broker/Custodian Participants should input **electronic application instructions** via CCASS terminals at the following times:

**Friday, 22nd July, 2005 – 9:00 a.m. to 8:30 p.m.<sup>(1)</sup>**  
**Saturday, 23rd July, 2005 – 9:00 a.m. to 3:00 p.m.<sup>(1)</sup>**  
**Monday, 25th July, 2005 – 9:00 a.m. to 8:30 p.m.<sup>(1)</sup>**  
**Tuesday, 26th July, 2005 – 9:00 a.m. to 8:30 p.m.<sup>(1)</sup>**  
**Wednesday, 27th July, 2005 – 9:00 a.m.<sup>(1)</sup> to 12:00 noon**

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Participants.

CCASS Investor Participants can input electronic application instructions from 9:00 a.m. on Friday, 22nd July, 2005 until 12:00 noon on Wednesday, 27th July, 2005 (24 hours daily, except the last application date).

The latest time for inputting your **electronic application instructions** via CCASS (if you are a CCASS Participant) is 12:00 noon on Wednesday, 27th July, 2005 or if the application lists are not open on that day, by the time and date stated in the sub-paragraph headed “Effect of bad weather conditions on the opening of the application lists” below.

### (d) **Application lists**

The application lists will be opened from 11:45 a.m. to 12:00 noon on Wednesday, 27th July, 2005, except as provided in the sub-paragraph headed “Effect of bad weather conditions on the opening of the application lists” below. No proceedings will be taken on applications for the Public Offer Shares and no allocation of any such Shares will be made until after the closing of the application lists.

## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

### (e) Effect of bad weather conditions on the opening of the application lists

The application lists will not be open in relation to the Public Offer if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning signal,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 27th July, 2005, or if there are similar extraneous factors as are acceptable to the Stock Exchange. Instead, they will be open between 11:45 a.m. and 12:00 noon on the next business day which does not fall within the above circumstances at any time between 9:00 a.m. and 12:00 noon in Hong Kong. Business day means a day that is not a Saturday, Sunday or public holiday in Hong Kong.

### 5. HOW TO APPLY USING A WHITE OR YELLOW AND/OR PINK APPLICATION FORM

- (a) Obtain a **WHITE** or **YELLOW** and/or **PINK** application form.
- (b) You should read the instructions in this prospectus and the relevant application form carefully. If you do not follow the instructions, your application is liable to be rejected and returned by ordinary post together with the accompanying cheque or banker’s cashier order to you (or the first-named applicant in the case of joint applicants) at your own risk to the address stated on your application form.
- (c) Decide how many Public Offer Shares you want to purchase. Calculate the amount you must pay on the basis of the maximum Offer Price of HK\$1.70 per Share, plus brokerage fee of 1%, the SFC transaction levy of 0.005%, the investor compensation levy of 0.002% and the Stock Exchange trading fee of 0.005%. The table below sets out the total amount payable for the specified number of Public Offer Shares.

## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Each application must be in one of the numbers set out in the table below:

**Table of multiples and payments**

No. of Public Offer Shares applied for	Amount payable on application <i>HK\$</i>	No. of Public Offer Shares applied for	Amount payable on application <i>HK\$</i>	No. of Public Offer Shares applied for	Amount payable on application <i>HK\$</i>
2,000	3,434.41	60,000	103,032.24	600,000	1,030,322.40
4,000	6,868.82	70,000	120,204.28	700,000	1,202,042.80
6,000	10,303.22	80,000	137,376.32	800,000	1,373,763.20
8,000	13,737.63	90,000	154,548.36	900,000	1,545,483.60
10,000	17,172.04	100,000	171,720.40	1,000,000	1,717,204.00
12,000	20,606.45	150,000	257,580.60	1,500,000	2,575,806.00
14,000	24,040.86	200,000	343,440.80	2,000,000	3,434,408.00
16,000	27,475.26	250,000	429,301.00	2,500,000	4,293,010.00
18,000	30,909.67	300,000	515,161.20	3,000,000	5,151,612.00
20,000	34,344.08	350,000	601,021.40	3,500,000	6,010,214.00
30,000	51,516.12	400,000	686,881.60	4,000,000	6,868,816.00
40,000	68,688.16	450,000	772,741.80	4,680,000	8,036,514.72
50,000	85,860.20	500,000	858,602.00		

\* 4,680,000 Shares are the maximum number of Shares originally allocated to each pool A and pool B.

- (d) Complete the application form in English (save as otherwise indicated) and sign it. Only written signatures will be accepted. Applications made by corporations, whether on their own behalf, or on behalf of other persons, must be stamped with the company chop (bearing the company name) and signed by a duly authorised officer, whose representative capacity must be stated. If you are applying for the benefit of someone else, you, rather than that person, must sign the application form. If it is a joint application, all applicants must sign it. If your application is made through a duly authorised attorney, the Company and the Sponsor (or their respective agents or nominees) may accept it at their discretion, and subject to any condition they think fit, including production of evidence of the authority of your attorney.
- (e) Each application form must be accompanied by either one cheque or one banker's cashier order, which must be stapled to the top left-hand corner of the application form.

If you pay by cheque, the cheque must:

- be in HK\$;
- be drawn on your Hong Kong dollar bank account in Hong Kong;
- show your account name, which must either be pre-printed on the cheque, or be endorsed on the back by a person authorised by the bank. This account name must be the same as the name on the application form. If the cheque is drawn on a joint account, one of the joint account names must be the same as the name of the first-named applicant;

## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- be made payable to “Bank of China (Hong Kong) Nominees Limited – HKET Public Offer”;
- be crossed “Account Payee Only”; and
- not be post dated.

Your application may be rejected if your cheque does not meet all these requirements or is dishonoured on its first presentation.

If you pay by banker’s cashier order, the banker’s cashier order must:

- be issued by a licensed bank in Hong Kong and have your name certified on the back by a person authorised by the bank. The name on the back of the banker’s cashier order and the name on the application form must be the same. If it is a joint application, the name on the back of the banker’s cashier order must be the same as the name of the first-named joint applicant;
- be in HK\$;
- be made payable to “Bank of China (Hong Kong) Nominees Limited – HKET Public Offer”;
- be crossed “Account Payee Only”; and
- not be post dated.

Your application is liable to be rejected if your banker’s cashier order does not meet all these requirements or is dishonoured on its first presentation.

- (f) If you are applying for Shares using a **WHITE** or **YELLOW** application form, you should lodge your application form in one of the collection boxes by the time and at one of the locations, as respectively referred to in sub-paragraphs 4(a) and 3(a) above.
- (g) If you are applying for Shares using a **PINK** application form, you should return your application form to the Company’s secretary by the time and at the location referred to in sub-paragraph 4(b) above.
- (h) Multiple or suspected multiple applications are liable to be rejected. Please see the paragraph headed “How many applications you can make” in the section headed “Terms and conditions of the Public Offer” in this prospectus.
- (i) In order for the **YELLOW** application forms to be valid:
- If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant):
    - the designated CCASS Participant or its authorised signatories must sign in the appropriate box; and
    - the designated CCASS Participant must endorse the form with its company chop (bearing its company name) and insert its CCASS Participant I.D. in the appropriate box.



## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- If you are applying as an individual CCASS Investor Participant:
  - you must fill in your full name and your Hong Kong Identity Card number; and
  - you must insert your CCASS Participant I.D. and sign in the appropriate box.
- If you are applying as a joint individual CCASS Investor Participant:
  - you must insert all joint CCASS Investor Participants' names and the Hong Kong Identity Card numbers of all joint CCASS Investor Participants; and
  - you must insert your CCASS Participant I.D. and the authorised signatory or signatories of the CCASS Investor Participant's stock account must sign in the appropriate box.
- If you are applying as a corporate CCASS Investor Participant:
  - you must insert your company name and your company's Hong Kong business registration number; and
  - you must fill in your CCASS Participant I.D. and stamp your company chop (bearing your company's name) endorsed by the authorised signatory or signatories of the CCASS Investor Participant's stock account in the appropriate box.

The signature(s), number of signatories and form of chop, where appropriate, in each **YELLOW** application form should match the records kept by HKSCC. Incorrect or incomplete details of the CCASS Participant or the omission or inadequacy of authorised signatory or signatories (if applicable), CCASS Participant I.D. or other similar matters may render the application invalid.

- (j) Nominees who wish to submit separate applications in their names on behalf of different beneficial owners are requested to designate on each application form in the box marked "For nominees" an identification number for each beneficial owner.

### 6. HOW TO COMPLETE THE APPLICATION FORM

There are detailed instructions on each application form. You should read these instructions carefully. If you do not strictly follow the instructions your application may be rejected.

If the Offer Price as finally determined is less than HK\$1.70 per Share, appropriate refund payments (including the brokerage fee, the SFC transaction levy, the investor compensation levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful or partially successful or unsuccessful applications, without interest. Details of the procedure for refunds are set out below in the paragraph headed "Refund of your money – additional information" in the section headed "Terms and conditions of the Public Offer" in this prospectus.

## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

### 7. HOW TO APPLY BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC

- (a) CCASS Participants may give **electronic application instructions** via CCASS to HKSCC to apply for Public Offer Shares and to arrange payment of the money due on application and payment of refunds. This will be in accordance with their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.
- (b) If you are a CCASS Investor Participant, you may give **electronic application instructions** to HKSCC through the CCASS Phone System by calling 2979 7888 or CCASS Internet System at <https://ip.ccass.com> (using the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input **electronic application instructions** for you if you go to:

Customer Service Centre of HKSCC at  
Upper Ground Floor,  
V-Heun Building,  
128-140 Queen's Road Central,  
Hong Kong

and complete an input request form.

Prospectuses are available for collection from the above address.

- (c) If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Broker Participant or a CCASS Custodian Participant to give **electronic application instructions** to HKSCC via CCASS terminals to apply for Public Offer Shares.
- (d) You are deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application whether submitted by you or through your CCASS Broker Participant or CCASS Custodian Participant to the Company and the Company's Hong Kong branch share registrar.
- (e) you may give **electronic application instructions** in respect of a minimum of 2,000 Public Offer Shares. Each **electronic application instruction** in respect of more than 2,000 Public Offer Shares must be in one of the multiples set out in the table in the application form.
- (f) Where a **WHITE** application form is signed by HKSCC Nominees on behalf of persons who have given **electronic application instructions** to apply for the Public Offer Shares:
- (i) HKSCC Nominees is only acting as nominee for those persons and shall not be liable for any breach of the terms and conditions of the **WHITE** application form or this prospectus; and
- (ii) HKSCC Nominees does all the things on behalf of each of such persons as stated in sub-paragraph (c) in the paragraph headed "Effect of making any application" in the section headed "Terms and conditions of the Public Offer" in this prospectus.

## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- (g) If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application.
- (h) For the purpose of allocating Public Offer Shares, HKSCC Nominees shall not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit each such instruction is given shall be treated as an applicant.
- (i) The paragraph headed “Personal data” in the section headed “Terms and conditions of the Public Offer” in this prospectus applies to any personal data held by the Sponsor, the Company and the Hong Kong share registrar about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

### Warning

**Application for Public Offer Shares by giving electronic application instructions to HKSCC is only a facility provided to CCASS Participants. The Company, the Sponsor and any parties involved in the Share Offer take no responsibility for the application and provide no assurance that any CCASS Participant will be allocated any Public Offer Shares.**

To ensure that CCASS Investor Participants can give their electronic application instructions to HKSCC through the CCASS Phone System or CCASS Internet System, CCASS Investor Participants are advised not to wait until the last minute to input instructions. If CCASS Investor Participants have problems in connecting to the CCASS Phone System or CCASS Internet System to submit electronic application instructions, they should either:

- (a) submit the **WHITE** or **YELLOW** application form (as appropriate); or
- (b) go to HKSCC’s Customer Service Centre to complete an application instruction input request form before 12:00 noon on Wednesday, 27th July, 2005 or such later time as described under the sub-paragraph headed “Effect of bad weather conditions on the opening of the application lists” above.

## 8. RESULTS OF ALLOCATIONS

The results of allocations of the Public Offer Shares under the Public Offer, including applications made under **WHITE**, **YELLOW** and **PINK** application forms and by giving **electronic application instructions** to HKSCC, which will include the Hong Kong identity card numbers, passport numbers or Hong Kong business registration numbers of successful applicants and the number of the Public Offer Shares successfully applied for, are expected to be published in the International Herald Tribune, Hong Kong Edition (in English) and the Hong Kong Economic Times (in Chinese) on or before Tuesday, 2nd August, 2005.

## TERMS AND CONDITIONS OF THE PUBLIC OFFER

### 1. GENERAL

- (a) If you apply for the Public Offer Shares in the Public Offer, you will be agreeing with the Company and the Sponsor (on behalf of the Public Offer Underwriters) as set out below.
- (b) If you electronically instruct HKSCC to cause HKSCC Nominees to apply for the Public Offer Shares on your behalf, you will have authorised HKSCC Nominees to apply on the terms and conditions set out below, as supplemented and amended by the terms and conditions applicable to the relevant application method.
- (c) In this section, references to “you”, “applicants”, “joint applicants” and other like references shall, if the context so permits, include references to both nominees and principals on whose behalf HKSCC Nominees are applying for the Public Offer Shares; and references to the making of an application shall, if the context so permits, include references to making applications electronically by giving instructions to HKSCC.
- (d) Applicants should read this prospectus carefully, including other terms and conditions of the Public Offer, the paragraph headed “The Public Offer” in the section headed “Structure of the Share Offer” in this prospectus, and in the section headed “How to apply for the Public Offer Shares” in this prospectus and the terms and conditions set out in the relevant application form or imposed by HKSCC (as the case may be) prior to making an application.

### 2. OFFER TO PURCHASE THE PUBLIC OFFER SHARES

- (a) You offer to purchase from the Company at the Offer Price the number of the Public Offer Shares indicated in your application form (or any smaller number in respect of which your application is accepted) on the terms and conditions set out in this prospectus and the relevant application form.
- (b) For applicants using application forms, a refund cheque in respect of the surplus application monies (if any) representing the Public Offer Shares applied for but not allocated to you and representing the difference (if any) between the final Offer Price and the maximum Offer Price (including brokerage fee, the SFC transaction levy, the investor compensation levy and the Stock Exchange trading fee attributable thereto), is expected to be sent to you at your own risk to the address stated on your application form.

Details of the procedure for refunds relating to each of the Public Offer methods are contained below in the paragraphs headed “If your application for the Public Offer Shares is successful (in whole or in part)” and “Refund of your money – additional information” in this section.

- (c) Any application may be rejected in whole or in part.
- (d) Applicants under the Public Offer should note that in no circumstances (save for those provided under section 40 of the Companies Ordinance) can applications be withdrawn once submitted. For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives, or causes to give, **electronic application instructions** to HKSCC via CCASS is a person who may be entitled to compensation under section 40 of the Companies Ordinance.

## TERMS AND CONDITIONS OF THE PUBLIC OFFER

### 3. ACCEPTANCE OF YOUR OFFER

- (a) The Public Offer Shares will be allocated after the application lists close. The Company expects to announce the final number of Public Offer Shares, the level of applications under the Public Offer and the basis of allocations of the Public Offer Shares in the International Herald Tribune, Hong Kong Edition (in English) and Hong Kong Economic Times (in Chinese) on Tuesday, 2nd August, 2005.
- (b) The results of allocations of the Public Offer Shares under the Public Offer, including the Hong Kong Identity Card numbers, passport numbers or Hong Kong business registration numbers (where applicable) of successful applicants and the number of Public Offer Shares successfully applied for, will be made available on Tuesday, 2nd August, 2005, in the manner described in the paragraph headed “Results of allocations” in the section headed “How to apply for Public Offer Shares” in this prospectus.
- (c) The Company may accept your offer to subscribe (if your application is received, valid, processed and not rejected) by announcing the basis of allocations and/or making available the results of allocations publicly.
- (d) If the Company accepts your offer to subscribe (in whole or in part), there will be a binding contract under which you will be required to purchase the Public Offer Shares in respect of which your offer has been accepted if the conditions of the Share Offer are satisfied or the Share Offer is not otherwise terminated. Further details are contained in the section headed “Structure of the Share Offer” in this prospectus.
- (e) You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

### 4. HOW MANY APPLICATIONS YOU CAN MAKE

- (a) You may make more than one application for the Public Offer Shares only if:
  - You are a **nominee**, in which case you may make an application as a nominee by:
    - (i) giving **electronic application instructions** to HKSCC (if you are a CCASS Participant); and (ii) lodging more than one application form in your own name on behalf of different beneficial owners. In the box on the application form marked “For nominees” you must include:
      - an account number; or
      - another identification numberfor **each** beneficial owner. If you do not include this information, the application will be treated as being for your benefit.
  - You are a full-time employee of the Group and apply on a **PINK** application form, in which case you may also apply for the Public Offer Shares on a **WHITE** or **YELLOW** application form or electronically through HKSCC (if you are a CCASS Participant or act through a CCASS Broker Participant or a CCASS Custodian Participant).

Otherwise, multiple applications are liable to be rejected.

## TERMS AND CONDITIONS OF THE PUBLIC OFFER

- (b) **All** of your applications under the Public Offer are liable to be rejected as multiple applications if you, or you and other joint applicants together:
- make more than one application on a **WHITE** or **YELLOW** application form or by giving **electronic application instructions** to HKSCC;
  - apply on one **WHITE** or **YELLOW** application form (whether individually or jointly with others) or by giving **electronic application instructions** to HKSCC to apply for more than 50% of the Public Offer Shares initially available for subscription under the Public Offer (excluding the Public Offer Shares initially available to eligible full-time employees of the Group) (that is, to apply for more than 4,680,000 Public Offer Shares);
  - make more than one application on a **PINK** application form;
  - apply on one **PINK** application form for more than the maximum number of Shares available for subscription by eligible full-time employees of the Group (i.e. 1,040,000 Shares); or
  - receive any Placing Shares under the Placing.
- (c) **All** of your applications are liable to be rejected as multiple applications if more than one application is made for **your benefit** (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**) unless you are a full-time employee of the Group who has made an application on a **PINK** application form. If an application is made by an unlisted company and: (i) the only business of that company is dealing in securities; and (ii) you exercise statutory control over that company, then the application will be treated as being for your benefit. **Unlisted company** means a company with no equity securities listed on the Stock Exchange. **Statutory control** in relation to a company means you: (i) control the composition of the board of directors of that company; or (ii) control more than half of the voting power of that company; or (iii) hold more than half of the issued share capital of that company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

### 5. EFFECT OF MAKING ANY APPLICATION

- (a) By making any application, you (and if you are joint applicants, each of you jointly and severally) for yourself or as agent or nominee and on behalf of each person for whom you act as agent or nominee:
- **instruct** and **authorise** the Company and/or BNP Paribas Peregrine (or their respective agents or nominees) to execute any transfer forms, contract notes or other documents on your behalf and to do on your behalf all other things necessary to effect the registration of any Public Offer Shares allocated to you in your name(s) or HKSCC Nominees, as the case may be, as required by the Articles and otherwise to give effect to the arrangements described in this prospectus and the relevant application form;
  - **undertake** to sign all documents and to do all things necessary to enable you or HKSCC Nominees, as the case may be, to be registered as the holder of the Public Offer Shares allocated to you, and as required by the Articles;

## TERMS AND CONDITIONS OF THE PUBLIC OFFER

- **confirm** that you have received a copy of this prospectus and have only relied on the information and representations contained in this prospectus in making your application, and not on any other information or representation concerning the Company and you agree that neither the Company, BNP Paribas Peregrine and the Underwriters nor any of their respective directors, officers, employees, partners, agents, advisers or any other parties involved in the Share Offer will have any liability for any such other information or representations;
- **agree** (without prejudice to any other rights which you may have) that once your application has been accepted, you may not revoke or rescind it because of an innocent misrepresentation;
- (if the application is made by an agent on your behalf) **warrant** that you have validly and irrevocably conferred on your agent all necessary power and authority to make the application;
- (if the application is made for your own benefit) **warrant** that the application is the only application which will be made for your benefit on a **WHITE** or **YELLOW** application form or by giving **electronic application instructions** to HKSCC unless you are a full-time employee of the Group who has made an application on a **PINK** application form;
- (if you are an agent for another person) **warrant** that reasonable enquiries have been made of that other person that the application is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW** application form or by giving **electronic application instructions** to HKSCC, and that you are duly authorised to sign the application form or to give **electronic application instructions** as that other person's agent;
- (if the application is made on a **PINK** application form) **warrant** that you are a full-time employee of the Group (other than a director or a chief executive of the Company and its subsidiaries, an existing beneficial owner of the Shares or their respective associates) and **confirm** that the application is the only application, other than any application (if any) made on a **WHITE** or **YELLOW** application form or by giving **electronic application instructions** to HKSCC, which will be made on your benefit;
- **agree** that once your application is accepted, your application will be evidenced by the results of the Public Offer made available by the Company;
- **undertake** and **confirm** that you (if the application is made for your benefit) or the person(s) for whose benefit you have made the application have not applied for or taken up or indicated an interest in or received or been placed or allocated (including conditionally and/or provisionally) and will not apply for or take up or indicate any interest in any Placing Shares in the Placing, nor otherwise participate in the Placing;
- **warrant** the truth and accuracy of the information contained in your application;

## TERMS AND CONDITIONS OF THE PUBLIC OFFER

- **agree** to disclose to the Company, BNP Paribas Peregrine and their respective agents any information about you or the person(s) for whose benefit you have made the application which they require;
- **agree** that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;
- **undertake** and **agree** to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;
- **authorise** the Company to place your name(s) or the name of HKSCC Nominees, as the case may be, on the register of members of the Company as the holder(s) of any Public Offer Shares allocated to you, and the Company and/or its agents to send any share certificate(s) (where applicable) and/or any refund cheque (where applicable) to you or (in case of joint applicants) the first-named applicant in the application form by ordinary post at your own risk to the address stated on your application form (except that if you have indicated in your application form, you can collect your share certificate(s) and/or refund cheque (where applicable) in person between 9:00 a.m. and 1:00 p.m. on Tuesday, 2nd August, 2005 (Hong Kong time) from Tricor Investor Services Limited);
- if the laws of any place outside Hong Kong are applicable to your application, **agree** and **warrant** that you have complied with all such laws and none of the Company, BNP Paribas Peregrine and the Underwriters nor any of their respective officers or advisers will infringe any laws outside Hong Kong as a result of the acceptance of your offer to subscribe, or any actions arising from your rights and obligations under the terms and conditions contained in this prospectus;
- **agree** with the Company, for itself and for the benefit of each shareholder of the Company (and so that the Company will be deemed by its acceptance in whole or in part of the application to have agreed, for itself and on behalf of each shareholder of the Company) to observe and comply with the Companies Law and the Articles;
- **agree** with the Company and each shareholder of the Company that Shares are freely transferable by the holders thereof;
- **authorise** the Company to enter into a contract on behalf of you with each director and officer of the Company whereby such directors and officers undertake to observe and comply with their obligations to shareholders stipulated in the Articles;
- **confirm** that you are aware of the restrictions on offering of the Public Offer Shares described in this prospectus; and
- **understand** that these declarations and representations will be relied upon by the Company and BNP Paribas Peregrine in deciding whether or not to allocate any Public Offer Shares in response to your application.



