



# 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)

(Stock Code: 0423)

## ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2007

The Directors of Hong Kong Economic Times Holdings Limited (the “Company”) are pleased to announce the audited consolidated final results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 March 2007 as follows:

### Consolidated Income Statement

	Note	Year ended 31 March	
		2007 HK\$'000	2006 HK\$'000
Turnover	3	833,174	721,703
Cost of sales	4	(476,578)	(403,153)
Gross profit		356,596	318,550
Other revenues		6,973	7,887
Selling and distribution expenses	4	(101,790)	(92,317)
General and administrative expenses	4	(115,548)	(110,227)
Operating profit		146,231	123,893
Finance costs		(1,135)	(3,476)
Profit before income tax		145,096	120,417
Income tax expense	5	(24,706)	(20,896)
Profit for the year		120,390	99,521
Attributable to:			
Equity holders of the Company		120,041	98,164
Minority interests		349	1,357
		120,390	99,521
Earnings per share for profit attributable to equity holders of the Company (expressed in HK cents)			
Basic and diluted	6	27.81	25.11
Dividends	7	47,044	37,117

### Consolidated Balance Sheet

	Note	As at 31 March	
		2007 HK\$'000	2006 HK\$'000
Non-current assets			
Goodwill		25,539	25,539
Property, plant and equipment		201,050	204,340
Lease premium for land		55,022	55,155
Deferred income tax assets		8	22
		281,619	285,056

Current assets			
Inventories		20,579	20,255
Trade receivables	8	154,971	128,520
Deposits, prepayments and other receivables		10,688	12,226
Tax recoverable		539	2,135
Pledged time deposits		3,428	–
Cash and cash equivalents		229,966	219,597
		<u>420,171</u>	<u>382,733</u>
Current liabilities			
Trade payables	9	25,499	22,523
Fees in advance		43,254	35,909
Accruals and other payables		78,230	72,371
Current income tax liabilities		1,802	2,913
Current portion of obligations under finance leases		–	10,802
Current portion of bank loans, secured		–	1,505
		<u>148,785</u>	<u>146,023</u>
Net current assets		<u>271,386</u>	<u>236,710</u>
Total assets less current liabilities		<u>553,005</u>	<u>521,766</u>
Financed by:			
Share capital		43,160	43,160
Reserves			
Proposed final dividends		34,096	24,601
Others		456,703	383,706
Equity holders' funds		533,959	451,467
Minority interests		881	532
Total equity		<u>534,840</u>	<u>451,999</u>
Non-current liabilities			
Obligations under finance leases		–	50,870
Bank loans, secured		–	5,530
Deferred income tax liabilities		18,165	13,367
		<u>18,165</u>	<u>69,767</u>
Total equity and non-current liabilities		<u>553,005</u>	<u>521,766</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The consolidated financial statements have been prepared under the historical cost convention.

### 2. Impact of new/revised HKFRS

#### (a) Standards, amendments to standards and interpretations effective in year 2007

The following new standards, amendments to standards and interpretations are mandatory for the financial year ended 31 March 2007:

HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21 (Amendment)	Net Investment in a Foreign Operation
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 & HKFRS 4 (Amendments)	Financial Guarantee Contracts
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRSs 1 & 6 (Amendments)	First-time Adoption of Hong Kong Financial Reporting Standards and Exploration for and Evaluation of Mineral Resources
HKFRS-Int 4	Determining whether an Arrangement contains a Lease
HKFRS-Int 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
HK(IFRIC)-Int 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment

The adoption of the above new standards, amendments to standards and interpretations did not have a significant impact to the Group.

- (b) *Standards, amendment to standards and interpretations that are not yet effective and have not been early adopted by the Group*  
The following new standards, amendment to standards and interpretations have been published but are not yet effective and the Group has not early adopted:

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HKFRS 8	Operating Segments
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements

The Group believes the adoption of the above new standards, amendment to standards and interpretations will not result in substantial changes to the Group's accounting policies except that there will be additional disclosures required by HKAS 1 (Amendment) and HKFRS 7.