## TERMS AND CONDITIONS OF THE PUBLIC OFFER

- (b) If you apply for the Public Offer Shares using a **YELLOW** application form, in addition to the confirmations and agreements referred to in (a) above you **agree** that
- any Public Offer Shares allocated to you shall be registered in the name of HKSCC Nominees and deposited directly into CCASS operated by HKSCC for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant, in accordance with your election on the application form;
  - each of HKSCC and HKSCC Nominees reserves the right (1) **not to accept** any or part of such allotted Public Offer Shares issued in the name of HKSCC Nominees or **not to accept** such allotted Public Offer Shares for deposit into CCASS; (2) to cause such allotted Public Offer Shares to be **withdrawn** from CCASS and transferred into your name at your own risk and costs; and (3) to cause such **allotted Public Offer Shares to be issued in your name** (or, if you are a joint applicant, to the first-named applicant) and in such a case, to **post the share certificates** for such allotted Public Offer Shares at your own risk to the address on your application form by ordinary post or to make available the same for your collection;
  - each of HKSCC and HKSCC Nominees may adjust the number of allotted Public Offer Shares issued in the name of HKSCC Nominees;
  - neither HKSCC nor HKSCC Nominees shall have any liability for the information and representations not so contained in this prospectus and the application forms;
  - neither HKSCC nor HKSCC Nominees shall be liable to you in any way.
- (c) In addition, by giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Broker Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and if you are joint applicants, each of you jointly and severally) are deemed to do the following additional things and neither HKSCC nor HKSCC Nominees will be liable to the Company nor any other person in respect of such things:
- **instruct** and **authorise** HKSCC to cause HKSCC Nominees (acting as nominee for the CCASS Participants) to apply for the Public Offer Shares on your behalf;
  - **instruct** and **authorise** HKSCC to arrange payment of the maximum Offer Price, brokerage fee, the SFC transaction levy, the investor compensation levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of wholly or partly unsuccessful applications and/or if the final Offer Price is less than the maximum Offer Price of HK\$1.70 per Share, refund the appropriate portion of the application money by crediting your designated bank account;
  - (in addition to the confirmations and agreements set out in paragraph (a) above) **instruct** and **authorise** HKSCC to cause HKSCC Nominees to do on your behalf the following:
    - **agree** that the Public Offer Shares to be allocated shall be registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or the stock account of the CCASS Participant who has inputted **electronic application instructions** on your behalf;

## TERMS AND CONDITIONS OF THE PUBLIC OFFER

- **undertake** and **agree** to accept the Public Offer Shares in respect of which you have given **electronic application instructions** or any lesser number;
- (if the **electronic application instructions** are given for your own benefit) **declare** that only one set of **electronic application instructions** has been given for your benefit;
- (if you are an agent for another person) **declare** that you have given only one set of **electronic application instructions** for the benefit of that other person, and that you are duly authorised to give those instructions as that other person's agent;
- **understand** that the above declaration will be relied upon by the Company and BNP Paribas Peregrine in deciding whether or not to make any allocation of the Public Offer Shares in respect of the **electronic application instructions** given by you and that you may be prosecuted if you make a false declaration;
- **authorise** the Company to place the name of HKSCC Nominees on the register of members of the Company as the holder of the Public Offer Shares allocated in respect of your **electronic application instructions** and to send share certificates and/or refund in accordance with arrangements separately agreed between the Company and HKSCC;
- **confirm** that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- **confirm** that you have only relied on the information and representations in this prospectus in giving your **electronic application instructions** or instructing your CCASS Broker Participant or CCASS Custodian Participant to give **electronic application instructions** on your behalf;
- **agree** that the Company, BNP Paribas Peregrine and the Underwriters and any of their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer are liable only for the information and representations contained in this prospectus;
- **agree** (without prejudice to any other rights which you may have) that once the application of HKSCC Nominees has been accepted, the application cannot be rescinded for innocent misrepresentation;
- **agree** to disclose your personal data to BNP Paribas Peregrine, the Company, the Hong Kong branch share registrar, the receiving banker(s), their respective agents and advisers together with any information about you which they require;
- **agree** that you cannot revoke **electronic application instructions** before the end of the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is not a Business Day) unless a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus;

## TERMS AND CONDITIONS OF THE PUBLIC OFFER

- **agree** that once the application of HKSCC Nominees is accepted, neither that application nor your **electronic application instructions** can be revoked and that acceptance of that application will be evidenced by the results of the Public Offer made available by the Company; and
- **agree** to the arrangements, undertakings and warranties specified in the participant agreement between you and HKSCC and read with the General Rules of CCASS and the CCASS Operational Procedures, in respect of the giving of **electronic application instructions** relating to the Public Offer Shares.

### 6. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED PUBLIC OFFER SHARES

You should note the following situations in which Public Offer Shares will not be allocated to you or your application is liable to be rejected:

**(a) If your application is revoked:**

By completing and submitting an application form or submitting **electronic application instructions** to HKSCC, you agree that you cannot revoke your application before the end of the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is not a Business Day) unless a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus.

If your application has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

**(b) If the allocation of Public Offer Shares is void:**

Your allocation of Public Offer Shares will be void if the listing committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing of the applications lists; or
- within a longer period of up to six weeks if the listing committee of the Stock Exchange notifies the Company of that longer period within three weeks of the closing of the application lists.

**(c) If you make applications under the Public Offer as well as the Placing:**

By filling in any of the application forms or giving application instructions to HKSCC electronically, you agree not to apply for Placing Shares under the Placing. Reasonable steps will be taken to identify and reject applications under the Public Offer from investors who have received Placing Shares in the Placing, and to identify and reject indications of interest in the Placing from investors who have received Public Offer Shares in the Public Offer.

## TERMS AND CONDITIONS OF THE PUBLIC OFFER

**(d) If the Company, the Sponsor or their respective agents exercise their discretion:**

The Company, the Sponsor or their respective agents have full discretion to reject or accept any application, or to accept only part of any application, without having to give any reasons for any rejection or acceptance; if:

- your application is a multiple or a suspected multiple application;
- your application form is not completed correctly;
- your payment is not made correctly or you pay by cheque or banker's cashier order and the cheque or banker's cashier order is dishonoured on its first presentation;
- you or the person for whose benefit you are applying have applied for and/or received or will receive Placing Shares under the Placing;
- if you apply for more than 50% of the Public Offer Shares initially being offered to the public for subscription;
- the Company is of the view that by accepting your application, it would violate applicable securities laws, rules or regulations or other laws, rules or regulations of the jurisdiction in which your application is completed and/or signed; or
- the Underwriting Agreement does not become unconditional or it is terminated in accordance with its terms.

If you are giving **electronic application instructions** to HKSCC to apply for Public Offer Shares on your behalf, you will also not be allocated any Public Offer Shares if HKSCC Nominee's application is not accepted.

**7. IF YOUR APPLICATION FOR THE PUBLIC OFFER SHARES IS SUCCESSFUL (IN WHOLE OR IN PART)**

**(a) If you are applying using a WHITE application form and you elect to receive any share certificate(s) in your name:**

- Refund cheques for these applicants are expected to be despatched on or before Tuesday, 2nd August, 2005 to the same address as that for Share certificate(s).
- Applicants who apply for 500,000 Shares or more on **WHITE** application forms and have indicated in their application forms that they wish to collect share certificates and (where applicable) refund cheques in person from the Company's Hong Kong branch share registrar may collect share certificates and (where applicable) refund cheques in person from the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, 2nd August, 2005.

## TERMS AND CONDITIONS OF THE PUBLIC OFFER

- Applicants being individuals who opt for personal collection cannot authorise any other person to make collection on their behalf. Corporate applicants who opt for personal collection must attend by their authorised representatives bearing letters of authorisation from the corporation stamped with the corporation's respective chops. Both individuals and authorised representative (if applicable) must produce, at the time of collection, evidence of identity acceptable to the Company's Hong Kong share registrar.
- Uncollected Share certificates and (where applicable) refund cheques will be despatched by ordinary post at the applicants' own risk to the addresses specified in the relevant application forms.

**(b) If: (i) you are applying on a YELLOW application form; or (ii) you are giving electronic application instructions to HKSCC, and in each case you elect to have allocated Public Offer Shares deposited directly into CCASS:**

If your application is wholly or partly successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant as instructed by you (on the application form or electronically, as the case may be), at the close of business on Tuesday, 2nd August, 2005 or, under certain contingent situations, on any other date as shall be determined by HKSCC or HKSCC Nominees.

- ***If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant) on a YELLOW application form:***

For Public Offer Shares credited to the stock account of your designated CCASS Participant (other than a CCASS Investor Participant), you can check the number of Public Offer Shares allocated to you with that CCASS Participant.

- ***If you are applying as a CCASS Investor Participant on a YELLOW application form:***

The Company is expected to make available the results of the Public Offer, including the results of CCASS Investor Participants' applications, in the manner described in the paragraph headed "Results of allocations" in the section headed "How to apply for the Public Offer Shares" in this prospectus, on Tuesday, 2nd August, 2005. You should check the results made available by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 2nd August, 2005 or such other date as shall be determined by HKSCC or HKSCC Nominees. Immediately following the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System or CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your stock account.

- ***If you have given electronic application instructions to HKSCC:***

The Company is expected to make available the application results of the Public Offer, including the results of CCASS Participants' applications (and in the case of CCASS Broker Participants and CCASS Custodian Participants, the Company shall include information relating to the beneficial owner), your Hong Kong identity

## TERMS AND CONDITIONS OF THE PUBLIC OFFER

card/passport/Hong Kong business registration number or other identification code (as appropriate) in the manner described in the paragraph headed “Results of allocations” in the section headed “How to apply for the Public Offer Shares”, on Tuesday, 2nd August, 2005. You should check the results made available by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 2nd August, 2005 or any other date HKSCC or HKSCC Nominees chooses.

- ***If you are instructing your CCASS Broker Participant or CCASS Custodian Participant to give electronic application instructions to HKSCC on your behalf:***

You can also check the number of Public Offer Shares allocated to you and the amount of refund (if any) payable to you with that CCASS Broker Participant or CCASS Custodian Participant.

- ***If you are applying as a CCASS Investor Participant by giving electronic instruction to HKSCC:***

You can also check the number of the Public Offer Shares allotted to you and the amount of refund (if any) payable to you via the CCASS Phone System or CCASS Internet System (under the procedures contained in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time) on Tuesday, 2nd August, 2005. On Wednesday, 3rd August, 2005 (being the next day following the credit of the Public Offer Shares to your stock account), HKSCC will also make available to you an activity statement showing the number of the Public Offer Shares credited to your stock account and the amount of refund credited to your designated bank account (if any).

**(c) If you are applying on a PINK application form:**

The share certificate(s) and/or refund cheque (if any) will be sent to the address on your application form shortly after the date of despatch, which is expected to be on Tuesday, 2nd August, 2005, by ordinary post and at your own risk.

**No receipt will be issued for application monies paid. The Company will not issue temporary documents of title.**

### **8. REFUND OF YOUR MONEY – ADDITIONAL INFORMATION**

- (a) You will be entitled to a refund (any interest accrued on refund money prior to the date of despatch of refund cheques will be retained for the benefit of the Company) if:
- your application is not successful, in which case the Company will refund your application money together with the brokerage fee, the SFC transaction levy, the investor compensation levy and the Stock Exchange trading fee to you, without interest;
  - your application is accepted only in part, in which case the Company will refund the appropriate portion of your application money, the brokerage fee, the SFC transaction levy, the investor compensation levy and the Stock Exchange trading fee, without interest;
  - the Offer Price (as finally determined) is less than the price per Offer Share initially paid by the applicant on application, in which case the Company will refund the

## TERMS AND CONDITIONS OF THE PUBLIC OFFER

surplus application money together with the appropriate portion of the brokerage fee, the SFC transaction levy, the investor compensation levy and the Stock Exchange trading fee, without interest; and

- the conditions of Share Offer are not fulfilled in accordance with the section headed “Structure of the Share Offer – Conditions”.
- (b) If you apply on a **YELLOW** application form for 500,000 Shares or more and have indicated in your application form that you wish to collect refund cheque in person, you may collect your refund cheque (if any) in person from the Hong Kong branch share registrar on Tuesday, 2nd August, 2005. The procedure for collection of refund cheques for **YELLOW** application form applicants is the same as that for **WHITE** application form applicants set out in sub-paragraph (a) of the paragraph headed “If your application for the Public Offer Shares is successful (in whole or in part)” in this section.
- (c) If you are applying by giving electronic instructions to HKSCC to apply on your behalf, all refunds are expected to be credited to your designated bank account (if you are applying as a CCASS Investor Participant) or the designated bank account of your broker or custodian (if you are applying through a CCASS Broker/Custodian Participant) on Tuesday, 2nd August, 2005.
- (d) All refunds by cheque will be crossed “Account Payee Only”, and made out to you, or if you are a joint applicant, to the first-named applicant on your application form. Part of your Hong Kong Identity Card number/passport number, or, if you are joint applicants, part of the Hong Kong Identity Card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque(s), if any. Such data would also be transferred to a third party for refund purpose. Your banker may require verification of your Hong Kong Identity Card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong Identity Card number/passport number in the application form may lead to delay in encashment of or may invalidate your refund cheque(s).
- (e) Refund cheques are expected to be despatched on Tuesday, 2nd August, 2005. The Company intends to make special efforts to avoid undue delays in refunding money.

### 9. PERSONAL DATA

The main provisions of the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) (the “Ordinance”) came into effect in Hong Kong on 20th December, 1996. This Personal Information Collection Statement informs the applicant for and holder of the Public Offer Shares of the policies and practices of the Company and the Hong Kong share registrar in relation to personal data and the Ordinance.

#### (a) Reasons for the collection of your personal data

From time to time it is necessary for applicants for securities or registered holders of securities to supply their latest correct personal data to the Company and the Hong Kong share registrar when applying for securities or transferring securities into or out of their names or in procuring the services of the Hong Kong share registrar.

## TERMS AND CONDITIONS OF THE PUBLIC OFFER

Failure to supply the requested data may result in your application for securities being rejected or in delay or inability of the Company or its Hong Kong branch share registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfer of the Public Offer Shares which you have successfully applied for and/or the despatch of share certificate(s), and/or refund cheque(s) to which you are entitled.

It is important that holders of securities inform the Company and its Hong Kong branch share registrar immediately of any inaccuracies in the personal data supplied.

### **(b) Purposes**

The personal data of the applicants and the holders of securities may be used, held and/or stored (by whatever means) for the following purposes:

- processing of your application and verification of compliance with the terms and application procedures set out in the application forms and this prospectus and announcing results of allocations of the Public Offer Shares;
- enabling compliance with all applicable laws and regulations in Hong Kong and elsewhere;
- registering new issues or transfers into or out of the name of holders of securities including, where applicable, in the name of HKSCC Nominees;
- maintaining or updating the registers of holders of securities of the Company;
- conducting or assisting to conduct signature verifications, any other verification or exchange of information;
- establishing benefit entitlements of holders of securities of the Company, such as dividends, rights issues and bonus issues;
- distributing communications from the Company and its subsidiaries;
- compiling statistical information and shareholder profiles;
- making disclosures as required by any laws, rules or regulations;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable the Company and its Hong Kong branch share registrar to discharge their obligations to holders of securities and/or regulators and/or any other purpose to which the holders of securities may from time to time agree.

### **(c) Transfer of personal data**

Personal data held by the Company and its Hong Kong branch share registrar relating to the applicants and the holders of securities will be kept confidential but the Company and its Hong Kong branch share registrar, to the extent necessary for achieving the above purposes or any of them, make such enquiries as they consider necessary to confirm the accuracy of the



## TERMS AND CONDITIONS OF THE PUBLIC OFFER

personal data and in particular, they may disclose, obtain or provide (whether within or outside Hong Kong) the personal data of the applicants and the holders of securities to or from any and all of the following persons and entities:

- the Company or its appointed agents such as financial advisers and receiving bankers;
- HKSCC and HKSCC Nominees, who will use the personal data for the purposes of operating CCASS (in cases where the applicants have requested for the Public Offer Shares to be deposited into CCASS);
- any agents, contractors or third party service providers who offer administrative, telecommunications, computer, payment or other services to the Company and/or its Hong Kong branch share registrar in connection with the operation of their businesses;
- the Stock Exchange, the SFC and any other statutory, regulatory or governmental bodies; and
- any other persons or institutions with which the holders of securities have or propose to have dealings, such as their bankers, solicitors, accountants or stockbrokers.

By signing an application form or by giving **electronic application instructions** to HKSCC, you agree to all of the above.

### **(d) Access and correction of personal data**

The Ordinance provides the applicants and the holders of securities with rights to ascertain whether the Company and/or its Hong Kong branch share registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. In accordance with the Ordinance, the Company and its Hong Kong branch share registrar have the right to charge a reasonable fee for the processing of any data access request. All requests for access to data or correction of data or for information regarding policies and practices or the kinds of data held should be addressed to the Company for the attention of the Company secretary or (as the case may be) its Hong Kong branch share registrar for the attention of the Privacy Compliance Officer (for the purposes of the Ordinance).

## **10. MISCELLANEOUS**

### **(a) Commencement of dealings in the Shares**

- Dealings in the Shares on the Stock Exchange are expected to commence on Wednesday, 3rd August, 2005.
- The Shares will be traded in board lots of 2,000 Shares.
- The Stock code of the Shares is 423.
- Any Share certificates in respect of Public Offer Shares collected or received by successful applicants will not be valid if the Share Offer is terminated in accordance with the terms of the Underwriting Agreement.

## TERMS AND CONDITIONS OF THE PUBLIC OFFER

### **(b) The Shares will be eligible for admission into CCASS**

- If the Stock Exchange grants the listing of and permission to deal in the Shares and the stock admission requirements of HKSCC are complied with, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.
- All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.
- All necessary arrangements have been made for the Shares to be admitted into CCASS.

*The following is the text of a report prepared for the purpose of incorporation in the prospectus received from the reporting accountants, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong.*



羅兵咸永道會計師事務所

**PricewaterhouseCoopers**  
22nd Floor, Prince's Building  
Central, Hong Kong

22nd July, 2005

The Directors  
Hong Kong Economic Times Holdings Limited  
BNP Paribas Peregrine Capital Limited

Dear Sirs,

We set out below our report on the financial information relating to Hong Kong Economic Times Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for inclusion in the prospectus of the Company dated 22nd July, 2005 (the "Prospectus") in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

The Company was incorporated in the Cayman Islands on 15th 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 detailed in Note 1 of Section II of this report, which was completed on 19th July, 2005, the Company became the holding company of the subsidiaries set out Note 26 of Section II below.

As at the date of this report, the Company has direct or indirect interests in the subsidiaries set out in Note 26 of Section II of this report. All these companies are private limited liability companies or, if incorporated/established outside Hong Kong, have substantially the same characteristics as a Hong Kong incorporated private limited liability company. No audited accounts have been prepared for the Company since its date of incorporation as it has not been involved in any significant business transactions since incorporation other than the Reorganisation. In addition, no audited accounts have been prepared for ET Net (BVI) Limited, HKET China Investment (BVI) Limited, iCareerTimes (BVI) Limited and Cotino Limited as they were either newly incorporated and/or have not involved in any significant business transactions. We have, however, reviewed all relevant transactions of these companies since their incorporation, and carried out such procedures as are necessary for inclusion of the financial information relating to these companies in this report. We acted as auditors of the subsidiaries for each of the years ended 31st March, 2003, 2004 and 2005 (the "Relevant Periods") except for those companies ("those Companies") described in Note 26 of Section II. For the purpose of this report, we have carried out independent audit procedures on those Companies in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

We have examined the audited accounts or, where appropriate, the unaudited management accounts of all companies now comprising the Group for the Relevant Periods, or since their respective dates of incorporation where this is a shorter period and have carried out such additional procedures as are necessary in accordance with the Auditing Guideline "Prospectuses and the Reporting Accountant" issued by the HKICPA.

The financial information as set out in Sections I to IV (the "Financial Information") has been prepared based on the audited accounts or, where appropriate, the unaudited management accounts of all companies comprising the Group, on the basis set out in Note 1 of Section II below, after making such adjustments as are appropriate. The directors of the respective companies now comprising the Group, at the Relevant Periods, are responsible for preparing these accounts which give a true and fair view. In preparing these accounts, it is fundamental that appropriate accounting policies are selected and applied consistently.

The Directors of the Company are responsible for the Financial Information. It is our responsibility to form an independent opinion, based on our examination, on the Financial Information and to report our opinion.

In our opinion, the Financial Information, for the purpose of this report, and prepared on the basis set out in Note 1 of Section II below, gives a true and fair view of the combined state of affairs of the Group as at 31st March, 2003, 2004 and 2005 and of the combined results and cash flows of the Group for the Relevant Periods.

## I FINANCIAL INFORMATION OF THE GROUP

## (a) Combined Profit and Loss Accounts

The following are the combined profit and loss accounts of the Group for the Relevant Periods, prepared on the basis set out in Note 1 of Section II below and after making such adjustments as are appropriate:

	Section II Note	Years ended 31st March,		
		2003 HK\$'000	2004 HK\$'000	2005 HK\$'000
Turnover	3	540,448	515,669	608,412
Cost of goods sold		<u>(311,051)</u>	<u>(307,558)</u>	<u>(350,980)</u>
Gross profit		229,397	208,111	257,432
Other revenues	3	13,334	3,235	462
Selling and distribution expenses		<u>(72,108)</u>	<u>(64,813)</u>	<u>(75,024)</u>
General and administrative expenses		<u>(110,082)</u>	<u>(108,535)</u>	<u>(101,427)</u>
Operating profit	4	60,541	37,998	81,443
Finance costs	5	<u>(712)</u>	<u>(523)</u>	<u>(556)</u>
Profit before taxation		59,829	37,475	80,887
Taxation	6	<u>(11,453)</u>	<u>(10,178)</u>	<u>(14,461)</u>
Profit after taxation		48,376	27,297	66,426
Minority interests		<u>(10,539)</u>	<u>(1,292)</u>	<u>(1,332)</u>
Profit for the year		<u>37,837</u>	<u>26,005</u>	<u>65,094</u>
Dividends	7	<u>26,750</u>	<u>4,500</u>	<u>5,625</u>
Basic earnings per share ( <i>HK cents</i> )	8	<u>12.13</u>	<u>8.33</u>	<u>20.86</u>

**(b) Combined Balance Sheets**

The following are the combined balance sheets of the Group as at 31st March, 2003, 2004 and 2005, prepared on the basis set out in Note 1 of Section II below and after making such adjustments as are appropriate:

	Section II Note	As at 31st March,		
		2003 HK\$'000	2004 HK\$'000	2005 HK\$'000
Non-current assets				
Fixed assets	11	175,804	175,801	208,204
Deferred tax assets	20	—	—	1,207
		<u>175,804</u>	<u>175,801</u>	<u>209,411</u>
Current assets				
Inventories	12	242	1,845	3,704
Trade and other receivables	13	111,171	121,053	128,992
Due from a related company	25(ii)	777	602	602
Bank balances and cash		31,713	27,752	39,072
		<u>143,903</u>	<u>151,252</u>	<u>172,370</u>
Current liabilities				
Trade and other payables	14	64,508	87,806	109,374
Taxation payable		5,464	3,836	4,197
Due to a related company	25(ii)	88,744	71,202	11,983
Current portion of obligations under finance leases	15	—	3,063	3,018
Current portion of bank loans, secured	16, 22	5,148	4,347	4,721
Short-term bank loans, secured	22	12,202	—	32,156
		<u>176,066</u>	<u>170,254</u>	<u>165,449</u>
Net current (liabilities)/assets		<u>(32,163)</u>	<u>(19,002)</u>	<u>6,921</u>
Total assets less current liabilities		<u>143,641</u>	<u>156,799</u>	<u>216,332</u>
Financed by:				
Share capital	17	791	791	791
Reserves	18	71,528	81,483	176,677
Owners' equity		72,319	82,274	177,468
Minority interests		11,835	2,427	1,159
Non-current liabilities				
Loan from a shareholder	19, 25(ii)	34,686	36,005	—
Obligations under finance leases	15	—	14,574	11,578
Bank loans, secured	16, 22	16,127	11,780	15,599
Deferred tax liabilities	20	8,674	9,739	10,528
		<u>143,641</u>	<u>156,799</u>	<u>216,332</u>

**(c) Combined Statements of Changes in Equity**

The following are the combined statements of changes in equity of the Group for the Relevant Periods, prepared on the basis set out in Note 1 of Section II below and after making such adjustments as are appropriate:

	<i>Section II Note</i>	<b>Years ended 31st March,</b>		
		<b>2003</b> <i>HK\$'000</i>	<b>2004</b> <i>HK\$'000</i>	<b>2005</b> <i>HK\$'000</i>
Total equity as at the beginning of the year		44,082	72,319	82,274
Profit for the year	18	37,837	26,005	65,094
Dividend paid to the then shareholders, after netting off the minority interests	18	(9,600)	(16,050)	(3,900)
Contribution from Hong Kong Economic Times (Holding) Limited ("HK Holding") <i>(Note 25(i)(l))</i>	18	—	—	34,000
Total equity as at the end of the year		<u>72,319</u>	<u>82,274</u>	<u>177,468</u>

**(d) Combined Cash Flow Statements**

The following are the combined cash flow statements of the Group for the Relevant Periods, prepared on the basis set out in Note 1 of Section II below and after making such adjustments as are appropriate:

	Section II Note	Years ended 31st March,		
		2003 HK\$'000	2004 HK\$'000	2005 HK\$'000
Operating activities				
Net cash inflow generated from operations	21(a)	85,190	73,599	115,263
Interest paid		(712)	(419)	(289)
Hong Kong profits tax paid		(6,038)	(10,741)	(14,518)
Net cash inflow from operating activities		78,440	62,439	100,456
Investing activities				
Bank interest received		86	11	13
Purchase of fixed assets		(24,675)	(23,860)	(54,790)
Proceeds from disposal of fixed assets		289	239	324
Net cash outflow from investing activities		(24,300)	(23,610)	(54,453)
Net cash inflow before financing activities		54,140	38,829	46,003
Financing activities	21(b)			
Increase in loan from a shareholder		–	1,319	–
Repayment of loan from a shareholder		(5)	–	(36,005)
New bank loans, secured		12,202	–	40,993
Repayment of bank loans, secured		(5,148)	(17,350)	(4,644)
Interest element of finance leases		–	(104)	(267)
Capital element of finance leases		–	(1,263)	(3,041)
Inception of finance leases		–	18,900	–
Dividend paid to the then holding companies		(9,600)	(16,050)	(3,900)
Dividend paid to a minority shareholder		(6,400)	(10,700)	(2,600)
Repayment to a related company		(21,950)	(17,636)	(25,219)
Interest income from a related company		368	94	–
Net cash outflow from financing activities		(30,533)	(42,790)	(34,683)
Increase/(decrease) in cash and cash equivalents		23,607	(3,961)	11,320
Cash and cash equivalents at 1st April		8,106	31,713	27,752
Cash and cash equivalents at 31st March		31,713	27,752	39,072
Analysis of the balances of cash and cash equivalents				
Bank balances and cash		31,713	27,752	39,072



## II NOTES TO THE FINANCIAL INFORMATION

### 1. Basis of preparation

The Company was incorporated in the Cayman Islands on 15th February, 2005. Pursuant to a group reorganisation which was completed on 19th July, 2005, the Company acquired all the HK Holding's equity interests in Hong Kong Economic Times Group (BVI) Limited, Asianway (Far East) Limited, EPRC Limited, ET Business College Limited, ET Net (BVI) Limited, ETVision Multimedia Limited, Euron Limited, HKET China Investment (BVI) Limited, Hong Kong Economic Times Limited, iCareerTimes (BVI) Limited and Safe City Limited. After the above group reorganisation, the Company became the holding company of the above companies and their subsidiaries now comprising the Group, and the full list of subsidiaries is set out in Note 26 of this report.

For the purpose of this report, the combined profit and loss accounts, combined cash flow statements and combined statements of changes in equity of the Group for the Relevant Periods, include the financial information of the companies now comprising the Group as if the current group structure had been in existence throughout the Relevant Periods, or since their respective dates of incorporation/establishment, whichever is the shorter period.

The combined balance sheets of the Group as at 31st March, 2003, 2004 and 2005, have been prepared to present the assets and liabilities of the Group as at these dates as if the current group structure had been in existence at these dates.

All significant intra-group transactions and balances have been eliminated on combination.

### 2. Principal accounting policies

The principal accounting policies adopted in the preparation of the Financial Information are in accordance with accounting principles generally accepted in Hong Kong and conform with accounting standards issued by the HKICPA. The combined financial statements have been prepared under the historical cost convention.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("HKAS"), herein collectively referred to as the new HKFRSs, which are generally effective for accounting periods beginning on or after 1st January, 2005. The Group has not early adopted these new HKFRSs in the Financial Information.

The Group has made an assessment of the impact of these new HKFRSs and has identified the following possible significant impact on the Group's accounting policies and the related possible financial impact:

#### Leasehold land in Hong Kong

Under HKAS 17 'Leases', leasehold land in Hong Kong will no longer be accounted for as property, plant and equipment. Instead, it will be accounted for as prepayment of lease and stated at cost and recognised as an expense on a straight-line basis over the lease term under HKAS 17. Leasehold land is depreciated by 2% per annum or the unexpired period of the lease, whichever is shorter on a straight-line basis under the current accounting policy.

#### Financial instruments

Under HKAS 39 'Financial Instruments: Recognition and Measurement', financial instruments will be carried at either amortised cost or fair value, depending on their classification. Depending on the classification of the financial instruments, movements in fair value will be either charged to profit or loss or taken to equity in accordance with the standard. In addition, all derivatives, including those embedded in non-derivatives host contracts will be recognised in the combined balance sheets at fair value.

This will result in a change to the Group's current accounting policies in respect of classification, measurement and recognition of derivative financial instruments. This new accounting policy will be applied prospectively from 1st April, 2005. The future financial effect of this change in accounting policy is not yet known as the classification and measurement process has not been completed. However, the requirements to recognise derivatives and certain other financial instruments with changes in fair value if being reflected in the combined profit and loss accounts may result in increased volatility in the Group's profit and net assets.

Based on the Group's assessment, there would be no material impact on the Group's owners' equity as at 31st March, 2005 and the Group's profit for the year then ended had the new HKFRSs been adopted from 1st April, 2004 onwards.

**(a) Subsidiaries**

Subsidiaries are those entities in which the Company, directly or indirectly, controls more than one half of the voting power; has the power to govern the financial and operating policies; to appoint or remove the majority of the members of the board of Directors; or to cast majority of votes at the meetings of the board of Directors.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

**(b) Fixed assets**

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes the purchase price of the asset and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Fixed assets are depreciated at rates sufficient to write off their costs less any accumulated impairment losses over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Leasehold land and buildings	2% or over the unexpired period of the lease, whichever is shorter
Leasehold improvements	20% or over the unexpired period of the lease, whichever is shorter
Plant and machinery	6 $\frac{2}{3}$ %
Furniture, fixtures and equipment	12 $\frac{1}{2}$ %-33 $\frac{1}{3}$ %
Motor vehicles	20%
Network and computer equipment	20%-33 $\frac{1}{3}$ %

Machinery under installation is stated at cost without making any depreciation.

Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the combined profit and loss accounts in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as additional cost of that asset.

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the combined profit and loss accounts.

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the combined profit and loss accounts.

**(c) Inventories**

Inventories comprise raw materials and finished goods and are stated at the lower of cost and net realisable value. Cost is calculated on the first-in, first-out basis. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

**(d) Assets under leases****(i) Finance leases**

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Each lease payment is allocated between the capital and finance charges so as to achieve a constant rate on the capital balances outstanding. The corresponding rental obligations, net of finance charges, are included in long-term liabilities. The finance charges are charged to the combined profit and loss accounts over the lease periods.

Assets held under finance leases are depreciated over the shorter of their estimated useful lives or the lease periods.

(ii) *Operating leases*

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the combined profit and loss accounts on a straight-line basis over the lease periods.

(e) *Trade receivables*

Provision is made against trade receivables to the extent that they are considered to be doubtful. Trade receivables in the combined balance sheets are stated net of such provision.

(f) *Cash and cash equivalents*

Cash and cash equivalents are carried in the combined balance sheets at cost. For the purposes of the combined cash flow statements, cash and cash equivalents comprise cash on hand, deposits held at call with banks, cash investments with a maturity of three months or less from the date of investment and bank overdrafts.

(g) *Employee benefits*

(i) *Employee leave entitlements*

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) *Pension obligations*

The Group operates defined contribution plans, including a mandatory provident fund scheme ("MPF") in Hong Kong, the assets of which are generally held in separate trustee-administered funds.

The Group's contributions to the defined contribution retirement plans are expensed as incurred. The Group's contributions to all these plans except for the MPF are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions.

Forfeited contributions totalling approximately HK\$1,692,000, HK\$959,000 and HK\$1,069,000 for the years ended 31st March, 2003, 2004 and 2005 respectively were used to reduce the respectively year's level of contributions. Forfeited contributions available at 31st March, 2003, 2004 and 2005 to reduce future contributions amounted to approximately HK\$138,000, HK\$272,000 and HK\$207,000 respectively.

(h) *Deferred taxation*

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Information. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

**(i) Contingent liabilities**

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the Financial Information. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

**(j) Borrowing costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset.

All other borrowing costs are charged to the combined profit and loss accounts in the year in which they are incurred.

**(k) Translation of foreign currencies**

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. All exchange differences arising are dealt with in the combined profit and loss accounts.

**(l) Revenue recognition**

- (i) Advertising income is recognised when the relevant advertisement is published.
- (ii) Circulation income, comprises the sales of newspapers, magazines and books, is recognised on the transfer of risks and rewards of ownership, which generally coincides with the date of delivery.
- (iii) Service income is principally derived from the provision of information subscription services and other related maintenance and solution services. Service income is recognised when the services are rendered.
- (iv) Enrolment income on the provision of professional training is recognised when the training services are rendered.
- (v) Management fee income is recognised when the services are rendered.
- (vi) Revenue from leasing machinery and properties is recognised on a straight-line basis over the lease periods.
- (vii) Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

The excess of revenues received of the items (i), (ii), (iii) and (iv) over the amounts recognised as revenue for the year are recorded as fees received in advance under trade and other payables in the combined balance sheets.

**(m) Segment reporting**

In accordance with the Group's internal financial reporting the Group has determined that business segments be presented as the primary reporting format and geographical as the secondary reporting format.

Segment assets consist primarily of fixed assets, inventories, receivables and operating cash. Segment liabilities comprise operating liabilities. Capital expenditure comprises additions to fixed assets.

In respect of geographical segment reporting, sales are based on the country in which the customer is located and total assets and capital expenditure are where the assets are located.

## 3. Turnover, revenues and segment information

- (a) The Group is principally engaged in the publishing of newspapers, magazines and books, the provision of electronic financial and property market information service and the provision of training service. Revenues recognised during the Relevant Periods are as follows:

	Years ended 31st March,		
	2003 HK\$'000	2004 HK\$'000	2005 HK\$'000
Turnover			
Advertising income	349,850	329,891	393,492
Circulation income	63,363	73,907	94,942
Service income	118,081	103,713	109,772
Enrolment income	9,154	8,158	10,206
	<u>540,448</u>	<u>515,669</u>	<u>608,412</u>
Other revenues			
Management fee income	5,152	1,232	384
Rental income from machinery and properties	7,740	1,898	65
Bank interest income	74	11	13
Interest income from a related company ( <i>Note 25(i)(h)</i> )	368	94	–
	<u>13,334</u>	<u>3,235</u>	<u>462</u>
Total revenues	<u>553,782</u>	<u>518,904</u>	<u>608,874</u>

**(b) Segment information***(i) Primary reporting format – business segments*

	Year ended 31st March, 2003			Group Total HK\$'000
	Publishing and multi- media HK\$'000	Electronic information and solutions HK\$'000	Recruitment advertising and training HK\$'000	
Turnover, gross	368,090	117,217	56,320	541,627
Inter-segment transactions	(880)	(299)	–	(1,179)
Turnover, net	<u>367,210</u>	<u>116,918</u>	<u>56,320</u>	<u>540,448</u>
Segment results	<u>55,475</u>	<u>(3,412)</u>	<u>8,478</u>	<u>60,541</u>
Operating profit				60,541
Finance costs				(712)
Profit before taxation				59,829
Taxation				(11,453)
Profit after taxation				48,376
Minority interests				(10,539)
Profit for the year				<u>37,837</u>
Segment assets	<u>237,445</u>	<u>63,366</u>	<u>18,896</u>	<u>319,707</u>
Segment liabilities	<u>172,294</u>	<u>45,874</u>	<u>17,385</u>	<u>235,553</u>
Capital expenditure	36,194	3,701	473	40,368
Depreciation	10,048	9,603	1,597	21,248
Other non-cash expenses	<u>1,161</u>	<u>1,184</u>	<u>250</u>	<u>2,595</u>

	Year ended 31st March, 2004			Group Total HK\$'000
	Publishing and multi- media HK\$'000	Electronic information and solutions HK\$'000	Recruitment advertising and training HK\$'000	
Turnover, gross	368,898	102,930	44,535	516,363
Inter-segment transactions	(350)	(344)	–	(694)
Turnover, net	<u>368,548</u>	<u>102,586</u>	<u>44,535</u>	<u>515,669</u>
Segment results	<u>39,458</u>	<u>(12,485)</u>	<u>11,025</u>	<u>37,998</u>
Operating profit				37,998
Finance costs				(523)
Profit before taxation				37,475
Taxation				(10,178)
Profit after taxation				27,297
Minority interests				(1,292)
Profit for the year				<u>26,005</u>
Segment assets	<u>257,885</u>	<u>52,592</u>	<u>16,576</u>	<u>327,053</u>
Segment liabilities	<u>159,812</u>	<u>48,410</u>	<u>34,130</u>	<u>242,352</u>
Capital expenditure	22,119	1,545	196	23,860
Depreciation	14,049	8,103	1,410	23,562
Other non-cash expenses	<u>1,816</u>	<u>2,260</u>	<u>100</u>	<u>4,176</u>

	Year ended 31st March, 2005			Group Total HK\$'000
	Publishing and multi- media HK\$'000	Electronic information and solutions HK\$'000	Recruitment advertising and training HK\$'000	
Turnover, gross	442,766	108,226	59,114	610,106
Inter-segment transactions	(578)	(1,096)	(20)	(1,694)
Turnover, net	<u>442,188</u>	<u>107,130</u>	<u>59,094</u>	<u>608,412</u>
Segment results	<u>59,710</u>	<u>2,060</u>	<u>19,673</u>	<u>81,443</u>
Operating profit				81,443
Finance costs				(556)
Profit before taxation				80,887
Taxation				(14,461)
Profit after taxation				66,426
Minority interests				(1,332)
Profit for the year				<u>65,094</u>
Segment assets	<u>316,712</u>	<u>47,872</u>	<u>17,197</u>	<u>381,781</u>
Segment liabilities	<u>137,360</u>	<u>42,576</u>	<u>23,218</u>	<u>203,154</u>
Capital expenditure	52,743	1,780	267	54,790
Depreciation	14,466	6,464	1,176	22,106
Other non-cash expenses	<u>1,150</u>	<u>1,537</u>	<u>100</u>	<u>2,787</u>

(ii) *Secondary reporting format – geographical segment*

More than 90% of the Group's activities are carried out in Hong Kong and more than 90% of the Group's assets and liabilities are located in Hong Kong for the Relevant Periods. Accordingly, no analysis of geographical segment for the Relevant Periods is presented.



## 4. Operating profit

Operating profit is stated after crediting and charging the following:

	Years ended 31st March,		
	2003 HK\$'000	2004 HK\$'000	2005 HK\$'000
<b>Crediting</b>			
Gains on disposal of fixed assets	–	–	43
Reversal of provision for doubtful debts	–	–	3,019
Recovery of bad debts	24	257	113
	<u>24</u>	<u>257</u>	<u>113</u>
<b>Charging</b>			
Auditors' remuneration	458	441	982
Bad debts written off	1,720	358	344
Depreciation:			
Owned fixed assets	21,248	22,851	20,672
Leased fixed assets	–	711	1,434
Fixed assets written-off	89	15	–
Loss on disposal of fixed assets	93	47	–
Operating lease rentals on land and buildings	7,736	5,421	5,342
Provision for doubtful debts	2,273	3,929	2,456
Provision for obsolete inventories	322	247	331
Staff costs ( <i>Note 9</i> )	231,149	230,193	258,209
	<u>231,149</u>	<u>230,193</u>	<u>258,209</u>

## 5. Finance costs

	Years ended 31st March,		
	2003 HK\$'000	2004 HK\$'000	2005 HK\$'000
Interest on bank loans and overdrafts	748	609	419
Interest element of finance leases	–	104	267
	<u>748</u>	<u>713</u>	<u>686</u>
Total borrowing costs incurred	748	713	686
Less: interest capitalised in machinery	(36)	(190)	(130)
	<u>712</u>	<u>523</u>	<u>556</u>

The average capitalisation rates applied to funds borrowed generally and used for the installation of machinery for the years ended 31st March, 2003, 2004 and 2005 are approximately 2.91%, 1.36% and 1.67% per annum respectively.

## 6. Taxation

Hong Kong profits tax has been provided at the rate of 16% for the year ended 31st March, 2003, and 17.5% for the years ended 31st March, 2004 and 2005, on the estimated assessable profits for respective years. In 2003, the government enacted a change in the profits tax rate from 16% to 17.5% starting from the fiscal year 2003/2004.

The amount of taxation charged to the combined profit and loss accounts represents:

	Years ended 31st March,		
	2003 HK\$'000	2004 HK\$'000	2005 HK\$'000
Hong Kong profits tax	8,537	9,113	14,879
Deferred taxation relating to the origination and reversal of temporary differences ( <i>Note 20</i> )	2,916	277	(418)
Deferred taxation resulting from an increase in tax rate ( <i>Note 20</i> )	–	788	–
	<u>11,453</u>	<u>10,178</u>	<u>14,461</u>
Taxation charge	<u>11,453</u>	<u>10,178</u>	<u>14,461</u>

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the taxation rate of the home country of the Group as follows:

	Years ended 31st March,		
	2003 HK\$'000	2004 HK\$'000	2005 HK\$'000
Profit before taxation	<u>59,829</u>	<u>37,475</u>	<u>80,887</u>
Calculated at a taxation rate of 16% for the year ended 31st March, 2003, and 17.5% for the years ended 31st March, 2004 and 2005	9,573	6,558	14,155
Income not subject to taxation	(33)	(22)	(103)
Expenses not deductible for taxation purposes	326	560	632
Utilisation of previously unrecognised tax losses	(227)	(146)	(2,559)
Tax effect of tax losses not recognised	1,519	2,261	527
Increase in opening net deferred tax liabilities resulting from an increase in tax rate	–	788	–
Others	<u>295</u>	<u>179</u>	<u>1,809</u>
Taxation charge	<u>11,453</u>	<u>10,178</u>	<u>14,461</u>

**7. Dividends**

The Company was incorporated in the Cayman Islands on 15th February, 2005 and has not declared any dividend since its incorporation. The dividends were declared and paid by Career Times Online Limited during the Relevant Periods.

	Years ended 31st March,		
	2003 HK\$'000	2004 HK\$'000	2005 HK\$'000
Interim, paid	–	–	2,000
Final, proposed	26,750	4,500	3,625
Total dividends declared for the year	<u>26,750</u>	<u>4,500</u>	<u>5,625</u>
Total dividends paid during the year	<u>16,000</u>	<u>26,750</u>	<u>6,500</u>

The rates of dividends and the number of shares ranking for dividends are not represented as such information is not meaningful having regard to the purpose of this report.

**8. Earnings per share**

The calculation of basic earnings per share is based on the Group's profit for the year for the Relevant Periods and on the 312,000,000 shares issued or credited as fully paid pursuant to the Reorganisation as detailed in Appendix IV to the Prospectus, as if these shares have been in issue on 1st April, 2002.

No diluted earnings per share has been presented as the Company has no dilutive potential shares.

**9. Staff costs**

	Years ended 31st March,		
	2003 HK\$'000	2004 HK\$'000	2005 HK\$'000
Wages and salaries	223,462	222,409	249,649
Pension costs – defined contribution plans	7,687	7,784	8,560
Total including Directors' emoluments	<u>231,149</u>	<u>230,193</u>	<u>258,209</u>

## 10. Emoluments for Directors and five highest paid individuals

## (a) Directors' emoluments

The Company was incorporated in the Cayman Islands on 15th February, 2005. The aggregate amounts of emoluments paid and payable to the Directors of the Company by the companies now comprising the Group during the Relevant Periods are as follows:

	Years ended 31st March,		
	2003 HK\$'000	2004 HK\$'000	2005 HK\$'000
Fees	–	–	–
Other emoluments:			
Basic salaries, housing allowances, other allowances and benefits-in-kind	9,422	9,686	10,134
Discretionary bonuses	3,776	338	1,117
Contributions to pensions schemes for Directors	435	435	457
	<u>13,633</u>	<u>10,459</u>	<u>11,708</u>

None of the Directors of the Company waived any emoluments paid by the companies now comprising the Group during the Relevant Periods.

No emoluments were paid to the independent non-executive Directors during the Relevant Periods.

The emoluments of the Directors fell within the following bands:

Emolument bands	Years ended 31st March,		
	2003	2004	2005
	<i>Number of Directors</i>		
HK\$1,000,001-HK\$1,500,000	–	1	–
HK\$1,500,001-HK\$2,000,000	2	1	1
HK\$2,000,001-HK\$2,500,000	–	2	2
HK\$2,500,001-HK\$3,000,000	–	1	2
HK\$3,000,001-HK\$3,500,000	1	–	–
HK\$3,500,001-HK\$4,000,000	2	–	–
	<u>5</u>	<u>5</u>	<u>5</u>

**(b) Five highest paid individuals**

During the Relevant Periods, the five highest paid individuals include 4 Directors for the years ended 31st March, 2003 and 2004 and all Directors for the year ended 31st March, 2005 whose emoluments are included in Note 10(a) above. The amount of emoluments paid and payable to the remaining individual for the years ended 31st March, 2003 and 2004 is as follows:

	Years ended 31st March,		
	2003 HK\$'000	2004 HK\$'000	2005 HK\$'000
Basic salaries, housing allowances, other allowances and benefits-in-kind	1,485	1,522	–
Discretionary bonuses	32	–	–
Pensions	76	76	–
	<u>1,593</u>	<u>1,598</u>	<u>–</u>

The emoluments of the individual fell within the band of HK\$1,500,000 – HK\$2,000,000.

- (c) During the Relevant Periods, no emoluments have been paid to the Directors of the Company or the five highest paid individuals as an inducement to join or as compensation for loss of office.

**11. Fixed assets**

- (a) The Group's fixed assets are analysed as follows:

	Leasehold land and 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	Machinery under installation HK\$'000	Total HK\$'000
Cost								
At 1st April, 2002	119,309	6,154	41,303	19,968	–	68,395	–	255,129
Additions	–	694	17,663	19,338	865	1,808	–	40,368
Disposals	–	–	–	(113)	(314)	(1,645)	–	(2,072)
At 31st March, 2003	119,309	6,848	58,966	39,193	551	68,558	–	293,425
Additions	–	5,597	11,967	4,973	139	1,184	–	23,860
Disposals	–	(220)	–	(490)	(70)	(917)	–	(1,697)
At 31st March, 2004	119,309	12,225	70,933	43,676	620	68,825	–	315,588
Additions	10,092	487	863	4,807	437	1,251	36,853	54,790
Disposals	–	(318)	–	(6)	(148)	(5,770)	–	(6,242)
At 31st March, 2005	<u>129,401</u>	<u>12,394</u>	<u>71,796</u>	<u>48,477</u>	<u>909</u>	<u>64,306</u>	<u>36,853</u>	<u>364,136</u>

**APPENDIX IA**
**ACCOUNTANTS' REPORT**

	Leasehold land and 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	Machinery under installation HK\$'000	Total HK\$'000
Accumulated depreciation								
At 1st April, 2002	18,653	2,089	13,760	9,191	–	54,281	–	97,974
Depreciation charge	2,386	770	2,754	9,265	185	5,888	–	21,248
Disposals	–	–	–	(1)	(46)	(1,554)	–	(1,601)
At 31st March, 2003	21,039	2,859	16,514	18,455	139	58,615	–	117,621
Depreciation charge	2,386	2,066	4,559	10,073	137	4,341	–	23,562
Disposals	–	(61)	–	(424)	(34)	(877)	–	(1,396)
At 31st March, 2004	23,425	4,864	21,073	28,104	242	62,079	–	139,787
Depreciation charge	2,469	2,538	5,811	7,658	141	3,489	–	22,106
Disposals	–	(143)	–	(2)	(69)	(5,747)	–	(5,961)
At 31st March, 2005	25,894	7,259	26,884	35,760	314	59,821	–	155,932
Net book value								
At 31st March, 2003	<u>98,270</u>	<u>3,989</u>	<u>42,452</u>	<u>20,738</u>	<u>412</u>	<u>9,943</u>	<u>–</u>	<u>175,804</u>
At 31st March, 2004	<u>95,884</u>	<u>7,361</u>	<u>49,860</u>	<u>15,572</u>	<u>378</u>	<u>6,746</u>	<u>–</u>	<u>175,801</u>
At 31st March, 2005	<u>103,507</u>	<u>5,135</u>	<u>44,912</u>	<u>12,717</u>	<u>595</u>	<u>4,485</u>	<u>36,853</u>	<u>208,204</u>

- (b) The net book values of leased plant and machinery are approximately HK\$nil, HK\$20,803,000 and HK\$19,369,000 as at 31st March, 2003, 2004 and 2005 respectively (Note 15).
- (c) Certain of the Group's leasehold land and buildings with aggregate net book values of approximately HK\$90,955,000, HK\$88,724,000 and HK\$96,502,000 as at 31st March, 2003, 2004 and 2005 respectively are secured against the banking facilities of the Group (Note 22).
- (d) The Group's interests in leasehold land and buildings, which are all situated in Hong Kong, are analysed at their net book values as follows:

	As at 31 March,		
	2003 HK\$'000	2004 HK\$'000	2005 HK\$'000
Leases of over 50 years	79,570	77,609	75,648
Leases of between 10 to 50 years	18,700	18,275	27,859
	<u>98,270</u>	<u>95,884</u>	<u>103,507</u>

## 12. Inventories

	As at 31st March,		
	2003 HK\$'000	2004 HK\$'000	2005 HK\$'000
Raw materials	–	1,492	3,133
Finished goods	999	1,357	1,906
Less: provision for obsolete inventories	(757)	(1,004)	(1,335)
	<u>242</u>	<u>1,845</u>	<u>3,704</u>

Except for full provision of approximately HK\$757,000, HK\$1,004,000 and HK\$1,335,000 provided for inventories as at 31st March, 2003, 2004 and 2005, no other inventories were stated at net realisable value.

## 13. Trade and other receivables

	As at 31st March,		
	2003 HK\$'000	2004 HK\$'000	2005 HK\$'000
Trade receivables, gross ( <i>Note</i> )	105,223	115,559	112,266
Provision for doubtful debts	(3,465)	(7,394)	(6,831)
Trade receivables, net	101,758	108,165	105,435
Other receivables, prepayments and deposits	9,413	12,888	23,557
	<u>111,171</u>	<u>121,053</u>	<u>128,992</u>

*Note:* During the Relevant Periods, the Group normally granted credit terms to its customers from 30 to 90 days. The ageing analysis of the gross trade receivables are as follows:

	As at 31st March,		
	2003 HK\$'000	2004 HK\$'000	2005 HK\$'000
0-30 days	57,277	71,448	69,110
31-60 days	11,532	13,454	18,269
61-90 days	8,776	14,326	7,245
Over 90 days	27,638	16,331	17,642
	<u>105,223</u>	<u>115,559</u>	<u>112,266</u>

## 14. Trade and other payables

	As at 31st March,		
	2003 HK\$'000	2004 HK\$'000	2005 HK\$'000
Trade payables ( <i>Note</i> )	13,563	30,538	22,046
Other payables and accruals	21,089	27,775	55,586
Fees received in advance	29,856	29,493	31,742
	<u>64,508</u>	<u>87,806</u>	<u>109,374</u>

*Note:* The ageing analysis of the trade payables is as follows:

	As at 31st March,		
	2003 HK\$'000	2004 HK\$'000	2005 HK\$'000
0-30 days	11,394	26,195	19,624
31-60 days	1,881	2,759	2,035
61-90 days	197	1,091	263
Over 90 days	91	493	124
	<u>13,563</u>	<u>30,538</u>	<u>22,046</u>

## 15. Obligations under finance leases

	As at 31st March,		
	2003 HK\$'000	2004 HK\$'000	2005 HK\$'000
Total minimum lease payments	–	17,637	14,596
Less: amount due within one year included under current liabilities	–	(3,063)	(3,018)
	<u>–</u>	<u>14,574</u>	<u>11,578</u>
The analysis of the above is as follows:			
Wholly repayable within five years	–	–	14,596
Not wholly repayable within five years	–	17,637	–
	<u>–</u>	<u>17,637</u>	<u>14,596</u>

Obligations under finance leases not wholly repayable within five years are repayable by instalments from 28th October, 2003 to 27th October, 2009. Interest is charged on the outstanding balance at a certain percentage over HIBOR as at 31st March, 2004 and 2005.



The Group's finance lease liabilities were repayable as follows:

	As at 31st March,		
	2003 HK\$'000	2004 HK\$'000	2005 HK\$'000
Within one year	–	3,287	3,411
In the second year	–	3,290	3,411
In the third to fifth year	–	9,870	8,809
After the fifth year	–	1,878	–
	–	18,325	15,631
Future finance charges	–	(688)	(1,035)
Present value of finance lease liabilities	–	17,637	14,596
The present value of finance lease liabilities is as follows:			
Within one year	–	3,063	3,018
In the second year	–	3,063	3,109
In the third to fifth year	–	9,606	8,469
After the fifth year	–	1,905	–
	–	17,637	14,596

#### 16. Bank loans, secured

	As at 31st March,		
	2003 HK\$'000	2004 HK\$'000	2005 HK\$'000
Bank loans, secured	21,275	16,127	20,320
Less: current portion	(5,148)	(4,347)	(4,721)
	16,127	11,780	15,599
The analysis of the above is as follows:			
Wholly repayable within five years	3,063	16,127	11,780
Not wholly repayable within five years	18,212	–	8,540
	21,275	16,127	20,320

The Group's bank loans were repayable as follows:

	As at 31st March,		
	2003 HK\$'000	2004 HK\$'000	2005 HK\$'000
Within one year	5,148	4,347	4,721
In the second year	4,347	3,216	4,721
In the third to fifth year	9,648	8,564	9,862
After the fifth year	2,132	–	1,016
	21,275	16,127	20,320

For details of securities for banking facilities, please refer to Note 22.

**17. Share capital**

The Company was incorporated in the Cayman Islands on 15th February, 2005 with an authorised share capital of US\$50,000 divided into 5,000,000 shares of par value US\$0.01 each. On 23rd February, 2005, one share was allotted and issued at nil-paid.

For the purpose of this report, the combined share capital of the Group as at 31st March, 2003, 2004 and 2005 represented the aggregate amount of nominal value of the share capital of Asianway (Far East) Limited, EPRC Limited, ET Business College Limited, ET Net (BVI) Limited, ETVision Multimedia Limited, Euron Limited, HKET China Investment (BVI) Limited, Hong Kong Economic Times Limited ("HKET Limited"), iCareerTimes (BVI) Limited and Safe City Limited at the respective dates.

**18. Reserves**

	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
Total equity at 1st April, 2002	66,353	–	(23,062)	43,291
Profit for the year	–	–	37,837	37,837
Dividend paid to the then shareholders, after netting off the minority interests	–	–	(9,600)	(9,600)
Total equity at 31st March, 2003	66,353	–	5,175	71,528
Profit for the year	–	–	26,005	26,005
Dividend paid to the then shareholders, after netting off the minority interests	–	–	(16,050)	(16,050)
Total equity at 31st March, 2004	66,353	–	15,130	81,483
Contribution from HK Holding ( <i>Note 25(i)(I)</i> )	–	34,000	–	34,000
Profit for the year	–	–	65,094	65,094
Dividend paid to the then shareholders, after netting off the minority interests	–	–	(3,900)	(3,900)
Total equity at 31st March, 2005	<u>66,353</u>	<u>34,000</u>	<u>76,324</u>	<u>176,677</u>

The share premium of the Group as at 31st March, 2003, 2004 and 2005 represented the share premium of a subsidiary now comprising the Group at the respective dates.

As at 31st March, 2005, the Company did not have any reserves available for distribution to shareholders of the Company.

**19. Loan from a shareholder**

The loan was advanced from Mr. Fung Siu Por, Lawrence, a beneficial shareholder and a director of the Company. It was unsecured, non-interest bearing and not repayable within next twelve months from the balance sheet date. The loan was repaid in October 2004.

**20. Deferred tax liabilities/(assets)**

The movements in the deferred tax liabilities/(assets) are as follows:

	2003 <i>HK\$'000</i>	2004 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
At 1st April	5,758	8,674	9,739
Deferred taxation charged/(credited) to combined profit and loss accounts ( <i>Note 6</i> )	2,916	277	(418)
Increase in opening net deferred tax liabilities resulting from an increase in tax rate ( <i>Note 6</i> )	–	788	–
At 31st March	<u>8,674</u>	<u>9,739</u>	<u>9,321</u>

Deferred tax assets are recognised for tax losses carry forwards to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group has unrecognised tax losses of approximately HK\$38,090,000, HK\$50,177,000 and HK\$46,801,000 as at 31st March, 2003, 2004 and 2005, respectively to carry forward against future taxable income. These tax losses will not expire.

The movements in deferred tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the Relevant Periods are as follows:

**Deferred tax liabilities**

	Accelerated taxation depreciation		
	2003 HK\$'000	2004 HK\$'000	2005 HK\$'000
At 1st April	7,380	11,031	12,200
Charged/(credited) to combined profit and loss accounts	3,651	295	(1,101)
Adjustment attributable to a change in tax rate	—	874	—
	<u>          </u>	<u>          </u>	<u>          </u>
At 31st March	<u>11,031</u>	<u>12,200</u>	<u>11,099</u>

**Deferred tax assets**

	Provisions			Tax losses			Total		
	2003 HK\$'000	2004 HK\$'000	2005 HK\$'000	2003 HK\$'000	2004 HK\$'000	2005 HK\$'000	2003 HK\$'000	2004 HK\$'000	2005 HK\$'000
At 1st April	—	(134)	(421)	(1,622)	(2,223)	(2,040)	(1,622)	(2,357)	(2,461)
Charged/ (credited) to the combined profit and loss accounts	(134)	(274)	278	(601)	256	405	(735)	(18)	683
Adjustment attributable to a change in tax rate	—	(13)	—	—	(73)	—	—	(86)	—
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
At 31st March	<u>(134)</u>	<u>(421)</u>	<u>(143)</u>	<u>(2,223)</u>	<u>(2,040)</u>	<u>(1,635)</u>	<u>(2,357)</u>	<u>(2,461)</u>	<u>(1,778)</u>

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the combined balance sheets:

	As at 31st March,		
	2003 HK\$'000	2004 HK\$'000	2005 HK\$'000
Deferred tax assets	—	—	(1,207)
Deferred tax liabilities	<u>8,674</u>	<u>9,739</u>	<u>10,528</u>
	<u>          </u>	<u>          </u>	<u>          </u>
	<u>8,674</u>	<u>9,739</u>	<u>9,321</u>

## 21. Notes to the combined cash flow statements

## (a) Reconciliation of profit before taxation to net cash inflow generated from operations

	Years ended 31st March,		
	2003 HK\$'000	2004 HK\$'000	2005 HK\$'000
Profit before taxation	59,829	37,475	80,887
Depreciation	21,248	23,562	22,106
Loss/(gain) on disposal of fixed assets	93	47	(43)
Bank interest income	(74)	(11)	(13)
Net interest on bank loans and overdrafts	712	419	289
Interest element of finance leases	–	104	267
Fixed assets written off	89	15	–
Bad debts written off	1,720	358	344
Provision for doubtful debts	2,273	3,929	2,456
Provision for obsolete inventories	322	247	331
Operating profit before working capital changes	86,212	66,145	106,624
Increase in inventories	(415)	(1,850)	(2,190)
Decrease/(increase) in trade and other receivables	10,237	(14,169)	(10,739)
(Decrease)/increase in trade and other payables	(11,033)	23,298	21,568
Decrease in amount due from a related company	189	175	–
Net cash inflow generated from operations	85,190	73,599	115,263

## (b) Analysis of changes in financing during the Relevant Periods

	Minority interests			Loan from a shareholder			Obligations under finance leases			Bank loans			Amount due to a related company		
	2003 HK\$'000	2004 HK\$'000	2005 HK\$'000	2003 HK\$'000	2004 HK\$'000	2005 HK\$'000	2003 HK\$'000	2004 HK\$'000	2005 HK\$'000	2003 HK\$'000	2004 HK\$'000	2005 HK\$'000	2003 HK\$'000	2004 HK\$'000	2005 HK\$'000
At 1st April	7,696	11,835	2,427	34,691	34,686	36,005	–	–	17,637	26,423	33,477	16,127	43,023	88,744	71,202
Minority interests' share of profits	10,539	1,292	1,332	–	–	–	–	–	–	–	–	–	–	–	–
Cash inflows/ (outflows)	(6,400)	(10,700)	(2,600)	(5)	1,319	(36,005)	–	17,533	(3,308)	7,054	(17,350)	36,349	(21,582)	(17,542)	(25,219)
Contribution from HK Holding (Note 25(i)(i))	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(34,000)
Interest element of a finance lease charged to combined profit and loss accounts	–	–	–	–	–	–	–	104	267	–	–	–	–	–	–
Acquisition of assets and liabilities from HK Holding (Note 21(c))	–	–	–	–	–	–	–	–	–	–	–	–	67,303	–	–
At 31st March	11,835	2,427	1,159	34,686	36,005	–	–	17,637	14,596	33,477	16,127	52,476	88,744	71,202	11,983

**(c) Major non-cash transactions**

Pursuant to an agreement entered into between HKET Limited, a subsidiary of the Company, and HK Holding, HKET Limited acquired certain assets and liabilities from HK Holding on 1st April, 2002 at a consideration of approximately HK\$67,303,000 with reference to their net book values. The acquired assets and liabilities are as follows:

	<i>HK\$'000</i>
Fixed assets	15,693
Inventories	126
Trade and other receivables	78,526
Cash	36
Trade and other payables	<u>(27,078)</u>
Net assets acquired	<u>67,303</u>

On the same date, HKET Limited settled the transaction through current account with HK Holding.

**22. Banking facilities**

The Group's banking facilities in relation to bank borrowings of approximately HK\$67,072,000 as at 31st March, 2005 were secured by:

- (i) certain leasehold land and buildings situated in Hong Kong with a net book value of approximately HK\$96,502,000 as at 31st March, 2005 (Note 11);
- (ii) an unlimited cross-corporate guarantee provided by Asianway (Far East) Limited, Euron Limited and Safe City Limited, all being subsidiaries of the Group, and a business partner;
- (iii) unlimited corporate guarantees provided by HK Holding and HKET Limited;
- (iv) an unlimited joint and several personal guarantee provided by Mr. Fung Siu Por, Lawrence and Mr. Mak Ping Leung, the beneficial shareholders and directors of the Company;
- (v) a share mortgage over issued shares of Safe City Limited, a subsidiary; and
- (vi) a subordinated agreement with Mr. Fung Siu Por, Lawrence, a beneficial shareholder and director of HKET Limited.

Subsequent to 31st March, 2005,

- (a) the cross-corporate guarantee under (ii) has been replaced by an unlimited cross-corporate guarantee provided by Asianway (Far East) Limited, Euron Limited and Safe City Limited;
- (b) the corporate guarantee provided by HK Holding under (iii) has been released and the corporate guarantee provided by HKET Limited still remains;
- (c) the creditor banks have agreed in principle that the personal guarantee under (iv) be replaced by corporate guarantee to be issued by the Company upon the listing of the Company's shares on the Main Board of the Stock Exchange of Hong Kong Limited (the "Listing"); and
- (d) the charges under (v) and (vi) have been released.

**23. Contingent liabilities**

As at 31st March, 2005, there was no material contingent liabilities for the Group.

**24. Commitments****(a) Capital commitments contracted but not provided for in respect of**

	As at 31st March,		
	2003 HK\$'000	2004 HK\$'000	2005 HK\$'000
Fixed assets	376	90	43,597

**(b) Commitments under operating leases**

The Group had future aggregate minimum lease payments under non-cancellable operating leases of land and buildings as at 31st March, 2003, 2004 and 2005 as follows:

	As at 31st March,		
	2003 HK\$'000	2004 HK\$'000	2005 HK\$'000
Not later than one year	1,078	8,774	6,676
Later than one year and not later than five years	1,535	3,588	6,473
	<u>2,613</u>	<u>12,362</u>	<u>13,149</u>

## 25. Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

(i) Details of significant transactions with related parties are:

Except as disclosed elsewhere in this report, other significant transactions with related companies, which were carried out in the normal course of the Group's business in the opinion of the Directors, during the Relevant Periods are as follows:

	Note	Years ended 31st March,		
		2003 HK\$'000	2004 HK\$'000	2005 HK\$'000
<b>Continuing</b>				
Service income received/receivable from:				
– Roctec Credit Limited	(a)	75	116	213
– Roctec Securities Company Limited	(a)	170	156	196
Rental expenses on leased property paid/payable to:				
– Charm Data Limited	(b)	3,568	2,868	2,727
– Honley Limited	(b)	1,969	1,723	1,969
– Roctec Systems Limited	(b)	500	500	500
– HK Holding	(b)	370	370	370
Consultant royalties paid/payable to Wayca Development Limited	(c)	96	78	164
<b>Discontinuing</b>				
Advertising income received/receivable from:				
– iBusiness Corporation Limited	(d)	15,000	–	–
– Adsale Exhibition Services Limited	(e)	193	45	201
Management fees income received/receivable from:				
– Easyset Limited	(f)	300	168	200
– ET Media (China) Limited	(f)	35	–	185
Rental income on leased property received/receivable from Movielink (Hong Kong) Limited	(g)	–	64	215
Interest income received/receivable from HK Holding	(h)	368	94	–
Management fee expenses paid to Adsale People Limited	(i)	1,335	1,319	552
Service income received/receivable from ET Media (China) Limited	(a)	92	31	2,161
Rental expenses on leased property paid/payable to eTomorrow Limited	(b)	163	174	149
Output films and typesetting service fees paid to Easyset Limited	(j)	10,752	11,190	7,147
Purchase of fixed assets from Roctec Technology Limited	(k)	12	326	296
Contribution from HK Holding	(l)	–	–	34,000
		–	–	34,000

The holding company of iBusiness Corporation Limited is a minority shareholder of Cotino Limited. Adsale Exhibition Services Limited, Roctec Securities Company Limited, Movielink (Hong Kong) Limited, Roctec Systems Limited, Adsale People Limited and Roctec Technology Limited are beneficially owned by Mr. Fung Siu Por, Lawrence and Mr. Chu Yu Lun, the beneficial shareholders and directors of the Company. Roctec Credit Limited, Honley Limited and Charm Data Limited are beneficially owned by Mr. Chu Yu Lun. Wayca Development Limited is beneficially owned by Mr. Shek Kang Chuen, the beneficial shareholder and director of the Company.

HK Holding is owned by the shareholders of the Company. ET Media (China) Limited, Easyset Limited and eTomorrow Limited are subsidiaries of HK Holding.

- (a) Service income was charged at prices and terms similar to those charged to and contracted with other third party customers of the Group.
- (b) Rental expenses on leased property were charged at a prevailing market rate.
- (c) Consultant royalties were charged at prices and terms similar to those charged to and contracted with other third parties.
- (d) Advertising income was charged in accordance with the terms of the relevant agreement.
- (e) Advertising income was charged at prices and terms similar to those charged to and contracted with other third party customers of the Group.
- (f) Management fees income were charged at a fixed monthly rate mutually agreed by both parties.
- (g) Rental income on leased property was charged at a prevailing market rate.
- (h) Interest income was charged on the amount due from HK Holding at a prevailing market rate.
- (i) Management fee was charged on a cost reimbursement basis.
- (j) Output films and typesetting service fees were charged at a fixed unit price per services.
- (k) Purchase of fixed assets was charged at mutually agreed prices.
- (l) HK Holding provided funds for two subsidiaries of the Company to purchase properties for the Group's use in Hong Kong in prior years. In anticipation of the listing plan and in order to widen capital base of the Group, HK Holding agreed to waive the amounts.



## (ii) Balances with related parties:

As at 31st March, 2003, 2004 and 2005, the Group had the following significant balances with related parties:

Due from a related company – trade

	As at 31st March,		
	2003 HK\$'000	2004 HK\$'000	2005 HK\$'000
Roctec Credit Limited	777	602	602

Due to a related company – non-trade

	As at 31st March,		
	2003 HK\$'000	2004 HK\$'000	2005 HK\$'000
HK Holding	88,744	71,202	11,983

Loan from a shareholder

	As at 31st March,		
	2003 HK\$'000	2004 HK\$'000	2005 HK\$'000
Mr. Fung Siu Por, Lawrence	34,686	36,005	–

## Notes:

- (i) The trade amount due from a related company is unsecured, non-interest bearing and under normal trade credit terms (Note 13).
- (ii) The amount due to a related company is unsecured with no fixed terms of repayment and is analysed as follows:

	As at 31st March,		
	2003 HK\$'000	2004 HK\$'000	2005 HK\$'000
Interest bearing (Note 25(i)(h))	10,878	–	–
Non-interest bearing	77,866	71,202	11,983
	<u>88,744</u>	<u>71,202</u>	<u>11,983</u>

Subsequent to 31st March, 2005, the Group has repaid all amount due to a related company.

- (iii) The loan from a shareholder was unsecured, non-interest bearing and not repayable within next twelve months from the balance sheet date.

## 26. Group structure

As at the date of this report, the Company held interests in the following subsidiaries.

Name	Place and date of incorporation	Issued and fully paid up share capital/ registered capital	Percentage of equity interest attributable to the Group		Principal activities and place of operation	Name of statutory auditors
			Directly	Indirectly		
Hong Kong Economic Times Group (BVI) Limited	British Virgin Islands 7th April, 2005	100,000 ordinary shares of US\$0.1 each	100%	–	Investment holding	Note (e)
Asianway (Far East) Limited	Hong Kong 28th November, 1996	100 ordinary shares of HK\$1 each	–	100%	Properties holding in Hong Kong	Note (b)&(c)
Career Times Online Limited	Hong Kong 17th April, 2000	2 ordinary shares of HK\$1 each	–	60%	Provision of online recruitment advertising services in Hong Kong	Note (a)
Cotino Limited	British Virgin Islands 13th April, 2000	10 ordinary shares of US\$1 each	–	60%	Investment holding	Note (e)
EPRC Limited	Hong Kong 22nd December, 1999	100 ordinary shares of HK\$1 each	–	100%	Provision of electronic property market database to the professional market in Hong Kong	Note (b)&(c)
ET Business College Limited	Hong Kong 18th August, 1987	10,000 ordinary shares of HK\$1 each	–	100%	Provision of training services in Hong Kong	Note (b)&(c)
ET Net Limited	Hong Kong 20th October, 1987	2 ordinary shares of HK\$1 each 10,000 and non-voting deferred shares of HK\$1 each	–	96.04%	Provision of electronic financial information services in Hong Kong	Note (a)
ET Net (BVI) Limited	British Virgin Islands 23rd March, 2000	104,123 ordinary shares of US\$1 each	–	96.04%	Investment holding	Note (e)
ET Net News Agency Limited	Hong Kong 16th May, 2001	100 ordinary shares of HK\$1 each	–	96.04%	Provision of electronic financial information services in Mainland China	Note (b)&(c)
ET Net Oneoffice Limited (formerly known as GEM Solutions Limited)	Hong Kong 28th July, 1999	10,000 ordinary shares of HK\$1 each	–	96.04%	Provision of equities and derivatives trading solutions in Hong Kong	Note (a)

**APPENDIX IA**
**ACCOUNTANTS' REPORT**

Name	Place and date of incorporation	Issued and fully paid up share capital/ registered capital	Percentage of equity interest attributable to the Group		Principal activities and place of operation	Name of statutory auditors
			Directly	Indirectly		
ET Wealth Limited (formerly known as ET Net Solutions Integrator Limited and then ET Net Solutions Limited)	Hong Kong 19th May, 2000	100 ordinary shares of HK\$1 each	–	96.04%	Provision of funds market database and solutions to the professional market in Hong Kong	Note (a)
ETVision Multimedia Limited	Hong Kong 29th March, 2000	100 ordinary shares of HK\$1 each	–	100%	Provision of multi-media production services in Hong Kong	Note (b)&(c)
Euron Limited	Hong Kong 10th January, 1997	100 ordinary shares of HK\$1 each	–	100%	Provision of printing services in Hong Kong	Note (b)&(c)
HKET China Investment (BVI) Limited	British Virgin Islands 17th March, 2004	1 ordinary share of US\$1 each	–	100%	Investment holding	Note (e)
Hong Kong Economic Times Limited	Hong Kong 9th February, 2001	100 ordinary shares of HK\$1 each	–	100%	Publication of newspapers, magazines and books in Hong Kong	Note (b)&(c)
iCareerTimes (BVI) Limited	British Virgin Islands 30th May, 2000	2 ordinary shares of US\$1 each	–	100%	Investment holding	Note (e)
Safe City Limited	Hong Kong 5th November, 1991	100 ordinary shares of HK\$1 each	–	100%	Properties holding in Hong Kong	Note (b)&(c)
環富通科技(深圳)有限公司 (“ET Wealth Technology (Shenzhen) Limited” and formerly known as 科軟通科技(深圳)有限公司 (“ET Net Solutions (Shenzhen) Limited”))	The People's Republic of China 22nd October, 2002	HK\$1,000,000 registered capital	–	96.04%	Operation of computer software research and development centre in Mainland China	Note (d)

ET Wealth Technology (Shenzhen) Limited, being a company established in the People's Republic of China, has accounting year end date falling on 31st December. All other companies comprising the Group have adopted 31st March as their financial year end date.

*Notes:*

- (a) These companies were audited by PricewaterhouseCoopers, Hong Kong, Certified Public Accountants, for the years ended 31st March, 2003, 2004 and 2005.
- (b) These companies were audited by John Wu & Co. Certified Public Accountants, for the years ended 2003 and 2004.
- (c) These companies were audited by PricewaterhouseCoopers, Hong Kong, Certified Public Accountants for the year ended 31st March, 2005.
- (d) The company was audited by 深圳君合會計師事務所 (Shenzhen Jun He Accounting Firm) for the years ended 31st December, 2002 and 2003 and by 深圳岳華會計師事務所有限公司 (Yuehua Certified Public Accountants Co. Ltd. Shenzhen) for the year ended 31st December, 2004.
- (e) These companies are not subject to any statutory audit requirements.

**27. Net assets of the Company**

The Company was incorporated on 15th February, 2005. The Company has not had any assets or liabilities since its incorporation up to 31st March, 2005.

**III SUBSEQUENT EVENTS**

The following material transactions took place subsequent to 31st March, 2005 and up to the date of this report:

- (a) The Group completed the Reorganisation in preparation for a listing of shares of the Company on the Main Board, the details of which are set out in Note 1 of Section II of this report.
- (b) In June, 2005, Career Times Online Limited declared a final dividend of HK\$3,625,000 for the year ended 31st March, 2005 prior to the completion of the Reorganisation of the Group.
- (c) iCareerTimes (BVI) Limited entered into a conditional sale and purchase agreement with Castino Limited to acquire the remaining 40% interest in Cotino Limited at a consideration equivalent to the multiple of 40% of the audited net profit of Career Times Online Limited for the year ended 31st March, 2005 and the price-earning multiple to be used in connection with the Listing. As the final price per share offered to the public for the Listing has yet to be determined and therefore the price-earning multiple remains a variable, the actual consideration can only be determined after the final offer price is determined. However, the Directors estimate that the consideration is not more than HK\$24.5 million.
- (d) Prior to the listing of shares of the Company on the Main Board, HKET Limited entered into a conditional sale and purchase agreement with HK Holding to acquire the entire interests in 深圳港經廣告傳播有限公司 (HKET Advertising (Shenzhen) Limited) at a consideration of HK\$1,000,000. HKET Advertising (Shenzhen) Limited was established on 2nd March, 2005 and its capital was injected on 24th March, 2005, and that it has not yet commenced its business up to the date of this report. HKET Advertising (Shenzhen) Limited incurred expenses of approximately HK\$614,000 for the period ended 30th June, 2005.

**IV SUBSEQUENT ACCOUNTS**

No audited accounts have been prepared for the Company or any of the companies comprising the Group in respect of any period subsequent to 31st March, 2005. In addition, except as disclosed in note (b) under section III, no dividend or distribution has been declared, made or paid by the Company or its subsidiaries in respect of any period subsequent to 31st March, 2005.

Yours faithfully  
**PricewaterhouseCoopers**  
*Certified Public Accountants*  
Hong Kong

For illustrative purpose only, the unaudited pro forma financial information prepared in accordance with Rule 4.29 of the Listing Rules, is set out here to provide information on how the Share Offer might have affected the adjusted net tangible assets of the Group as at 31st March, 2005 as if the Shares were in issue as at 31st March, 2005 (including Shares in issue as at the date of this prospectus and those Shares to be issued pursuant to the transfers of the Share Offer).

The unaudited pro forma financial information has been prepared for illustrative purposes only and because of its nature, it may not give a true picture of the financial position of the Group following the Share Offer.

#### A. UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following statement of unaudited pro forma adjusted net tangible assets of the Group is based on the audited combined net assets of the Group as at 31st March, 2005, as shown in the accountants' report, the text of which is set out in appendix IA to this prospectus and adjusted as follows:

	Audited combined net tangible assets of the Group as at 31st March, 2005 HK\$'000	Estimated net proceeds from the Share Offer (Note 1) HK\$'000	Unaudited pro forma adjusted net tangible assets (Notes 2 and 3) HK\$'000	Unaudited pro forma adjusted net tangible assets per Share (Notes 2, 3 and 4) HK\$
Based on an Offer Price of HK\$1.43 per Share . . . . .	177,468	133,001	310,469	0.75
Based on an Offer Price of HK\$1.70 per Share . . . . .	177,468	160,375	337,843	0.81

*Notes:*

1. The estimated net proceeds from the Share Offer are derived after deduction of the underwriting fees and other related expenses payable by the Company, and takes no account of any Shares which may fall to be issued pursuant to the exercise of options granted under the Share Option Scheme or of any Shares which may be issued or repurchased by the Company pursuant to the general mandates referred to in the paragraph headed "Written resolutions of the sole Shareholder passed on 19th July, 2005" in the section headed "Further information about the Company" in appendix IV to this prospectus.
2. Subsequent to 31st March, 2005, in June 2005, Career Times Online Limited, a 60% indirectly owned subsidiary of the Company, declared a final dividend of HK\$3,625,000 for the year ended 31st March, 2005. Such dividend has not been adjusted in the unaudited pro forma adjusted net tangible assets and unaudited pro forma adjusted net tangible assets per Share. 60% of the dividend would be paid to the Group while the remaining 40% would be paid to the other shareholder.
3. As at 30th April, 2005, the Group's property interests were revalued by Vigers Appraisal & Consulting Limited, an independent property valuer, and the relevant property valuation report is set out in Appendix II – Property Valuation. Pursuant to the valuation performed by Vigers Appraisal & Consulting Limited, the valuation of the Group's interests in the properties as at 30th April, 2005 amounted to approximately HK\$85,351,000. This resulted in a revaluation deficit of approximately HK\$18,156,000 when compared with the net book value of approximately HK\$103,507,000 as at 31st March, 2005. The above adjustment does not take into account the deficit arising from revaluation of the Group's property interests. Such revaluation deficit has not been included in the Group's combined accounts for the year ended 31st March, 2005.
4. The unaudited pro forma adjusted net tangible asset value per Share is arrived at after the adjustments referred to in the preceding paragraph and on the basis that 416,000,000 Shares are in issue and that the Over-allotment Option is not exercised.

**B. LETTER FROM THE REPORTING ACCOUNTANTS ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION RELATING TO THE ADJUSTED NET TANGIBLE ASSETS**

The following is the text of a report received from the reporting accountants, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong for the purpose of incorporation in this prospectus. As there is no specific guidance on the reporting on pro forma financial information under the Auditing Guidelines issued by the Hong Kong Institute of Certified Public Accountants, this report is prepared with reference to the Statements of Investment Circular Reporting Standards and Bulletin 1998/8 "Reporting on pro forma financial information pursuant to the Listing Rules" issued by the Auditing Practices Board in United Kingdom.



羅兵咸永道會計師事務所

PricewaterhouseCoopers  
22nd Floor, Prince's Building  
Central, Hong Kong

22nd July, 2005

The Directors  
Hong Kong Economic Times Holdings Limited

Dear Sirs,

We report on the unaudited pro forma financial information of Hong Kong Economic Times Holdings Limited (the "Company") and its subsidiaries (hereinafter referred to as the "Group") set out on page 216 under the headings of unaudited pro forma net tangible assets in Appendix IB to the Company's prospectus dated 22nd July, 2005 in connection with the placing and public offer of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited. The unaudited pro forma financial information has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the placing and public offer might have affected the relevant financial information of the Group as at 31st March, 2005.

**Responsibilities**

It is the responsibility solely of the directors of the Company to prepare the pro forma financial information in accordance with paragraph 21 of Appendix 1A and paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

It is our responsibility to form an opinion, as required by paragraph 4.29 of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any report previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

**Basis of opinion**

We conducted our work with reference to the Statements of Investment Circular Reporting Standards and Bulletin 1998/8 “Reporting on pro forma financial information pursuant to the Listing Rules” issued by the Auditing Practice Board in the United Kingdom, where applicable. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company.

Our work does not constitute an audit or review in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants, and accordingly, we do not express any such assurance on the unaudited pro forma financial information.

The unaudited pro forma financial information has been prepared on the bases set out on page 216 for illustrative purpose only and, because of its nature, it may not be indicative of the financial position of the Group at any future date.

**Opinion**

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29 of the Listing Rules.

Yours faithfully  
**PricewaterhouseCoopers**  
*Certified Public Accountants*  
Hong Kong

*The following is the text of a letter, a summary of valuation and valuation certificates, prepared for the purpose of incorporation in this prospectus of the Group dated 22nd July, 2005 received from Vigers Appraisal & Consulting Limited, an independent property valuer, in connection with its valuation as at 30th April, 2005.*

**Vigers Appraisal & Consulting Limited**  
**International Asset Appraisal Consultants**  
10th Floor, The Grande Building  
398 Kwun Tong Road  
Kowloon  
Hong Kong



22nd July, 2005

The Directors  
Hong Kong Economic Times Holdings Limited  
6th Floor, Kodak House II  
321 Java Road  
North Point  
Hong Kong

Dear Sirs,

In accordance with your instructions for us to value the property interests of Hong Kong Economic Times Holdings Limited (the "Company") and its subsidiaries (together referred to as the "Group") in the Hong Kong Special Administrative Region of the People's Republic of China ("Hong Kong") and the Mainland China, we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of such property interests as at 30th April, 2005.

Our valuation is our opinion of the market value of the property interest which we would define to mean – "the estimated amount for which a Property should exchange on the date of Valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

In valuing the property interests in Group I, we have arrived at the existing use value on "as is" basis of the subject properties by adopting the direct comparison approach making reference to the recent transactions for similar premises in the proximity. Adjustments have been made for the differences in transaction dates, size, floor level, age and accessibility, etc.

The properties in Groups II and III have no commercial value due to their short-term nature, prohibition against transfer, subletting or otherwise due to lack of substantial profit rent.

Our valuation has been made on the assumption that the owner sells the property interests on the open market in its existing state without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to increase the value of the property interests.

We have been provided with extracts from title documents relating to such property interests. For properties located in Hong Kong, we have caused searches to be made at the relevant Land Registry and in some instances, we have been provided with copies of title documents relating to those properties. We have not, however, searched the original documents to verify ownership or existence of any amendment which does not appear on the copies handed to us. All documents and leases have been used for reference only. All dimensions, measurements and areas are approximations.



In valuing properties situated in Hong Kong and held under the government leases which will be expired before 30th June, 2047, we have taken into account of the statement contained in the Annex III of the Joint Declaration of the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the People's Republic of China on the question of Hong Kong and the New Territories Leases (Extension) Ordinance 1988 that such leases would have been extended without payment of premium until 30th June, 2047 and that an annual rent of three percent of the rateable value of the properties would be charged from the date of extension.

We have relied to a very considerable extent on the information provided by the Company and have accepted advice given to us on such matters as planning approvals, statutory notices, easements, tenure, particulars of occupancy, lettings and floor areas, the identification of those properties in which the Company has valid interests and all other relevant matters. All dimensions, measurements and areas included in the valuation certificates are based on information contained in copies of documents provided to us and therefore only approximations.

In undertaking our valuation for property interests in Group III, we have relied on the legal opinion provided by the Group's PRC legal adviser (the "PRC Legal Opinion").

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out a structural survey nor have we inspected woodwork or other parts of the structures which are covered, unexposed or inaccessible and we are therefore unable to report that any such parts of the property interests are free from defect.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property interests nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

In valuing the property interests, we have complied with all the requirements set out in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited. In addition, our valuations are prepared in accordance with the Hong Kong Guidance Notes on "the Valuation of Property Assets (5 Edition May 2003)" published by the Royal Institution of Chartered Surveyors (RICS) and the Valuation Standards (First Edition 2005) on Properties published by the Hong Kong Institute of Surveyors (HKIS).

Unless otherwise stated, all money amounts stated are in Hong Kong Dollars. The exchange rate used in valuing the property interests in the Mainland China on 30th April, 2005 was HK\$1 = RMB1.06. The exchange rate used in conversion of US dollars into Hong Kong dollars is based on the approximate exchange rate of US\$1 = HK\$7.80. There has been no significant fluctuation in exchange rates between the above currencies between that date and the date of this letter.

We enclose herewith a summary of valuation and valuation certificates.

Yours faithfully,  
For and on behalf of  
**Vigers Appraisal & Consulting Limited**  
**Raymond, Ho Kai Kwong**  
*Registered Professional Surveyor*  
MRICS, MHKIS, MSc (e-com)  
*Executive Director*

*Note:* Raymond Ho Kai Kwong, Chartered Surveyor, MRICS, MHKIS, MSc (e-com) has over eighteen years' experience in undertaking valuations of properties in Hong Kong, Macau and has over eleven years' experience in valuing properties in the Mainland China.

## SUMMARY OF VALUATION

Property	Market value in existing state as at 30th April, 2005	Interest attributable to the Group	Market value in existing state attributable to the Group as at 30th April, 2005
<b>Group I – Property interests owned by the Group in Hong Kong</b>			
1. Workshops No. 1, No. 2 (including Store Room), No. 3 and No. 4 on 5th Floor, Kodak House II, No. 39 Healthy Street East, North Point, Hong Kong.	HK\$21,300,000	100%	HK\$21,300,000
2. Workshops No. 1, No. 2 (including Store Room), No. 3 and No. 4 on 6th Floor, Kodak House II, No. 39 Healthy Street East, North Point, Hong Kong.	HK\$21,100,000	100%	HK\$21,100,000
3. Workshop No. 8 on 8th Floor, Kodak House II, No. 39 Healthy Street East, North Point, Hong Kong.	HK\$12,600,000	100%	HK\$12,600,000
4. Workshop No. 1 on 15th Floor, Kodak House II, No. 39 Healthy Street East, North Point, Hong Kong.	HK\$6,300,000	96.04%	HK\$6,050,500
5. Factories A, B and Flat Roof, C and D on 2nd Floor, Tai Ping Industrial Centre Block 1, No. 57 Ting Kok Road, Tai Po, New Territories, Hong Kong.	HK\$14,100,000	100%	HK\$14,100,000
6. Factory A on 3rd Floor and Car Parking Space 33 on 1st Floor, Tai Ping Industrial Centre Block 1, No. 57 Ting Kok Road, Tai Po, New Territories, Hong Kong.	HK\$3,500,000	100%	HK\$3,500,000

Property	Market value in existing state as at 30th April, 2005	Interest attributable to the Group	Market value in existing state attributable to the Group as at 30th April, 2005
7. Factory B on 3rd Floor and Car Parking Space 43 on 1st Floor, Tai Ping Industrial Centre Block 1, No. 57 Ting Kok Road, Tai Po, New Territories, Hong Kong.	HK\$3,500,000	100%	HK\$3,500,000
8. Factory D on 3rd Floor and Car Parking Space 83 on 1st Floor, Tai Ping Industrial Centre Block 1, No. 57 Ting Kok Road, Tai Po, New Territories, Hong Kong.	HK\$3,200,000	100%	HK\$3,200,000
<b>Sub-total:</b>	<b>HK\$85,600,000</b>		<b>HK\$85,350,500</b>

Property	Market value in existing state as at 30th April, 2005	Market value in existing state attributable to the Group as at 30th April, 2005
<b>Group II – Property interests rented by the Group in Hong Kong</b>		
9. Workshop No. 1 on 7th Floor, Kodak House II, No. 39 Healthy Street East, North Point, Hong Kong.	No commercial value	No commercial value
10. Workshop No. 2 (including Store Room), Workshops No. 3 and No. 4 on 7th Floor, Kodak House II, No. 39 Healthy Street East, North Point, Hong Kong.	No commercial value	No commercial value
11. Workshop No. 1 on 8th Floor, Kodak House II, No. 39 Healthy Street East, North Point, Hong Kong.	No commercial value	No commercial value

**APPENDIX II****PROPERTY VALUATION**

<b>Property</b>	<b>Market value in existing state as at 30th April, 2005</b>	<b>Market value in existing state attributable to the Group as at 30th April, 2005</b>
12. Workshops No. 2, No. 3 and No. 4 (including Store Room) on 8th Floor, Kodak House II, No. 39 Healthy Street East, North Point, Hong Kong.	No commercial value	No commercial value
13. Workshop No. 5 on 8th Floor, Kodak House II, No. 39 Healthy Street East, North Point, Hong Kong.	No commercial value	No commercial value
14. Workshop No. 6 on 8th Floor, Kodak House II, No. 39 Healthy Street East, North Point, Hong Kong.	No commercial value	No commercial value
15. Workshop No. 7 on 8th Floor, Kodak House II, No. 39 Healthy Street East, North Point, Hong Kong.	No commercial value	No commercial value
16. Workshop No. 9 on 8th Floor, Kodak House II, No. 39 Healthy Street East, North Point, Hong Kong.	No commercial value	No commercial value
17. Workshop No. 10 on 8th Floor, Kodak House II, No. 39 Healthy Street East, North Point, Hong Kong.	No commercial value	No commercial value
18. Workshops No. 5, No. 6, No. 7 (including Store Room), No. 8 and No. 9 on 15th Floor, Kodak House II, No. 39 Healthy Street East, North Point, Hong Kong.	No commercial value	No commercial value
19. Factory C on 3rd Floor, Tai Ping Industrial Centre Block 1, No. 57 Ting Kok Road, Tai Po, New Territories, Hong Kong.	No commercial value	No commercial value
	<hr/>	<hr/>
<b>Sub-total:</b>	<b>Nil</b>	<b>Nil</b>

Property	Market value in existing state as at 30th April, 2005	Market value in existing state attributable to the Group as at 30th April, 2005
<b>Group III – Property interests rented by the Group in the Mainland China</b>		
20. Portion of Units 06, 07, Level 23 Jin Tai Da Sha, No. 1 Xi Ba He Nan Lu, Chaoyang District, Beijing, the PRC	No commercial value	No commercial value
21. Warehouse K09A, Basement 1, Jin Tai Da Sha, No. 1 Xi Ba He Nan Lu, Chaoyang District, Beijing, the PRC	No commercial value	No commercial value
22. Unit 512, Level 5, Zhong Fu Da Sha, No. 99 Jian Guo Lu, Chaoyang District, Beijing, the PRC	No commercial value	No commercial value
23. Unit 05, Level 13, Block A, Dian Zi Ke Ji Da Sha, No. 2070 Shen Nan Zhong Lu, Futian District, Shenzhen, the PRC	No commercial value	No commercial value
24. Unit 06, Level 13, Block A, Dian Zi Ke Ji Da Sha, No. 2070 Shen Nan Zhong Lu, Futian District, Shenzhen, the PRC	No commercial value	No commercial value
<b>Sub-total:</b>	<b>Nil</b>	<b>Nil</b>
<b>Grant-total:</b>	<b>HK\$85,600,000</b>	<b>HK\$85,350,500</b>

## VALUATION CERTIFICATE

## Group I – Property interests owned by the Group in Hong Kong

Property	Description and Tenure	Particulars of occupancy	Market value in existing state as at 30th April, 2005
1. Workshops No. 1, No. 2 (including Store Room), No. 3 and No. 4 on 5th Floor, Kodak House II, No. 39 Healthy Street East, North Point, Hong Kong.	The property comprises four units on 5th Floor of a 27-storey industrial building completed in or about 1992.  The property has a total saleable area of approximately 10,259 sq.ft. (953.08 sq.m.).  The property is held under a Government Lease for a term of 999 years commencing from 25th December, 1869 at an annual rent of HK\$2,636 for the lot.	The property is at present occupied by the Group for editorial and multimedia production purposes.	HK\$21,300,000  Interest attributable to the Group: 100%  Market value in existing state attributable to the Group as at 30th April, 2005: HK\$21,300,000
1,665/100,000th equal undivided shares of and in The Remaining Portion of Marine Lot No. 705 and the Extension thereto.			

*Notes:*

1. The registered owner of the property is Safe City Limited (in which the Company indirectly holds 100% interest).
2. The property is subject to a mortgage vide Memorial No. UB5579107 dated 30th January, 1993 to secure general banking facilities in favour of The Hongkong and Shanghai Banking Corporation Limited.
3. The property is not subject to any other material encumbrances.

Property	Description and Tenure	Particulars of occupancy	Market value in existing state as at 30th April, 2005
2. Workshops No. 1, No. 2 (including Store Room), No. 3 and No. 4 on 6th Floor, Kodak House II, No. 39 Healthy Street East, North Point, Hong Kong.  1,665/100,000th equal undivided shares of and in The Remaining Portion of Marine Lot No. 705 and the Extension thereto.	The property comprises four units on 6th Floor of a 27-storey industrial building completed in or about 1992.  The property has a total saleable area of approximately 10,201 sq.ft. (947.70 sq.m.).  The property is held under a Government Lease for a term of 999 years commencing from 25th December, 1869 at an annual rent of HK\$2,636 for the lot.	The property is at present occupied by the Group for editorial and typesetting purposes.	HK\$21,100,000  Interest attributable to the Group: 100%  Market value in existing state attributable to the Group as at 30th April, 2005: HK\$21,100,000

*Notes:*

1. The registered owner of the property is Safe City Limited (in which the Company indirectly holds 100% interest).
2. The property is subject to a mortgage vide Memorial No. UB5579107 dated 30th January, 1993 to secure general banking facilities in favour of The Hongkong and Shanghai Banking Corporation Limited.
3. The property is not subject to any other material encumbrances.

Property	Description and Tenure	Particulars of occupancy	Market value in existing state as at 30th April, 2005
3. Workshop No. 8 on 8th Floor, Kodak House II, No. 39 Healthy Street East, North Point, Hong Kong.	The property comprises a unit on 8th Floor of a 27-storey industrial building completed in or about 1992.	The property is at present occupied by the Group for circulation and storage purposes.	HK\$12,600,000
1,071/100,000th equal undivided shares of and in The Remaining Portion of Marine Lot No. 705 and the Extension thereto.	The property has a saleable area of approximately 5,996 sq.ft. (557.04 sq.m.).		Interest attributable to the Group: 100%
	The property is held under a Government Lease for a term of 999 years commencing from 25th December, 1869 at an annual rent of HK\$2,636 for the lot.		Market value in existing state attributable to the Group as at 30th April, 2005: HK\$12,600,000

*Notes:*

1. The registered owner of the property is Safe City Limited (in which the Company indirectly holds 100% interest).
2. The property is subject to a mortgage vide Memorial No. UB8563358 dated 29th November, 2001 to secure general banking facilities in favour of The Hongkong and Shanghai Banking Corporation Limited.
3. The property is not subject to any other material encumbrances.



Property	Description and Tenure	Particulars of occupancy	Market value in existing state as at 30th April, 2005
4. Workshop No. 1 on 15th Floor, Kodak House II, No. 39 Healthy Street East, North Point, Hong Kong.	The property comprises a unit on 15th Floor of a 27-storey industrial building completed in or about 1992.	The property is at present occupied by the Group for electronic information production and IT research and development purposes.	HK\$6,300,000 Interest attributable to the Group: 96.04%
503/100,000th equal undivided shares of and in The Remaining Portion of Marine Lot No. 705 and the Extension thereto.	The property has a saleable area of approximately 2,868 sq.ft. (266.44 sq.m.).  The property is held under a Government Lease for a term of 999 years commencing from 25th December, 1869 at an annual rent of HK\$2,636 for the lot.		Market value in existing state attributable to the Group as at 30th April, 2005: HK\$6,050,500

*Notes:*

1. The registered owner of the property is ET Net Limited (in which the Company indirectly holds 96.04% interest) under an assignment dated 21st June, 2000 for a consideration of HK\$7,400,000.
2. The property is not subject to any mortgage nor other material encumbrances.

Property	Description and Tenure	Particulars of occupancy	Market value in existing state as at 30th April, 2005
5. Factories A, B and Flat Roof, C and D on 2nd Floor, Tai Ping Industrial Centre Block 1, No. 57 Ting Kok Road, Tai Po, New Territories, Hong Kong.	<p>The property comprises four units on 2nd Floor of a 26-storey industrial building completed in or about 1982.</p> <p>The property has a total gross floor area of approximately 41,570 sq.ft. (3,861.95 sq.m.) and a flat roof of 11,847 sq.ft. (1,100.61 sq.m.).</p>	The property is at present occupied by the Group for printing, production workshop and storage purposes.	<p>HK\$14,100,000</p> <p>Interest attributable to the Group: 100%</p> <p>Market value in existing state attributable to the Group as at 30th April, 2005: HK\$14,100,000</p>
816/12,702nd equal undivided shares of and in The Remaining Portion of Lot No. 1637 in D.D.11.	The property is held under a New Grant No. 9052 for a term commencing from 1st July, 1898 and expiring on 30th June, 2047 at an annual rent equal to 3% of the rateable value of the property.		

*Notes:*

1. The registered owner of the property is Asianway (Far East) Limited (in which the Company indirectly holds 100% interest).
2. The property is subject to a mortgage vide Memorial No. TP676920 dated 29th November, 2001 to secure general banking facilities in favour of The Hongkong and Shanghai Banking Corporation Limited.
3. The property is not subject to any other material encumbrances.

Property	Description and Tenure	Particulars of occupancy	Market value in existing state as at 30th April, 2005
6. Factory A on 3rd Floor and Car Parking Space 33 on 1st Floor, Tai Ping Industrial Centre Block 1, No. 57 Ting Kok Road, Tai Po, New Territories, Hong Kong.	The property comprises a unit on 3rd Floor and a car parking space on 1st Floor of a 26-storey industrial building completed in or about 1982.	The property is at present occupied by the Group for printing and production workshop purposes.	HK\$3,500,000 Interest attributable to the Group: 100%
135/12,702nd equal undivided shares of and in The Remaining Portion of Lot No. 1637 in D.D.11.	The property (excluding car parking space) has a gross floor area of approximately 10,790 sq.ft. (1,002.42 sq.m.).  The property is held under a New Grant No. 9052 for a term commencing from 1st July, 1898 and expiring on 30th June, 2047 at an annual rent equal to 3% of the rateable value of the property.		Market value in existing state attributable to the Group as at 30th April, 2005: HK\$3,500,000

*Notes:*

1. The registered owner of the property is Asianway (Far East) Limited (in which the Company indirectly holds 100% interest) under an assignment dated 15th December, 2004 for a consideration of HK\$3,380,000.
2. The property is subject to a mortgage vide Memorial No. TP738289 dated 13th January, 2005 to secure general banking facilities in favour of The Hongkong and Shanghai Banking Corporation Limited.
3. The property is not subject to any other material encumbrances.

Property	Description and Tenure	Particulars of occupancy	Market value in existing state as at 30th April, 2005
7. Factory B on 3rd Floor and Car Parking Space 43 on 1st Floor, Tai Ping Industrial Centre Block 1, No. 57 Ting Kok Road, Tai Po, New Territories, Hong Kong.	The property comprises a unit on 3rd Floor and a car parking space on 1st Floor of a 26-storey industrial building completed in or about 1982.	The property is at present occupied by the Group for printing and production workshop purposes.	HK\$3,500,000 Interest attributable to the Group: 100%
135/12,702nd equal undivided shares of and in The Remaining Portion of Lot No. 1637 in D.D.11.	The property (excluding car parking space) has a gross floor area of approximately 10,790 sq.ft. (1,002.42 sq.m.).  The property is held under a New Grant No. 9052 for a term commencing from 1st July, 1898 and expiring on 30th June, 2047 at an annual rent equal to 3% of the rateable value of the property.		Market value in existing state attributable to the Group as at 30th April, 2005: HK\$3,500,000

*Notes:*

1. The registered owner of the property is Asianway (Far East) Limited (in which the Company indirectly holds 100% interest) under an assignment dated 15th December, 2004 for a consideration of HK\$3,380,000.
2. The property is subject to a mortgage vide Memorial No. TP738290 dated 13th January, 2005 to secure general banking facilities in favour of The Hongkong and Shanghai Banking Corporation Limited.
3. The property is not subject to any other material encumbrances.

Property	Description and Tenure	Particulars of occupancy	Market value in existing state as at 30th April, 2005
8. Factory D on 3rd Floor and Car Parking Space 83 on 1st Floor, Tai Ping Industrial Centre Block 1, No. 57 Ting Kok Road, Tai Po, New Territories, Hong Kong.	<p>The property comprises a unit on 3rd Floor and a car parking space on 1st Floor of a 26-storey industrial building completed in or about 1982.</p> <p>The property (excluding car parking space) has a gross floor area of approximately 9,995 sq.ft. (928.56 sq.m.).</p>	The property is at present occupied by the Group for printing, production workshop and ancillary office purposes.	<p>HK\$3,200,000</p> <p>Interest attributable to the Group: 100%</p> <p>Market value in existing state attributable to the Group as at 30th April, 2005: HK\$3,200,000</p>
125/12,702nd equal undivided shares of and in The Remaining Portion of Lot No. 1637 in D.D.11.	The property is held under a New Grant No. 9052 for a term commencing from 1st July, 1898 and expiring on 30th June, 2047 at an annual rent equal to 3% of the rateable value of the property.		

*Notes:*

1. The registered owner of the property is Asianway (Far East) Limited (in which the Company indirectly holds 100% interest) under an assignment dated 30th September, 2004 for a consideration of HK\$3,080,000.
2. The property is subject to a mortgage vide Memorial No. TP738291 dated 13th January, 2005 to secure general banking facilities in favour of The Hongkong and Shanghai Banking Corporation Limited.
3. The property is not subject to any other material encumbrances.

## Group II – Property interests rented by the Group in Hong Kong

	<b>Property</b>	<b>Description and Tenure</b>	<b>Particulars of occupancy</b>	<b>Market value in existing state as at 30th April, 2005</b>
9.	Workshop No. 1 on 7th Floor, Kodak House II, No. 39 Healthy Street East, North Point, Hong Kong.	<p>The property comprises a unit on 7th Floor of a 27-storey industrial building completed in or about 1992.</p> <p>The property has a saleable area of approximately 2,968 sq.ft. (275.73 sq.m.).</p>	<p>The property is rented to the Group from an independent third party for a term commencing from 10th April, 2005 and expiring on 9th April, 2007 at a monthly rent of HK\$41,630 (exclusive of rates and management fee) with an option of renewal for a further term of 1 year at the same rent.</p> <p>The property is at present occupied by the Group for editorial purpose.</p>	No commercial value

*Notes:*

1. The registered owner of the property is Roctec Systems Limited.
2. The landlord, Roctec Systems Limited, is an independent third party which is not connected with and is independent of, any of the directors, chief executives or shareholders of the Company or of any of its subsidiaries, or any of their respective associates.
3. The tenant is Hong Kong Economic Times Limited in which the Company indirectly holds 100% interest.
4. The property is subject to a legal charge vide Memorial No. UB5579427 dated 30th January, 1993 and a second mortgage vide Memorial No. UB8060438 dated 31st March, 2000 to secure general banking facilities in favour of Sin Hua Bank Limited (now Bank of China (Hong Kong) Limited).
5. The property is not subject to any other material encumbrances.

	<b>Property</b>	<b>Description and Tenure</b>	<b>Particulars of occupancy</b>	<b>Market value in existing state as at 30th April, 2005</b>
10.	Workshop No. 2 (including Store Room), Workshops No. 3 and No. 4 on 7th Floor, Kodak House II, No. 39 Healthy Street East, North Point, Hong Kong.	<p>The property comprises three units on 7th Floor of a 27-storey industrial building completed in or about 1992.</p> <p>The property has a total saleable area of approximately 7,233 sq.ft. (671.96 sq.m.).</p>	<p>The property is rented to the Group from a connected party for a term commencing from 1st April, 2005 and expiring on 31st March, 2007 at a monthly rent of HK\$86,998 (exclusive of rates and management fee) with an option of renewal for a further term of 1 year at market rent.</p> <p>The property is at present occupied by the Group for editorial general office associated to media and publishing purposes.</p>	No commercial value

*Notes:*

1. The registered owner of the property is Charm Data Limited.
2. The landlord, Charm Data Limited, is a connected party with the tenant, Hong Kong Economic Times Limited (in which the Company indirectly holds 100% interest).
3. The property is subject to a legal charge vide Memorial No. UB5581095 dated 29th January, 1993, a second legal charge vide Memorial No. UB7565045 dated 2nd September, 1998 and a third legal charge vide Memorial No. UB8060436 dated 31st March, 2000 to secure general banking facilities in favour of Sin Hua Bank Limited (now Bank of China (Hong Kong) Limited).
4. The property is not subject to any other material encumbrances.

Property	Description and Tenure	Particulars of occupancy	Market value in existing state as at 30th April, 2005
11. Workshop No. 1 on 8th Floor, Kodak House II, No. 39 Healthy Street East, North Point, Hong Kong.	The property comprises a unit on 8th Floor of a 27-storey industrial building completed in or about 1992.  The property has a saleable area of approximately 1,345 sq.ft. (124.95 sq.m.).	The property is rented to the Group from a connected party for a term commencing from 1st April, 2005 and expiring on 31st March, 2007 at a monthly rent of HK\$14,782 (exclusive of rates and management fee) with an option of renewal for a further term of 1 year at market rent.  The property is at present occupied by the Group for art and design and general office associated to media and publishing purposes.	No commercial value

*Notes:*

1. The registered owner of the property is Charm Data Limited.
2. The landlord, Charm Data Limited, is a connected party with the tenant, Hong Kong Economic Times Limited (in which the Company indirectly holds 100% interest).
3. The property is not subject to any mortgage nor other material encumbrances.



	<b>Property</b>	<b>Description and Tenure</b>	<b>Particulars of occupancy</b>	<b>Market value in existing state as at 30th April, 2005</b>
12.	Workshops No. 2, No. 3 and No. 4 (including Store Room) on 8th Floor, Kodak House II, No. 39 Healthy Street East, North Point, Hong Kong.	<p>The property comprises three units on 8th Floor of a 27-storey industrial building completed in or about 1992.</p> <p>The property has a total saleable area of approximately 4,390 sq.ft. (407.84 sq.m.).</p>	<p>The property is rented to the Group from a connected party for a term commencing from 1st April, 2005 and expiring on 31st March, 2007 at a monthly rent of HK\$52,726 (exclusive of rates and management fee) with an option of renewal for a further term of 1 year at market rent.</p> <p>The property is at present occupied by the Group for editorial, design and artwork, electronic recruitment newspaper production/pre-press purposes.</p>	No commercial value

*Notes:*

1. The registered owner of the property is Charm Data Limited.
2. The landlord, Charm Data Limited, is a connected party with the tenant, Hong Kong Economic Times Limited (in which the Company indirectly holds 100% interest).
3. The property is subject to a mortgage vide Memorial No. UB8142405 dated 30th June, 2000 to secure general banking facilities in favour of First Pacific Bank Limited (now The Bank of East Asia Limited).
4. The property is not subject to any other material encumbrances.

	Property	Description and Tenure	Particulars of occupancy	Market value in existing state as at 30th April, 2005
13.	Workshop No. 5 on 8th Floor, Kodak House II, No. 39 Healthy Street East, North Point, Hong Kong.	The property comprises a unit on 8th Floor of a 27-storey industrial building completed in or about 1992.  The property has a saleable area of approximately 1,469 sq.ft. (136.47 sq.m.).	The property is rented to the Group from a connected party for a term commencing from 1st April, 2005 and expiring on 9th January, 2006 at a monthly rent of HK\$30,825 (exclusive of rates and management fee) with an option of renewal to 30th March, 2008 subject to the renewal of the headlease between the registered owner of the property and Hong Kong Economic Times (Holding) Limited.  The property is at present occupied by the Group for editorial, design and artwork, electronic recruitment newspaper production and IT support purposes.	No commercial value

*Notes:*

1. The registered owner of the property is De Hua Materials Testing Company Limited.
2. The registered owner is an independent third party which is not connected with and is independent of, any of the directors, chief executives or shareholders of the Company or of any of its subsidiaries, or any of their respective associates.
3. The property is rented from the registered owner to Hong Kong Economic Times (Holding) Limited for a term of 5 years commencing from 11th January, 2001 at a monthly rent of HK\$30,825 (exclusive of rates and management fee).
4. Hong Kong Economic Times (Holding) Limited, a connected party, sub-leases the property to Hong Kong Economic Times Limited (in which the Company indirectly holds 100% interest) for a term commencing from 1st April, 2005 to 9th January, 2006 at a monthly rent of HK\$30,825 (exclusive of rates and management fee).
5. The property is subject to a charge vide Memorial No. UB6694025 dated 6th July, 1996 in favour of The Kwangtung Provincial Bank (now Bank of China (Hong Kong) Limited).
6. The property is not subject to any other material encumbrances.

	Property	Description and Tenure	Particulars of occupancy	Market value in existing state as at 30th April, 2005
14.	Workshop No. 6 on 8th Floor, Kodak House II, No. 39 Healthy Street East, North Point, Hong Kong.	The property comprises a unit on 8th Floor of a 27-storey industrial building completed in or about 1992.  The property has a saleable area of approximately 1,038 sq.ft. (96.43 sq.m.).	The property is rented to the Group from an independent third party for a term of 2 years commencing from 6th March, 2005 and expiring on 5th March, 2007 at a monthly rent of HK\$14,430 (exclusive of rates, government rent, management fee and other outgoings).  The property is at present occupied by the Group for IT and workshop purposes.	No commercial value

*Notes:*

1. The registered owner of the property is Nixon Cleaning Company Limited.
2. The registered owner is an independent third party which is not connected with and is independent of, any of the directors, chief executives or shareholders of the Company or of any of its subsidiaries, or any of their respective associates.
3. The tenant is Hong Kong Economic Times Limited in which the Company indirectly holds 100% interest.
4. The property is not subject to any mortgage nor other material encumbrances.

	Property	Description and Tenure	Particulars of occupancy	Market value in existing state as at 30th April, 2005
15.	Workshop No. 7 on 8th Floor, Kodak House II, No. 39 Healthy Street East, North Point, Hong Kong.	The property comprises a unit on 8th Floor of a 27-storey industrial building completed in or about 1992.  The property has a saleable area of approximately 1,505 sq.ft. (139.82 sq.m.).	The property is rented to the Group from a connected party for a term commencing from 1st April, 2005 and expiring on 31st March, 2007 at a monthly rent of HK\$18,190 (exclusive of rates and management fee) with an option of renewal for a further term of 1 year at market rent.  The property is at present occupied by the Group for IT and storage purposes.	No commercial value

*Notes:*

1. The registered owner of the property is Charm Data Limited.
2. The landlord, Charm Data Limited, is a connected party with the tenant, Hong Kong Economic Times Limited (in which the Company indirectly holds 100% interest).
3. The property is subject to a mortgage vide Memorial No. UB8108636 dated 25th May, 2000 to secure general banking facilities in favour of First Pacific Bank Limited (now The Bank of East Asia Limited).
4. The property is not subject to any other material encumbrances.

	Property	Description and Tenure	Particulars of occupancy	Market value in existing state as at 30th April, 2005
16.	Workshop No. 9 on 8th Floor, Kodak House II, No. 39 Healthy Street East, North Point, Hong Kong.	The property comprises a unit on 8th Floor of a 27-storey industrial building completed in or about 1992.  The property has a saleable area of approximately 2,540 sq.ft. (235.97 sq.m.).	The property is rented to the Group from a connected party for a term commencing from 1st April, 2005 and expiring on 31st March, 2007 at a monthly rent of HK\$30,617 (exclusive of rates and management fee) with an option of renewal for a further term of 1 year at market rent.  The property is at present occupied by the Group for editorial, design and artwork of below-the-line advertising purposes.	No commercial value

*Notes:*

1. The registered owner of the property is Charm Data Limited.
2. The landlord, Charm Data Limited, is a connected party with the tenant, Hong Kong Economic Times Limited (in which the Company indirectly holds 100% interest).
3. The property is subject to a legal charge vide Memorial No. UB7204631 dated 7th July, 1997 to secure general banking facilities in favour of The China State Bank Limited (now Bank of China (Hong Kong) Limited).
4. The property is not subject to any other material encumbrances.

	Property	Description and Tenure	Particulars of occupancy	Market value in existing state as at 30th April, 2005
17.	Workshop No. 10 on 8th Floor, Kodak House II, No. 39 Healthy Street East, North Point, Hong Kong.	The property comprises a unit on 8th Floor of a 27-storey industrial building completed in or about 1992.  The property has a saleable area of approximately 2,836 sq.ft. (263.47 sq.m.).	The property is rented to the Group from a connected party for a term commencing from 1st April, 2005 and expiring on 31st March, 2007 at a monthly rent of HK\$34,468 (exclusive of rates and management fee) with an option of renewal for a further term of 1 year at market rent.  The property is at present occupied by the Group for general office associated to media and publishing purposes.	No commercial value

*Notes:*

1. The registered owner of the property is Charm Data Limited.
2. The landlord, Charm Data Limited, is a connected party with the tenant, Hong Kong Economic Times Limited (in which the Company indirectly holds 100% interest).
3. The property is subject to a legal charge vide Memorial No. UB7231862 dated 31st July, 1997 to secure general banking facilities in favour of The China State Bank Limited (now Bank of China (Hong Kong) Limited).
4. The property is not subject to any other material encumbrances.

	<b>Property</b>	<b>Description and Tenure</b>	<b>Particulars of occupancy</b>	<b>Market value in existing state as at 30th April, 2005</b>
18.	Workshops No. 5, No. 6, No. 7 (including Store Room), No. 8 and No. 9 on 15th Floor, Kodak House II, No. 39 Healthy Street East, North Point, Hong Kong.	<p>The property comprises five units on 15th Floor of a 27-storey industrial building completed in or about 1992.</p> <p>The property has a total saleable area of approximately 15,149 sq.ft. (1,407.38 sq.m.).</p>	<p>The property is rented to the Group from a connected party for a term commencing from 1st April, 2005 and expiring on 31st March, 2007 at a monthly rent of HK\$174,310 (exclusive of rates and management fee) with an option of renewal for a further term of 1 year at market rent.</p> <p>The property is at present occupied by the Group for electronic information production, IT research and development, data centre and computer centre purposes.</p>	No commercial value

*Notes:*

1. The registered owner of the property is Honley Limited.
2. The landlord, Honley Limited, is a connected party with the tenant, ET Net Limited (in which the Company indirectly holds 96.04% interest).
3. The property is subject to a mortgage vide Memorial No. UB7927606 dated 15th November, 1999 to secure general banking facilities in favour of The Hongkong and Shanghai Banking Corporation Limited.
4. The property is not subject to any other material encumbrances.

	Property	Description and Tenure	Particulars of occupancy	Market value in existing state as at 30th April, 2005
19.	Factory C on 3rd Floor, Tai Ping Industrial Centre Block 1, No. 57 Ting Kok Road, Tai Po, New Territories, Hong Kong.	The property comprises a unit on 3rd Floor of a 26-storey industrial building completed in or about 1982.  The property has a gross floor area of approximately 9,995 sq.ft. (928.56 sq.m.).	The property is rented to the Group from an independent third party for a term of 4 years commencing from 1st October, 2004 at a monthly rent of HK\$24,000 (exclusive of government rent, rates, management fees and repair fund and other outgoings) with an option to renew for a further term of 2 years at the then current open market rent. There is a rent free period from 1st October, 2004 to 31st October, 2004.  The property is at present occupied by the Group for printing and storage purposes.	No commercial value

*Notes:*

1. The registered owner of the property is Chow Yin Ling.
2. The landlord, Chow Yin Ling, is an independent third party which is not connected with and is independent of, any of the directors, chief executives or shareholders of the Company or of any of its subsidiaries, or any of their respective associates.
3. The tenant is Euron Limited in which the Company indirectly holds 100% interest.
4. The property is not subject to any mortgage nor other material encumbrances.



## Group III – Property interests rented by the Group in the Mainland China

Property	Description and Tenure	Particulars of occupancy	Market value in existing state as at 30th April, 2005
20. Portion of Units 06, 07, Level 23 Jin Tai Da Sha, No. 1 Xi Ba He Nan Lu, Chaoyang District, Beijing, the PRC	<p>The property comprises a portion of 2 units on Level 23 of a 30-storey commercial building completed in or about 1997.</p> <p>The property has a gross floor area of approximately 35 sq.m.</p>	<p>The property is rented to the Group from an independent third party for a term of 3 years and 3 months from 11th November, 2004 to 10th February, 2008 at a monthly rent of US\$472.50 (equivalent to HK\$3,685.5) and a management fee of US\$122.50 (equivalent to HK\$955.5).</p> <p>The property is at present occupied by the Group for office purposes.</p>	No commercial value

## Notes:

1. Pursuant to a tenancy agreement entered into between 北京金泰恒業有限責任公司 (Beijing Jin Tai Heng Ye Company Limited) (the Landlord) and 北京雅展展覽服務有限公司 (Beijing Ya Zhan Exhibition Service Company Limited) (the Tenant), the Tenant leases an office from the Landlord with a total gross floor area of approximately 217.12 sq.m. at a monthly rent of US\$2,931.12 (equivalent to HK\$22,862.7) and a management fee of US\$759.92 (equivalent to HK\$5,927.4) per month for a term of 3 years and 3 months commencing from 11th November, 2004 and two rent free periods from 11th November, 2004 to 10th January, 2005 and from 11th January, 2008 to 10th February, 2008.
2. Pursuant to a supplementary agreement entered into between 北京金泰恒業有限責任公司 (Beijing Jin Tai Heng Ye Company Limited) (Party A), 北京雅展展覽服務有限公司 (Beijing Ya Zhan Exhibition Service Company Limited) (Party B), 香港經濟通通訊社有限公司北京代表處 (The Beijing representative office of ET Net News Agency Limited) (Party C) and 北京港經通經濟信息諮詢服務有限公司 (Beijing Gang Jing Tong Economic Information Consultation Service Company Limited) (Party D), Party A agreed Parties B, C and D to use the property as stated in Note 1 above on the same terms, and for the same monthly rent and management fee, as to 67.76% payable by Party B, 16.12% payable by Party C and 16.12% payable by Party D.
3. The landlord is an independent third party which is not connected with and is independent of, any of the directors, chief executives or shareholders of the Company or of any of its subsidiaries, or any of their respective associates.
4. ET Net News Agency Limited is indirectly held by the Company for 96.04% interest.
5. The PRC legal opinion states that:
  - (i) The landlord has legally obtained the building ownership of the property. The tenants have the right to lease and use the property according to the tenancy agreement and supplementary agreement.
  - (ii) The tenancy agreement and supplementary agreement are legal and valid and are binding on the parties.
  - (iii) The property is not subject to any mortgage nor other material encumbrances.

Property	Description and Tenure	Particulars of occupancy	Market value in existing state as at 30th April, 2005
21. Warehouse K09A, Basement 1, Jin Tai Da Sha, No. 1 Xi Ba He Nan Lu, Chaoyang District, Beijing, the PRC	<p>The property comprises a unit on basement 1 of a 30-storey commercial building completed in or about 1997.</p> <p>The property has a gross floor area of approximately 13.03 sq.m.</p>	<p>The property is rented to the Group from an independent third party for a term of 6 months from 10th December, 2004 to 9th June, 2005 at a monthly rent of RMB900 (equivalent to HK\$849.1). The tenancy has been renewed for another term of 1 year from 10th June, 2005 at the same rent.</p> <p>The property is at present occupied by the Group for storage purposes.</p>	No commercial value

*Notes:*

1. The landlord, 北京金泰恒業有限責任公司 (Beijing Jin Tai Heng Ye Company Limited), is an independent third party which is not connected with and is independent of, any of the directors, chief executives or shareholders of the Company or of any of its subsidiaries, or any of their respective associates.
2. The tenant is 香港經濟通通訊社有限公司北京代表處 (The Beijing representative office of ET Net News Agency Limited) in which the Company indirectly holds 96.04% interest.
3. The PRC legal opinion states that:
  - (i) The landlord has legally obtained the building ownership of the property. The tenant has the right to lease and use the property according to the tenancy agreement.
  - (ii) The tenancy agreement is legal and valid and is binding on the parties.
  - (iii) The property is not subject to any mortgage nor other material encumbrances.

Property	Description and Tenure	Particulars of occupancy	Market value in existing state as at 30th April, 2005
22. Unit 512, Level 5, Zhong Fu Da Sha, No. 99 Jian Guo Lu, Chaoyang District, Beijing, the PRC	<p>The property comprises a unit on level 5 of a 27-storey commercial building completed in or about 1995.</p> <p>The property has a gross floor area of approximately 103 sq.m.</p>	<p>The property is rented to the Group from an independent third party for a term from 16th February, 2005 to 15th February, 2006 at a monthly rent of US\$1,236 (equivalent to HK\$9,640.8).</p> <p>The property is at present occupied by the Group for office purposes.</p>	No commercial value

*Notes:*

1. The landlord, 中國服裝集團公司 (Zhong Guo Fu Zhuang Group Company), is an independent third party which is not connected with and is independent of, any of the directors, chief executives or shareholders of the Company or of any of its subsidiaries, or any of their respective associates.
2. The tenant is Hong Kong Economic Times Limited in which the Company indirectly holds 100% interest.
3. The PRC legal opinion states that:
  - (i) The landlord has legally obtained the building ownership of the property. The tenant has the right to lease and use the property according to the tenancy agreement.
  - (ii) The tenancy agreement is legal and valid and is binding on the parties.
  - (iii) The property is not subject to any mortgage nor other material encumbrances.

	Property	Description and Tenure	Particulars of occupancy	Market value in existing state as at 30th April, 2005
23.	Unit 05, Level 13, Block A, Dian Zi Ke Ji Da Sha, No. 2070 Shen Nan Zhong Lu, Futian District, Shenzhen, the PRC	<p>The property comprises a unit on level 13 of a 38-storey commercial building completed in or about 1993.</p> <p>The property has a gross floor area of approximately 267.03 sq.m.</p>	<p>The property is rented to the Group from an independent third party for a term from 1st September, 2004 to 31st August, 2006 at a monthly rent of RMB17,356.95 (equivalent to HK\$16,374.5).</p> <p>The property is at present occupied by the Group for office purposes.</p>	No commercial value

## Notes:

1. The landlord, 深圳市中電物業管理有限公司 (Shenzhen City Zhong Dian Property Management Company Limited) is authorized by the owner of the property, 深圳中電投資股份有限公司 (Shenzhen Zhong Dian Investment Holdings Company Limited), to lease out the property.
2. The owner of the property and landlord are independent third parties which are not connected with and are independent of, any of the directors, chief executives or shareholders of the Company or of any of its subsidiaries, or any of their respective associates.
3. The tenant is 環富通科技(深圳)有限公司 (ET Wealth Technology (Shenzhen) Limited) (previously known as 科軟通科技(深圳)有限公司 (ET Net Solutions (Shenzhen) Limited)) in which the Company indirectly holds 96.04% interest.
4. The tenancy agreement has been registered in the Shenzhen City Futian District Real Property Leasing Management Bureau.
5. The PRC legal opinion states that:
  - (i) The owner of the property has legally obtained the building ownership of the property and the landlord has the right to sign the tenancy agreement with the tenant. The tenant has the right to lease and use the property according to the tenancy agreement.
  - (ii) The tenancy agreement is legal and valid and is binding on the parties.
  - (iii) The property is not subject to any mortgage nor other material encumbrances.

	<b>Property</b>	<b>Description and Tenure</b>	<b>Particulars of occupancy</b>	<b>Market value in existing state as at 30th April, 2005</b>
24.	Unit 06, Level 13, Block A, Dian Zi Ke Ji Da Sha, No. 2070 Shen Nan Zhong Lu, Futian District, Shenzhen, the PRC	<p>The property comprises a unit on level 13 of a 38-storey commercial building completed in or about 1993.</p> <p>The property has a gross floor area of approximately 210 sq.m.</p>	<p>The property is rented to the Group from an independent third party for a term from 1st September, 2004 to 31st August, 2006 at a monthly rent of RMB13,650 (equivalent to HK\$12,877.4).</p> <p>The property is at present occupied by the Group for office purposes.</p>	No commercial value

*Notes:*

1. The landlord, 深圳市中電物業管理有限公司 (Shenzhen City Zhong Dian Property Management Company Limited) is authorized by the owner of the property, 深圳中電投資股份有限公司 (Shenzhen Zhong Dian Investment Holdings Company Limited), to lease out the property.
2. The owner of the property and landlord are independent third parties which are not connected with and are independent of, any of the directors, chief executives or shareholders of the Company or of any of its subsidiaries, or any of their respective associates.
3. The tenant is Hong Kong Economic Times Limited in which the Company indirectly holds 100% interest.
4. The tenancy agreement has been registered in the Shenzhen City Futian District Real Property Leasing Management Bureau.
5. The PRC legal opinion states that:
  - (i) The owner of the property has legally obtained the building ownership of the property and the landlord has the right to sign the tenancy agreement with the tenant. The tenant has the right to lease and use the property according to the tenancy agreement.
  - (ii) The tenancy agreement is legal and valid and is binding on the parties.
  - (iii) The property is not subject to any mortgage nor other material encumbrances.

<b>APPENDIX III</b>	<b>SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANIES LAW</b>
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Set out below is a summary of certain provisions of the memorandum of association of the Company (the "Memorandum") and the Articles and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 15th February, 2005 under the Companies Law. The Memorandum and the Articles comprise its constitution.

## **1. MEMORANDUM OF ASSOCIATION**

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which the Company is established are unrestricted, and that the Company shall have and be capable of exercising all of the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

## **2. ARTICLES OF ASSOCIATION**

The Articles were adopted on 19th July, 2005. The following is a summary of certain provisions of the Articles:

### **(a) Directors**

#### ***(i) Power to allot and issue shares and warrants***

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of the Company or the holder thereof, they are liable to be redeemed.

The Board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

<b>APPENDIX III</b>	<b>SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANIES LAW</b>
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Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the Board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

***(ii) Power to dispose of the assets of the Company or any subsidiary***

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

***(iii) Compensation or payments for loss of office***

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

***(iv) Loans and provision of security for loans to Directors***

There are provisions in the Articles prohibiting the making of loans to Directors.

***(v) Disclosure of interests in contracts with the Company or any of its subsidiaries***

A Director may hold any other office or place of profit with the Company (except that of the auditors of the Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other

manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his associates is materially interested, but this prohibition shall not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company;
- (ee) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a shareholder or in which the Director and any of his associates are not in aggregate beneficially interested in 5 per cent. or more of the issued shares or of the voting rights of any class of shares of such company (or of any third company through which his interest or that of any of his associates is derived); or



- (ff) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

**(vi) Remuneration**

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The Board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The Board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any

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such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

***(vii) Retirement, appointment and removal***

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director so appointed shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by a special resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office or director shall be vacated:

- (aa) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the Board;
- (bb) becomes of unsound mind or dies;
- (cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) if he is prohibited from being a director by law;
- (ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The Board may from time to time appoint one or more of its body to be managing director, joint managing directors, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine and the board may revoke or terminate any of such appointments. The Board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

***(viii) Borrowing powers***

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

*Note:* These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

***(ix) Proceedings of the Board***

The Board may meet for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

***(x) Register of directors and officers***

The Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

**(b) Alterations to constitutional documents**

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

**(c) Alteration of capital**

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

- (i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;

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- (ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

**(d) Variation of rights of existing shares or classes of shares**

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will mutatis mutandis apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

**(e) Special resolution – majority required**

Pursuant to the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of

which not less than twenty-one (21) clear days' notice, specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that, except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than ninety-five (95) per cent. in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all Members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which less than twenty-one (21) clear days' notice has been given.

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

**(f) Voting rights (generally and on a poll) and right to demand a poll**

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a show of hands, every member who is present in person or by proxy or being a corporation, is present by its duly authorised representative shall have one vote and on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. Notwithstanding anything contained in the Articles, where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided on a show of hands unless voting by way of a poll is required by the rules of the Designated Stock Exchange (as defined in the Articles) or (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded by (i) the chairman of the meeting or (ii) at least three members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy for the time being entitled to vote at the meeting or (iii) any member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting or (iv) a member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right or (v) if required by the rules of the Designated Stock Exchange (as defined in the Articles) by any Director or Directors who, individually or collectively hold proxies in respect of shares representing 5 per cent or more of the total voting rights at such meeting.

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If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

**(g) Requirements for annual general meetings**

An annual general meeting of the Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than 15 months after the holding of the last preceding annual general meeting or a period of 18 months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

**(h) Accounts and audit**

The Board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), the Company may send to such persons a summary financial statement derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to a summary financial statement, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

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Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

**(i) Notices of meetings and business to be conducted thereat**

An annual general meeting and any extraordinary general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by at least twenty-one (21) clear days' notice in writing, and any other extraordinary general meeting shall be called by at least fourteen (14) clear days' notice (in each case exclusive of the day on which the notice is served or deemed to be served and of the day for which it is given). The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Company other than such as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than ninety-five (95) per cent in nominal value of the issued shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers;
- (ee) the fixing of the remuneration of the directors and of the auditors;

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(ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty (20) per cent in nominal value of its existing issued share capital; and

(gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

**(j) Transfer of shares**

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The Board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The Board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).



The registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

**(k) Power for the Company to purchase its own shares**

The Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

**(l) Power for any subsidiary of the Company to own shares in the Company**

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

**(m) Dividends and other methods of distribution**

Subject to the Companies Law, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

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Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

**(n) Proxies**

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

**(o) Call on shares and forfeiture of shares**

Subject to the Articles and to the terms of allotment, the Board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty (20) per cent. per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The Board may, if it thinks fit,

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receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the Board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the Board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty (20) per cent. per annum as the board determines.

**(p) Inspection of register of members**

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours on every business day by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

**(q) Quorum for meetings and separate class meetings**

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation to act as

its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

**(r) Rights of the minorities in relation to fraud or oppression**

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman law, as summarised in paragraph 3(f) of this Appendix.

**(s) Procedures on liquidation**

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

**(t) Untraceable members**

Pursuant to the Articles, the Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

<b>APPENDIX III</b>	<b>SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANIES LAW</b>
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**(u) Subscription rights reserve**

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

**3. CAYMAN ISLANDS COMPANY LAW**

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

**(a) Operations**

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

**(b) Share capital**

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and (f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "Court"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

**(c) Financial assistance to purchase shares of a company or its holding company**

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

**(d) Purchase of shares and warrants by a company and its subsidiaries**

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner of purchase, a company cannot purchase any of its own shares unless the manner of purchase has first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

<b>APPENDIX III</b>	<b>SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANIES LAW</b>
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**(e) Dividends and distributions**

With the exception of section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

**(f) Protection of minorities**

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

**(g) Management**

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

**(h) Accounting and auditing requirements**

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

<b>APPENDIX III</b>	<b>SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANIES LAW</b>
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**(i) Exchange control**

There are no exchange control regulations or currency restrictions in the Cayman Islands.

**(j) Taxation**

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor in Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or, income or, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 22nd March, 2005.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

**(k) Stamp duty on transfers**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

**(l) Loans to directors**

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

**(m) Inspection of corporate records**

Members of the Company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.



**(n) Winding up**

A company may be wound up by either an order of the court or by a special resolution of its members. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum expires, or the event occurs on the occurrence of which the memorandum provides that the company is to be dissolved. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidator; and the Court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (*pari passu* if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting shall be called by Public Notice (as defined in the Companies Law) or otherwise as the Registrar of Companies of the Cayman Islands may direct.

**(o) Reconstructions**

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five (75) per cent. in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

**(p) Compulsory acquisition**

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than ninety (90) per cent. of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

**(q) Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

**4. GENERAL**

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

**A. FURTHER INFORMATION ABOUT THE COMPANY****1. Incorporation**

The Company was incorporated as an exempted company in the Cayman Islands under the Companies Law on 15th February, 2005. The Company has established its principal place of business in Hong Kong at 6th Floor, Kodak House II, 321 Java Road, North Point, Hong Kong and has been registered with the Registrar of Companies in Hong Kong as an oversea company under Part XI of the Companies Ordinance. Mr. Fung Siu Por, Lawrence and Mr. Chan Wa Pong have been appointed as the authorized representatives of the Company for acceptance of service of process in Hong Kong. The address for acceptance of service of process in Hong Kong of both Mr. Fung Siu Por, Lawrence and Mr. Chan Wa Pong is 6th Floor, Kodak House II, 321 Java Road, North Point, Hong Kong.

As the Company was incorporated in the Cayman Islands, it operates subject to Cayman Islands law and its constitutive documents comprising a memorandum of association and the Articles. A summary of certain parts of its constitution and relevant aspects of the Cayman Islands company law is set out in appendix III to this prospectus.

**2. Changes in share capital**

The authorised share capital of the Company as at the date of its incorporation was US\$50,000 divided into 5,000,000 shares of par value US\$0.01 each.

On 23rd February, 2005, one share was allotted and issued nil paid to Codan Trust Company (Cayman) Limited as the initial subscriber, which was subsequently transferred by Codan Trust Company (Cayman) Limited to Mr. Fung Siu Por, Lawrence on the same day.

On 30th June, 2005, the one share held by Mr. Fung Siu Por, Lawrence was transferred to Golden Rooster.

On 30th June, 2005, 99 shares were allotted and issued nil paid to Golden Rooster.

Pursuant to written resolutions of the sole Shareholder of the Company passed on 30th June, 2005:

- (a) every ten issued and unissued shares of US\$0.01 each of the Company was consolidated into one share of US\$0.10;
- (b) the authorised and issued share capital of the Company was re-denominated (at the rate of US\$1.00 to HK\$7.8) to HK\$390,000 and HK\$7.8 respectively such that the par value of each share was changed from US\$0.10 to HK\$0.78;
- (c) every issued and unissued share of HK\$0.78 in the capital of the Company was sub-divided into 7.8 shares of HK\$0.10 each; and
- (d) the authorised share capital of the Company was increased from HK\$390,000 divided into 3,900,000 shares of HK\$0.10 each to HK\$200,000,000 divided into 2,000,000,000 shares of HK\$0.10 each by the creation of an additional 1,996,100,000 shares of HK\$0.10 each in the capital of the Company.

Pursuant to the written resolutions of the sole Shareholder of the Company passed on 19th July, 2005, the Directors were authorised:

- (a) to issue and allot, credited as fully paid, 264,599,922 Shares and credit as fully paid at par the 78 Shares registered in the name of Golden Rooster as consideration for the asset contributions made by Golden Rooster to the Company;

- (b) to issue and allot 14,600,000 Shares credited as fully paid to Mr. Mak Ping Leung as consideration for the asset contributions made by him to the Company;
- (c) to issue and allot 11,600,000 Shares credited as fully paid to Mr. Chan Cho Biu as consideration for the asset contributions made by him to the Company;
- (d) to issue and allot 11,000,000 Shares credited as fully paid to Mr. Shek Kang Chuen as consideration for the asset contributions made by him to the Company;
- (e) to issue and allot 9,000,000 Shares credited as fully paid to Ms. See Sau Mei Salome as consideration for the asset contributions made by her to the Company;
- (f) to issue and allot 1,000,000 Shares credited as fully paid to Mr. Chan Wa Pong as consideration for the asset contributions made by him to the Company; and
- (g) to issue and allot 200,000 Shares credited as fully paid to Ms. Pang Ka Yi as consideration for the asset contributions made by her to the Company.

Save as aforesaid, there has been no alteration in the share capital of the Company since its incorporation.

### **3. Written resolutions of the sole Shareholder passed on 19th July, 2005**

Pursuant to the written resolutions of the sole Shareholder passed on 19th July, 2005:

- (a) the Company approved and adopted the Articles as its new articles of association;
- (b) conditional on the same conditions as stated in the sub-section headed "Conditions" in the section headed "Structure of the Share Offer":
  - (i) the Share Offer (including the Over-allotment Option) was approved and the Directors were authorised to allot and issue the Offer Shares; and
  - (ii) the rules of the Share Option Scheme were approved and adopted and the Directors were authorised to implement the same, grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant thereto;
- (c) a general unconditional mandate was given to the Directors to allot, issue and deal with, otherwise than pursuant to Shares issued as a result of rights issue, scrip dividend or upon the exercise of the options to be granted pursuant to the Share Option Scheme or similar arrangement, Shares with an aggregate nominal value not exceeding (i) 20% of the aggregate nominal value of the share capital of the Company in issue and to be issued as mentioned herein (excluding the Shares which may be issued pursuant to the exercise of the Over-allotment Option) and (ii) the aggregate nominal amount of Shares repurchased under the authority granted to the Directors as referred to in paragraph (d) below, until the conclusion of the next annual general meeting of the Company, the expiration of the period within which the next annual general meeting of the Company is required by the Articles or any applicable law of the Cayman Islands to be held, or the revocation of variation by an ordinary resolution of the Shareholders in a general meeting, whichever is the earliest; and

- (d) a general unconditional mandate was given to the Directors authorizing them to exercise all powers of the Company to repurchase Shares on the Stock Exchange or other stock exchange on which Shares may be listed and recognised by the SFC and the Stock Exchange for this purpose with an aggregate nominal value of not exceeding 10% of the aggregate nominal amount of the share capital of the Company in issue and to be issued as mentioned herein (excluding the Shares which may be issued pursuant to the exercise of the Over-allotment Option), until the conclusion of the next annual general meeting of the Company, the expiration of the period within which the next annual general meeting of the Company is required by the Articles or any applicable law of the Cayman Islands to be held, or the revocation or variation by an ordinary resolution of the Shareholders in a general meeting, whichever is the earliest.

Immediately following the Share Offer becoming unconditional and the issue of Shares as mentioned herein being made, but taking no account of any Shares which may be issued upon the exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme, the authorised share capital of the Company will be HK\$200,000,000 divided into 2,000,000,000 Shares and the issued share capital will be HK\$41,600,000 divided into 416,000,000 Shares, all fully paid or credited as fully paid and 1,584,000,000 Shares will remain unissued. Other than pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, there is no present intention to issue any of the authorised but unissued share capital of the Company and no issue of Shares which would effectively alter the control of the Company will be made without the prior approval of members in a general meeting.

#### 4. Corporate reorganisation

The companies in the Group underwent a reorganisation in preparation for the listing of the Shares on the Stock Exchange which involved the following:

- (a) On 15th February, 2005, the Company was incorporated in the Cayman Islands as described in paragraph 1 above.
- (b) On 7th April, 2005, HKET Group (BVI) Limited was incorporated in the British Virgin Islands with Mr. Fung Siu Por, Lawrence as its initial shareholder.

On 4th July, 2005, 99,990 shares in HKET Group (BVI) Limited were allotted and issued as fully paid to the following shareholders and the initial 10 shares held by Mr. Fung Siu Por, Lawrence were transferred to Golden Rooster. As a result, the respective percentages of shareholdings in HKET Group (BVI) Limited were as follows:

Golden Rooster	84.807%
Mr. Mak Ping Leung	4.679%
Mr. Chan Cho Bui	3.718%
Mr. Shek Kang Chuen	3.526%
Ms. See Sau Mei Salome	2.885%
Mr. Chan Wa Pong	0.321%
Ms. Pang Ka Yi	0.064%

- (c) On 18th July, 2005, ET Net transferred all its 9.76% interests in Cycom Technology Limited and all its 20% in ET Systems Limited to HK Holding by way of sale and purchase.
- (d) On 18th July, 2005, ET Net (BVI) transferred all its 100% interests in Forward Computer Systems Limited and all its 2.66% interests in iSwitch Corporation to HK Holding by way of sale and purchase.

- (e) On 18th July, 2005, HK Holding transferred all its 96.04% interests in ET Net (BVI) and all its 100% interests in each of iCareerTimes (BVI) Limited, HKET China Investment (BVI) Limited, EPRC Limited, HKET Limited, ETVision, ETBC, Euron Limited, Safe City Limited and Asianway (Far East) Limited to Hong Kong Economic Times Group (BVI) Limited by way of sale and purchase.
- (f) iCareerTimes entered into a conditional sale and purchase agreement dated as of 30th June, 2005 with Castino Limited (being a company directly wholly owned by iBusiness) for the purchase of 40% interests in Cotino owned by Castino Limited for a consideration equivalent to the multiple of 40% of the audited net profits of Career Times Online Limited, which is wholly owned by Cotino, for the year ended 31st March, 2005 and the price-earning multiple to be used in connection with the Listing.

This agreement shall be completed on the 15th day after the Listing Date, conditional upon the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares. The agreement shall terminate if the condition is not fulfilled on or prior to 31st December, 2005 or such later date as may be agreed between iCareerTimes and Castino Limited.

- (g) On 15th July, 2005, HKET Limited entered into a conditional sale and purchase agreement with HK Holding for the purchase of the entire registered capital of SZ Advertising of HK\$1,000,000, for a total consideration of HK\$1,000,000.

Pursuant to this agreement, HKET Limited has paid a refundable deposit of HK\$1,000,000 to HK Holding. During the period commencing from the date of the agreement until the completion date thereof, all profits and losses of SZ Advertising shall belong to and borne by HKET Limited. Completion of the agreement is conditional upon the approval of the said transfer by the relevant originating approving authority in the PRC. The agreement shall terminate if the condition is not fulfilled on or prior to 31st March, 2008, whereupon HK Holding shall refund the total deposit of HK\$1,000,000 to HKET Limited, together with any profit or less any loss generated from the business of SZ Advertising for the period from the date of agreement until the date upon which the agreement is terminated for non-fulfilment of the condition thereof. Pursuant to the agreement, HK Holding undertakes to procure SZ Advertising to appoint any person recommended by HKET Limited to be its director or legal representative.

- (h) On 19th July, 2005, each of Golden Rooster, Mak Ping Leung, Chan Cho Biu, Shek Kang Chuen, See Sau Mei Salome, Chan Wa Pong and Pang Ka Yi transferred his/her respective interest in the shares of HKET Group (BVI) Limited in return for Shares in the Company.

## 5. Changes in share capital of subsidiaries

The Company's subsidiaries are referred to in the Accountants' Report, the text of which is set out in appendix IA to this prospectus.

Save as mentioned in the paragraph headed "Corporate reorganisation" in this appendix, there has been no alteration in the share capital of any of the subsidiaries of the Company within the two years immediately preceding the date of this prospectus.

## 6. Deeds of Gift

Golden Rooster, being a substantial shareholder of the Company, has transferred Shares by way of gifts to 100 employees (the “Recipients”) of the Group pursuant to the terms of the Deeds of Gift in recognition of their contribution to the development of the Group. The Recipients are not directors, substantial shareholders or chief executives of the Company or any of its subsidiaries, except Ms. Pang Ka Yi who is director of EPRC and ETBC and Mr. Leung Ka Wing who is director of ETVision. The provisions of the Deeds of Gift are substantially the same, and completion of the Deeds of Gift has taken place on 19th July, 2005. The total number of Bonus Shares are 3,600,000 Shares, representing approximately 0.865% of the issued Shares as at the Listing Date as enlarged by the Share Offer, assuming that the Over-allotment Option is not exercised at all.

A summary of the terms of the Deeds of Gift is set out below:

- (a) The Bonus Shares were transferred to the Recipients on 19th July, 2005 at nil consideration.
- (b) The Bonus Shares are subject to a “lock-up” arrangement so that the Recipient shall not dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any of, the Bonus Shares. Such “lock-up” arrangement is for a period starting on 19th July, 2005 and ending on the date which is 6 months after the Listing Date.
- (c) If the Listing does not take place on or before 31st December, 2005, each Recipient is obliged to forthwith re-transfer the Bonus Shares received by him/her under the relevant Deed of Gift to Golden Rooster at an aggregate consideration of HK\$1.

## 7. Repurchase by the Company of its own securities

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

### **(a) Shareholders’ approval**

All proposed repurchases of securities (which must be fully paid up in the case of shares) on the Stock Exchange by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of general mandate or by special approval of a particular transaction. The Company’s sole listing will be on the Stock Exchange.

*Note:* Pursuant to a resolution in writing passed by the sole shareholder of the Company on 19th July, 2005, a general unconditional mandate (the “Repurchase Mandate”) was given to the Directors authorising any repurchase by the Company of Shares on the Stock Exchange, or on any other stock exchange on which the Shares may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, of up to 10% of the aggregate nominal value of the share capital of the Company in issue and to be issued as mentioned in this prospectus (excluding Shares which may be issued pursuant to the exercise of the Over-allotment Option), such mandate to expire at the conclusion of the next annual general meeting of the Company, or the expiration of the period within which the next annual general meeting of the Company is required by the Articles or applicable laws of the Cayman Islands to be held, or when revoked or varied by ordinary resolution of the Shareholders, whichever shall first occur.

Under the Listing Rules and the Companies Ordinance, the shares which are proposed to be purchased by a company must be fully paid up.

**(b) *Reasons for repurchases***

The Directors believe that it is in the best interests of the Company and the Shareholders to have general authority from the Shareholders to enable the Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net value of the Company and its assets and/or its earnings per Share and will only be made when the Directors believe that such repurchases will benefit the Company and the Shareholders.

**(c) *Funding of repurchases***

In repurchasing securities, a company may only apply funds legally available for such purpose in accordance with its memorandum and articles of association, the Listing Rules and the applicable laws of Cayman Islands.

On the basis of the current financial position of the Group as disclosed in this prospectus and taking into account the current working capital position of the Group, the Directors consider that, if the Repurchase Mandate was to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of the Group as compared with the position disclosed in this prospectus. However, the Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Group or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Group.

**(d) *General***

None of the Directors or, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell Shares to the Company or its subsidiaries.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of Cayman Islands.

No connected person (as defined in the Listing Rules) has notified the Company that he has a present intention to sell Shares to the Company, or has undertaken not to do so.

If as a result of a securities repurchase a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purpose of the Hong Kong Code on Takeovers and Mergers. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of the Company and may become obliged to make a mandatory offer in accordance with rule 26 of the Hong Kong Code on Takeovers and Mergers and the provision may apply as a result of any such increase. The Directors are not aware of any consequences of repurchases which would arise under the Hong Kong Code on Takeovers and Mergers.



**(e) Share capital**

Exercise in full of the Repurchase Mandate, on the basis of 416,000,000 Shares in issue immediately after completion of the Share Offer, but taking no account of any Shares which may be issued upon the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme, could accordingly result in up to 41,600,000 Shares being repurchased by the Company during the course of the period prior to the date on which such Repurchase Mandate expires or terminates as mentioned in the paragraph headed "Written resolutions of the sole Shareholder passed on 19th July, 2005" in this appendix.

**B. FURTHER INFORMATION ABOUT THE BUSINESS****1. Summary of material contracts**

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Group within the two years preceding the date of this prospectus and are or may be material:

- (a) a conditional sale and purchase agreement dated as of 30th June, 2005 entered into between iCareerTimes and Castino Limited (being a company directly wholly owned by iBusiness) regarding the purchase of 40% interests in Cotino owned by Castino Limited for a consideration equivalent to the multiple of 40% of the audited net profits of Career Times Online Limited, which is wholly owned by Cotino, for the year ended 31st March, 2005 and the price-earning multiple to be used in connection with the Listing;
- (b) a deed of indemnity dated 19th July, 2005 entered into between Golden Rooster as covenantor and Mr. Fung Siu Por, Lawrence and Mr. Chu Yu Lun as joint and several personal guarantors on the one part and the Company on the other part pursuant to which the covenantor and the personal guarantors provided a taxation indemnity for the benefit of the Company;
- (c) a deed of non-competition dated 19th July, 2005 entered into between Golden Rooster as controlling shareholder and Mr. Fung Siu Por, Lawrence and Mr. Chu Yu Lun as Directors, being covenantors on the one part, and the Company on the other part regarding non-competition by the covenantors with the Group; and
- (d) the Underwriting Agreement.

**2. Intellectual property rights**

As at the Latest Practicable Date, the Group has registered the following trademarks:

Trademark	Registered owner	Place of registration	Expiry Date	Class	Registration number
 (in series)	Hong Kong Economic Times Limited	Hong Kong	20/12/2008	16	2003B00713

## APPENDIX IV

## STATUTORY AND GENERAL INFORMATION

Trademark	Registered owner	Place of registration	Expiry Date	Class	Registration number
	Hong Kong Economic Times Limited	Hong Kong	27/03/2010	16	2004B01897
	ET Net Limited	Hong Kong	03/05/2007	36	2001B06834
 (in series)	ET Net Limited	Hong Kong	02/04/2010	9	2005B00619
 (in series)	ET Net Limited	Hong Kong	02/04/2010	36	2005B00620
 (in series)	EPRC Limited	Hong Kong	02/04/2010	36	2004B06098
 (in series)	EPRC Limited	Hong Kong	02/04/2010	42	2004B06099
	Career Times Online Limited	Hong Kong	13/03/2010	9	2005B00428
	Career Times Online Limited	Hong Kong	13/03/2010	16	2005B00427
	ET Business College Limited	Hong Kong	27/03/2010	41	2004B01610

**APPENDIX IV**
**STATUTORY AND GENERAL INFORMATION**






As at the Latest Practicable Date, the Group has applied for the registration of the following trademarks, but which has yet to be granted:

Trademark	Applicant	Place of application	Application date	Class	Application number
	Hong Kong Economic Times Limited	Hong Kong	08/08/2002	35	200212349
 (in series)	Hong Kong Economic Times Limited	Hong Kong	08/08/2002	35	200212350
 (in series)	Hong Kong Economic Times Limited	Hong Kong	04/03/2005	9, 16 & 41	300379666
 (in series)	Hong Kong Economic Times Limited	Hong Kong	04/03/2005	9, 16 & 41	300379684
 (in series)	Hong Kong Economic Times Limited	Hong Kong	04/03/2005 21/05/2005	16 41	300379675 300423945
 (in series)	Hong Kong Economic Times Limited	Hong Kong	18/03/2005	9, 16, 35 & 42	300387955
 <b>ET Travel Publications</b> A Division of Hong Kong Economic Times Limited (in series)	Hong Kong Economic Times Limited	Hong Kong	18/03/2005	16, 35 & 39	300387946

Trademark	Applicant	Place of application	Application date	Class	Application number
 (in series)	Hong Kong Economic Times Limited	Hong Kong	19/03/2005	9, 16, 35, 36, 41 & 42	300388846
 (in series)	Hong Kong Economic Times Limited	Hong Kong	21/03/2005	9, 16, 35, 36, 41 & 42	300389089
	Hong Kong Economic Times Limited	Hong Kong	21/03/2005	9 & 41	300389098
	ET Net Limited	Hong Kong	27/03/2003	41	200304379
 (in series)	ET Net Limited	Hong Kong	02/04/2003	9	200304638
 (in series)	ET Net Limited	Hong Kong	02/04/2003	35	200304639
 (in series)	ET Net Limited	Hong Kong	02/04/2003	42	200304640
 (in series)	ET Net Limited	Hong Kong	02/04/2003	42	200304643

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**STATUTORY AND GENERAL INFORMATION**

<b>Trademark</b>	<b>Applicant</b>	<b>Place of application</b>	<b>Application date</b>	<b>Class</b>	<b>Application number</b>
 (in series)	ET Net Limited	Hong Kong	02/04/2003	9	200304641
 (in series)	ET Net Limited	Hong Kong	02/04/2003	42	200304642
 (in series)	ET Net Limited	Hong Kong	03/04/2003	9	200304648
 (in series)	ET Net Limited	Hong Kong	03/04/2003	42	200304649
 (in series)	ET Wealth Limited	Hong Kong	21/03/2005	9, 16, 35, 36, 41 & 42	300389070

As at the Latest Practicable Date, the Group has registered the following domain names:

Domain name	Date of registration
hket.com	1st November, 1995
englishstreet.com	12th January, 1999
hkmlc.com	15th November, 1999
i-ezone.com	22nd November, 1999
etproperty.com	28th November, 1999
eprctracker.com	28th March, 2000
econschool.com	30th August, 2000
eprcdm.com	4th July, 2002
etnetsolutions.com	16th June, 2003
etwealth.com	11th August, 2004
hketgroup.com	15th September, 2004
careertimes.com.hk	1st December, 1998
eprc.com.hk	20th January, 1999
etnet.com.hk	29th January, 1999
etpress.com.hk	31st May, 1999
hket.com.hk	21st May, 1999
propertytimes.com.hk	21st May, 1999
moneytimes.com.hk	7th June, 1999
e-valuation.com.hk	3rd January, 2000
etv.com.hk	15th March, 2000
oneoffice.com.hk	26th June, 2002
etbc.com.hk	2nd August, 2002
etnetsolutions.com.hk	17th June, 2003
studentclub.com.hk	12th August, 2003
e-zone.com.hk	15th June, 2004
e-post.com.hk	17th August, 2004
hketgroup.com.hk	16th September, 2004
etwealth.com.hk	30th November, 2004
inky.com.hk	4th March, 2005
studyguide.com.hk	4th March, 2005
ezone.com.hk	20th April, 2005
IPAA.com.hk	20th June, 2005
etnetsolutions.com.cn	19th August, 2003
etwealth.cn	3rd March, 2005
careertimes.com.cn	8th July, 2005
careertimes.hk	21st April, 2004
etnet.hk	21st April, 2004
etv.hk	21st April, 2004
etbc.hk	26th April, 2004
eprc.hk	27th April, 2004
etpress.hk	27th April, 2004
e-valuation.hk	27th April, 2004
hket.hk	27th April, 2004
etnetsolutions.hk	30th April, 2004
ct.hk	21st May, 2004
hketgroup.hk	16th September, 2004
香港經濟日報.公司	3rd March, 2000
投資理財周刊.公司	3rd March, 2000
經濟日報出版社.公司	3rd March, 2000
經濟通.公司	3rd March, 2000
經濟地產庫.公司	3rd March, 2000
經濟物業研究中心.公司	3rd March, 2000
網上估價易.公司	3rd March, 2000
經濟商學院.公司	21st August, 2002
學生會.com	22nd July, 2004

As at the Latest Practicable Date, the Group has registered the following internet keywords:

economicictimes	17th January, 2004
香港經濟日報	2nd March, 2004
經濟通	26th March, 2004

Save as aforesaid, there are no other trade or service marks, patents, intellectual or industrial property rights which are material in relation to the Group's business.

## **C. FURTHER INFORMATION ABOUT DIRECTORS, MANAGEMENT AND STAFF**

### **1. Disclosure of interests**

- (a) Save as disclosed herein and in the sub-paragraph headed "Summary of material contracts" in this appendix, none of the Directors or the experts named in the sub-paragraph headed "Consents of experts" in this appendix has any direct or indirect interest in the promotion of the Company or in any assets acquired or disposed of by or leased to any member of the Group or is proposed to be acquired or disposed of by or leased to any member of the Group within the two years immediately preceding the date of this prospectus.
- (b) Save as disclosed in the sub-paragraph headed "Summary of material contracts" in this appendix, none of the Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of the Group.

### **2. Directors' service agreements**

The Group has not entered into any service contract with any Director which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

### **3. Directors' remuneration**

Remuneration and benefits in kind of approximately HK\$11.7 million in aggregate were paid and granted by the Group to the Directors in respect of the financial year ended 31st March, 2005.

Under the current arrangements, the Directors will be entitled to receive remuneration which, for the financial year ending 31st March, 2006, is expected to be approximately HK\$11.3 million, excluding discretionary bonuses payable to the Directors.

### **4. Interests and/or short positions of Directors in the shares, underlying shares or debentures of the Company and its associated corporations**

Immediately following completion of the Share Offer (but without taking into account of Shares which may be taken up under the Share Offer and Shares falling to be allotted and issued upon the exercise of the Over-allotment Option or options to be granted under the Share Option Scheme), the Directors will have the following interests and/or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO) or which will be required pursuant to section 352 of the SFO to be entered in the register referred to therein, or pursuant to the Model Code for

Securities Transactions by Directors of Listed Companies in the Listing Rules, will be required to be notified to the Company and the Stock Exchange once the Shares are listed:

*Long positions in the Shares*

Name of Director	Capacity	Number of Shares	Approximate percentage of interest in Company
Mr. Fung Siu Por, Lawrence	Interest of a controlled corporation ( <i>Note 1</i> )	261,000,000	62.740%
Mr. Chu Yu Lun	Interest of a controlled corporation ( <i>Note 2</i> )	261,000,000	62.740%
Mr. Mak Ping Leung	Beneficial owner	14,600,000	3.510%
Mr. Chan Cho Bui	Beneficial owner	11,600,000	2.788%
Mr. Shek Kang Chuen	Beneficial owner	11,000,000	2.644%
Ms. See Sau Mei Salome	Beneficial owner	9,000,000	2.164%

*Notes:*

1. Mr. Fung Siu Por, Lawrence owns 33.5% of the issued share capital of Golden Rooster. 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.
2. Mr. Chu Yu Lun owns 33.5% of the issued share capital of Golden Rooster. For the purpose of Part XV of the SFO, Mr. Chu Yu Lun is therefore deemed interested in the Shares held by Golden Rooster.

*Short positions in the Shares*

Name of Director	Capacity	Number of Shares	Approximate percentage of interest in Company
Mr. Fung Siu Por, Lawrence	Interest of a controlled corporation ( <i>Note 1</i> )	15,600,000	3.75%
Mr. Chu Yu Lun	Interest of a controlled corporation ( <i>Note 2</i> )	15,600,000	3.75%

*Notes:*

1. Mr. Fung Siu Por, Lawrence owns 33.5% of the issued share capital of Golden Rooster. For the purpose of Part XV of the SFO, Mr. Fung Siu Por, Lawrence is therefore deemed interested in the aggregate interests of Golden Rooster held in the Company.
2. Mr. Chu Yu Lun owns 33.5% of the issued share capital of Golden Rooster. For the purpose of Part XV of the SFO, Mr. Chu Yu Lun is therefore deemed interested in the aggregate interests of Golden Rooster held in the Company.



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

Name of Director	Name of Associated Corporation	Capacity	Number of Shares	Approximate percentage 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 Bui	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%

Notes:

1. Golden Rooster is the holding company of the Company. It is therefore an associated corporation of the Company.
2. HK Holding is a subsidiary of Golden Rooster. It is therefore an associated corporation of the Company.

Save as disclosed above, immediately following completion of the Share Offer (but without taking into account of Shares which may be taken up under the Share Offer and Shares falling to be allotted and issued upon the exercise of the Over-allotment Option), none of the Directors will have any interests and/or short position in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required pursuant to section 352 of the SFO to be entered in the register referred to therein or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules.

#### **5. Interests and/or short position of substantial shareholders in the Shares which are discloseable under Divisions 2 and 3 of Part XV of the SFO**

So far as is known to the Directors, immediately following the completion of the Share Offer (but without taking into account of Shares which may be taken up under the Share Offer and Shares falling to be allotted and issued upon the exercise of the Over-allotment Option), the following

persons (not being a Director or chief executive of the Company) will have 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 of any other members of the Group:

*Long positions in the Shares*

Name	Capacity	Number of Shares	Approximate percentage of interest in Company
Golden Rooster	Beneficial owner (Note 1)	261,000,000	62.74%

*Short positions in the Shares*

Name	Capacity	Number of Shares	Approximate percentage of interest in Company
Golden Rooster	Beneficial owner (Note 2)	15,600,000	3.75%

*Notes:*

1. Golden Rooster will, immediately following the completion of the Share Offer (assuming the Over-allotment Option is not exercised), be directly interested in 10% or more of the nominal value of the Shares carrying the right to vote in all circumstances at general meetings of the Company.
2. Golden Rooster is taken to have a short position of 15,600,000 Shares pursuant to a stock borrowing agreement made between BNP Paribas Peregrine and Golden Rooster.

Save as disclosed above, so far as is known to the Directors, immediately following completion of the Share Offer (but without taking into account of Shares which may be taken up under the Share Offer and Shares falling to be allotted and issued upon the exercise of the Over-allotment Option), 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.

## 6. Personal guarantees

Mr. Fung Siu Por Lawrence and Mr. Mak Ping Leung have provided personal guarantees in favour of certain banks for banking facilities granted to certain members of the Group. As at 31st March, 2005, the Group has utilised banking facilities of approximately HK\$67.1 million. The Directors confirmed that the banks have given their respective consents in principle to release all such guarantees and replace such guarantees by corporate guarantees and/or other collaterals provided by the Company and/or other members of the Group upon listing of the Shares on the Stock Exchange.

## 7. Agency fees or commission

Save as disclosed in this prospectus, within the two years preceding the date of this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of the Company or any of its subsidiaries.

**8. Disclaimers**

Save as disclosed in this prospectus,

- (a) none of the Directors or chief executive of the Company has any interest and/or short position in the shares, underlying shares, listed or unlisted derivatives of or debentures of the Company or any of its associated corporations (within the meaning of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO) or which will be required pursuant to section 352 of the SFO to be entered in the register referred to therein, or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, will be required to be notified to the Company and the Stock Exchange once the Shares are listed;
- (b) there are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) between the Directors and any member of the Group;
- (c) none of the Directors or the experts named in the paragraph headed “Consents of experts” in this appendix has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to, any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;
- (d) none of the Directors is materially interested in any contract or arrangement subsisting as at the date of this prospectus which is significant in relation to the business of the Group taken as a whole;
- (e) taking no account of any Shares which may be taken up under the Share Offer, the Directors are not aware of any person who immediately following the completion of the Share Offer (but without taking account of Shares which may be taken up under the Share Offer and Shares falling to be allotted and issued upon the exercise of the Over-allotment Option) will have 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 directly or indirectly 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 of any other member of the Group; and
- (f) none of the experts named in the paragraph headed “Consents of experts” in this appendix has any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group or is an officer or servant or in employment of an officer or servant of the Group.

**D. SHARE OPTION SCHEME****Summary of terms**

The following is a summary of the principal terms of the Share Option Scheme adopted pursuant to the written resolutions of the sole Shareholder passed on 19th July, 2005:

**1. Who may join and purpose**

The Board may at its discretion grant Options to: (i) any director, Employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Group or a company in which the Group holds an interest or a subsidiary of such company ("Affiliate"); or (ii) the trustee of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include any director, employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Group or an Affiliate; or (iii) a company beneficially owned by any director, Employee, consultant, professional, customer, supplier, agent, partner, adviser of or contractor to the Group or an Affiliate.

In order for a person to satisfy the Board that he is qualified to be (or, where applicable, continues to qualify to be) an Eligible Participant, such person shall provide all such information as the Board may request for the purpose of assessing his eligibility (or continuing eligibility).

**2. Price of Shares**

The subscription price shall, subject to the adjustment as stated in the Share Option Scheme, be a price determined by the Board and shall not be less than the highest of (i) the nominal value of a Share; (ii) the closing price of one 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 (iii) 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.

**3. Maximum number of Shares**

- (a) The total number of Shares which may be issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme or any other schemes of the Group) to be granted under the Share Option Scheme and any other schemes of the Group must not initially in aggregate exceed 10% of the Shares in issue upon completion of the Share Offer at the time dealings in the Shares commence on the Stock Exchange, being 41,600,000 Shares ("Scheme Mandate Limit") provided that:
- (i) subject to paragraph (b) and without prejudice to paragraph (a)(ii), the Company may by the issue of a circular to and approval of its shareholders in general meeting to refresh the Scheme Mandate Limit provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Group must not exceed 10% of the Shares in issue as at the date of approval of the limit and for the purpose of calculating the limit, options (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme or any other schemes of the Group) previously granted under the Share Option Scheme or any other schemes of the Group will not be counted; and

- (ii) subject to paragraph (b) and without prejudice to paragraph (a)(i), the Company may by the issue of a circular and separate shareholders' approval in general meeting grant options under the Share Option Scheme beyond the Scheme Mandate Limit or, if applicable, the limit referred to in paragraph (a)(i) to participants specifically identified by the Company before such approval is sought.
- (b) The number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised at any time under the Share Option Scheme and any other schemes adopted by the Group shall not exceed 30% of the issued share capital of the Company from time to time. No options may be granted under the Share Option Scheme or any other schemes adopted by the Group if the grant of such option will result in the limit referred to in this paragraph being exceeded.

#### **4. *Maximum entitlement of each participant***

Subject to paragraph 5 of this section, the total number of Shares issued and which may fall to be issued upon exercise of the options of the Share Option Scheme and the options granted under any other schemes of the Group (including both exercised or outstanding options) to each grantee in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being. Where any further grant of options to a grantee under the Share Option Scheme would result in the Shares issued and to be issued upon exercise of all options granted and proposed to be granted to such person (including exercised, cancelled and outstanding options) under the Share Option Scheme and any other schemes of the Group in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue, such further grant must be separately approved by Shareholders in general meeting with such grantee and his associates abstaining from voting.

#### **5. *Grant of options to connected persons***

Any grant of options under the Share Option Scheme to a director, chief executive or substantial shareholder of the Company or any of their respective associates must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the relevant grantee). Where any grant of options to a substantial shareholder or an independent non-executive Director or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (a) representing in aggregate over 0.1% of the Shares in issue; and
- (b) having an aggregate value, based on the closing price of the Shares at the offer date of each offer, in excess of HK\$5 million;

such further grant of options must be approved by the Shareholders.

For the purpose of seeking approval of the Shareholders under paragraphs 3, 4 and 5 of this section, the Company must send a circular to the Shareholders containing the information required under the Listing Rules and where the Listing Rules shall so require, the vote at the Shareholders' meeting convened to obtain the requisite approval shall be taken on a poll with those persons required under the Listing Rules abstaining from voting.

**6. Time of exercise of option**

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during the period (which may not expire later than 10 years from the date of offer of that option) to be determined and notified by the Directors to the grantee and in the absence of such determination, from the date of acceptance of an offer of the grant of such option to the earlier of the date on which such option lapses under paragraph 18 of this section and 10 years from the date of offer of that option. A consideration of HK\$1 will be payable upon acceptance of the offer.

**7. Performance target**

Unless the Directors otherwise determined and stated in the offer of grant of options to a grantee, a grantee is not required to achieve any performance targets before any options granted under the Share Option Scheme can be exercised.

**8. Rights are personal to grantee**

An option may not be transferred or assigned and will be personal to the grantee of the option.

**9. Rights on dismissal**

If the grantee of an option leaves the service of the Group by reason of his voluntary resignation or by termination of his employment in accordance with the provisions of his contract of employment or by redundancy or because his employing company ceases to be a member of the Group, he may exercise all or part of his options (to the extent not already exercised) within a period being the earlier of one month upon expiry of the date he so ceases to be an employee of the Group or the expiration of the relevant option period. Any options not so exercised shall lapse and determine at the end of the said period provided that the Directors in their absolute discretion may otherwise determine.

**10. Rights on ceasing employment or death**

If the grantee of an option leaves the service of the Group by reason of ill-health, disability or death or retirement in accordance with the terms of his contract of employment, the grantee or the personal representatives of the grantee may exercise his option in full or part within a period of six months thereafter or at the expiration of the relevant option period, whichever is earlier, failing which the option will lapse provided that the Directors in their absolute discretion may otherwise determine.

**11. Effect of alterations to capital**

In the event of any alteration in the Share capital of the Company, whether by way of capitalisation of profits or reserves, rights issue, consolidation, subdivision, or reduction of the share capital of the Company, the number or nominal amount of Shares comprised in each option so far as unexercised and/or the subscription price may be adjusted in such manner as the Directors (having received a statement in writing from the independent financial advisor or auditors of the Company that in their opinion the adjustments proposed satisfy the requirements as stated in the Share Option Scheme and the Listing Rules and are fair and reasonable) may deem appropriate, provided always that a grantee shall have the same

proportion of the equity capital of the Company as that to which he was entitled before such adjustments and no increase shall be made in the aggregate subscription price relating to any option and no adjustment shall have the effect of rendering the subscription price payable upon the exercise of any option becoming less than the nominal value of the Share.

#### **12. *Rights on a general offer***

In the event of a general offer being made to the holders of Shares (being an offer made in the first instance on a condition such that, if it is satisfied, the offeror will have control of the Company) or otherwise, any person shall have obtained control of the Company, then the Directors shall as soon as practicable thereafter notify every grantee and each grantee shall be entitled to exercise the option in full or in part (to the extent not already exercised) at any time within one month after the date on which the general offer becomes or is declared unconditional and any option shall upon expiry of such period cease and determine.

#### **13. *Rights on winding up***

If notice is duly given of a general meeting at which a resolution will be proposed for the voluntary winding-up of the Company, every option shall be exercisable in whole or in part at any time thereafter until the resolution is duly passed or defeated or the meeting concluded or adjourned sine die, whichever shall first occur. If such resolution is duly passed, all options shall, to the extent that they have not been exercised, thereupon cease and terminate.

#### **14. *Rights on a compromise or arrangement***

In the event of a compromise or arrangement between the Company and its members or creditors being proposed, the Company shall give notice thereof to all grantees on the same date as it despatches notice of the meeting to its members or creditors to consider such a compromise or arrangement and each grantee (or his or her legal personal representatives) may, forthwith and until the expiry of the period commencing on such date and ending on the earlier of the date two calendar months thereafter and the date on which such compromise or arrangement is sanctioned by the relevant court be entitled to exercise his option, but the exercise of an option as aforesaid shall be conditional upon such compromise or arrangement being sanctioned by the relevant court and becoming effective. Upon such compromise or arrangement becoming effective, all options shall lapse except insofar as exercised under this paragraph.

#### **15. *Ranking of Shares***

The Shares to be allotted upon the exercise of an option will not carry voting rights until the registration of the grantee (or his nominee or any other person) as the holder thereof. Subject to the aforesaid, Shares allotted and issued on the exercise of options will rank *pari passu* with the fully-paid Shares in issue on the date on which the name of the grantee is registered on the register of members of the Company, save that they will not rank for any dividend to be or is proposed to be paid to holders of Shares on the register on a date prior to such registration.

#### **16. *Period of the Share Option Scheme***

The Share Option Scheme will remain in force for a period of 10 years from the date of its adoption.

**17. Alteration**

The Directors may from time to time in their absolute discretion waive or amend such rules of the Share Option Scheme as they deem desirable save and except the following which shall be approved by the Shareholders in general meeting:

- (a) alteration to the terms and conditions of the Share Option Scheme relating to the matters set out in rule 17.03 of the Listing Rules;
- (b) alteration to the terms and conditions of the Share Option Scheme which are of a material nature; and
- (c) any alteration to the terms and conditions of the options granted.

Any change to the authority of the Directors in relation to any alteration to the terms of the Share Option Scheme must be approved by Shareholders in general meeting.

**18. Lapse of option**

An option will lapse automatically (to the extent not already exercised) on the earliest of:

- (a) the expiry of the option period;
- (b) the expiry of the period specified for the acceptance of an offer of the option;
- (c) the expiry of the periods referred to in paragraphs 9, 10, 12, 13 and 14 above of this section;
- (d) the date of commencement of the winding-up of the Company; and
- (e) the date on which the grantee commits a breach of paragraph 8 above of this section.

**19. Cancellation of options**

Any cancellation of options granted but not exercised shall require approval of the Shareholders in general meeting, and the relevant grantees and their respective associates shall abstain from voting. Any vote taken at the general meeting for approving such cancellation shall be taken by poll. Cancelled options may be re-issued after such cancellation has been approved, provided that the re-issued options shall only be granted in compliance with the terms of the Share Option Scheme. If new options are issued to the same grantee, the issue of such new options may only be made where there are available unissued options (excluding the cancelled options) within the limit approved by the Shareholders pursuant to paragraph 3 of this section.

**20. Termination of the Share Option Scheme**

The Company may by resolution in general meeting or the Board may at any time resolve to terminate the Share Option Scheme and in such event no further option shall be offered but the provisions of Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior thereto or otherwise as may be required in



accordance with the provisions of the Share Option Scheme. Options granted prior to but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

### **21. Condition of the Share Option Scheme**

The Share Option Scheme is conditional on (a) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Shares to be issued pursuant to the exercise of options which may be granted under the Share Option Scheme; and (b) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional and not being terminated in accordance with the terms thereof.

### **22. Present status of the Share Option Scheme**

As at the date of this prospectus, no option has been granted or agreed to be granted under the Share Option Scheme.

Application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the 41,600,000 Shares which may fall to be issued pursuant to the exercise of the options which may initially be granted under the Share Option Scheme.

## **E. OTHER INFORMATION**

### **1. Indemnities**

The Controlling Shareholders have entered into a deed of indemnity whereby they have given joint and several indemnities in connection with Hong Kong estate duty which might be payable by any member of the Group by reason of any transfer of property (within the meaning of section 35 of the Estate Duty Ordinance, Chapter 111 of the Laws of Hong Kong) to any member of the Group on or before the date of the fulfillment of the last of the conditions set out in the sub-section headed "Conditions of the Share Offer" under the section headed "Structure of the Share Offer" of this prospectus and other taxation (including all fines, penalties, costs, charges, expenses and interests relating to taxation) which may be made against any member of the Group in respect of any income, profits or gains earned, accrued or received on or before the date of the fulfillment of the last of the conditions set out in the sub-section headed "Conditions of the Share Offer" under the section headed "Structure of the Share Offer" of this prospectus.

The Directors have been advised that no material liability for estate duty is likely to fall on any member of the Group in the Cayman Islands.

### **2. Litigation**

As at the Latest Practicable Date, no member of the Group was engaged in any litigation, claim or arbitration of material importance and no litigation, claim or arbitration of material importance is known to the Directors to be pending or threatened against any member of the Group.

### **3. Sponsor**

The Sponsor has made an application on behalf of the Company to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Shares in issue and to be issued as mentioned herein, including any Shares that may be issued under the Over-allotment Option and any Shares falling to be issued pursuant to the exercise of options which may be granted under the Share Option Scheme.

**4. Preliminary expenses**

The estimated preliminary expenses of the Company are approximately HK\$23,400 and are payable by the Company.

**5. Promoters**

The promoters of the Company are Mr. Fung Siu Por, Lawrence and Mr. Mak Ping Leung. Save as disclosed in this prospectus, no amount or benefit has been paid or given to the promoters in connection with the Share Offer or related transactions described in this prospectus within the two years preceding the date of this prospectus.

**6. Consents of experts**

BNP Paribas Peregrine, PricewaterhouseCoopers, Vigers Appraisal & Consulting Limited, Commerce and Finance Law Offices, and Conyers Dill & Pearman have given and have not withdrawn their respective written consents to the issue of this prospectus with copies of their reports, valuation certificate, letters, opinions or summaries of opinions (as the case may be) and the references to their names included herein in the form and context in which they are respectively included.

<b>Name</b>	<b>Qualification</b>
BNP Paribas Peregrine	Licensed corporation holding a licence under the SFO to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
PricewaterhouseCoopers	Certified public accountants
Vigers Appraisal & Consulting Limited	Property valuer
Commerce and Finance Law Offices	Legal advisers on PRC laws
Conyers Dill & Pearman	Legal advisers on Cayman Islands laws

**7. Binding effect**

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance of Hong Kong so far as applicable.

**8. Miscellaneous**

- (a) Save as disclosed in this prospectus,
- (i) within the two years preceding the date of this prospectus, no share or loan capital of the Company or any of its subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;
  - (ii) within the two years preceding the date of this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of the Company or any of its subsidiaries;

- (iii) within the two years preceding the date of this prospectus, no share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
  - (iv) there has been no material adverse change in the financial position or prospects of the Group since 31st March, 2005 (being the date to which the latest audited consolidated financial statements of the Group were made up); and
  - (v) within the two years preceding the date of this prospectus, no commission has been paid or payable (except commission to sub-underwriters) to any persons for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any shares of the Company or any of its subsidiaries.
- (b) The Company has no founder shares, management shares or deferred shares.
  - (c) All necessary arrangements have been made to enable the Shares to be admitted into CCASS.
  - (d) The Group has no outstanding debenture.

**DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG**

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were copies of the **WHITE, YELLOW** and **PINK** application forms, the written consents referred to in the sub-paragraph headed "Consents of experts" in the paragraph headed "Other information" in appendix IV to this prospectus and copies of the material contracts referred to in the sub-paragraph headed "Summary of material contracts" in the paragraph headed "Further information about the business" in appendix IV to this prospectus.

**DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the offices of Deacons, 5th Floor, Alexandra House, 16-20 Chater Road, Central, Hong Kong during normal business hours up to and including 4th August, 2005:

- (a) the memorandum of association of the Company and the Articles;
- (b) the Accountants' Report of the Group signed by PricewaterhouseCoopers, the text of which is set out in appendix IA to this prospectus, together with the related statement of adjustment;
- (c) the report on unaudited pro forma financial information prepared by PricewaterhouseCoopers, the text of which is set out in appendix IB to this prospectus;
- (d) the letter, summary of valuations and valuation certificate prepared by Vigers Appraisal & Consulting Limited, the text of which is set out in appendix II to this prospectus;
- (e) the rules of the Share Option Scheme;
- (f) the letter of advice prepared by Conyers Dill & Pearman summarising certain aspects of Cayman Islands company law;
- (g) the Companies Law;
- (h) a legal opinion prepared by Commerce & Finance Law Offices in respect of the validity of certain property lease arrangements of the Group in the PRC;
- (i) a legal opinion prepared by Commerce & Finance Law Offices in respect of the establishment and operation of certain Mainland China entities within the Group;
- (j) the material contracts referred to in the sub-paragraph headed "Summary of material contracts" in the paragraph headed "Further information about the business" in appendix IV to this prospectus; and
- (k) the written consents referred to in the sub-paragraph headed "Consents of experts" in appendix IV to this prospectus.