### 3. Turnover and segment information

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products they provide. Each of the Group's business segments represents a strategic business unit that offers products which are subject to risks and returns that are different from those of the other business segments. At 31 March 2007, the Group is organised into three main business segments:

- (1) Publishing and multimedia
- (2) Financial news agency, information and solutions
- (3) Recruitment advertising and training

Turnover comprises the advertising income, circulation income, service income and enrolment income.

An analysis of the Group's turnover for the year is as follows:

	2007 HK\$'000	2006 HK\$'000
<b>Turnover</b>		
Advertising income	561,603	481,664
Circulation income	125,337	110,327
Service income	128,108	117,885
Enrolment income	18,126	11,827
	<u>833,174</u>	<u>721,703</u>

An analysis of the Group's turnover and operating profit by segment for the year is as follows:

	Publishing and multimedia		Financial news agency, information and solutions		Recruitment advertising and training		Corporate		Total	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
<b>REVENUE</b>										
Turnover, gross	632,642	541,795	129,550	116,409	81,864	71,629	–	–	844,056	729,833
Inter-segment transactions	(9,386)	(7,381)	(1,439)	(716)	(57)	(33)	–	–	(10,882)	(8,130)
Turnover, net	<u>623,256</u>	<u>534,414</u>	<u>128,111</u>	<u>115,693</u>	<u>81,807</u>	<u>71,596</u>	<u>–</u>	<u>–</u>	<u>833,174</u>	<u>721,703</u>
<b>OPERATING PROFIT</b>	<u>93,712</u>	<u>76,892</u>	<u>15,817</u>	<u>9,414</u>	<u>30,743</u>	<u>30,337</u>	<u>5,959</u>	<u>7,250</u>	<u>146,231</u>	<u>123,893</u>

Inter-segment transactions are entered into under terms and conditions that would also be available to unrelated third parties.

#### 4. Expenses by nature

Expenses included cost of sales, selling and distribution expenses and general and administrative expenses and are analysed as follows:

	2007 HK\$'000	2006 HK\$'000
Crediting		
Reversal of provision for impairment of receivables	2,198	2,720
Charging		
Amortisation of lease premium for land	133	132
Auditors' remuneration	1,980	1,882
Bad debts written off	591	146
Depreciation		
Owned property, plant and equipment	26,433	19,777
Leased property, plant and equipment	–	3,911
Loss on disposal of property, plant and equipment	50	79
Operating lease rentals on land and buildings	6,627	5,805
Provision for impairment of receivables	357	6,489
Provision for obsolete inventories	558	667
Staff costs	332,490	290,618

#### 5. Income tax expense

Hong Kong profits tax has been provided at a rate of 17.5% (2006: 17.5%) on the estimated assessable profits for the year. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

	2007 HK\$'000	2006 HK\$'000
Current income tax		
Hong Kong profits tax	19,792	17,084
Under/(over)-provisions in prior years	102	(212)
Deferred income tax	4,812	4,024
	<u>24,706</u>	<u>20,896</u>

#### 6. Earnings per share

The calculation of basic earnings per share for current year is based on profit attributable to equity holders of the Company of HK\$120,041,000 and weighted average number of 431,600,000 shares in issue during the year.

The comparative basic earnings per share is calculated based on profit attributable to equity holders of the Company of HK\$98,164,000 and weighted average number of 390,883,288 shares deemed to had been issued during the previous year.

No diluted earnings per share was presented as there were no dilutive potential ordinary shares during the years ended 31 March 2007 and 2006.

#### 7. Dividends

	2007 HK\$'000	2006 HK\$'000
<b>Dividends attributable to the year</b>		
Interim dividend paid of HK3.0 cents (2006: HK2.9 cents) per ordinary share	12,948	12,516
Proposed final dividend of HK7.9 cents (2006: HK5.7 cents) per ordinary share	34,096	24,601
	<u>47,044</u>	<u>37,117</u>
<b>Dividends paid during the year</b>		
Total dividends paid by the Company	37,549	12,516
Total dividends paid by a subsidiary to its then shareholders ( <i>note (a)</i> )	–	3,625
	<u>37,549</u>	<u>16,141</u>

*Note:*

- (a) Career Times Online Limited, a subsidiary of the Company had declared and paid dividends amounted to HK\$3,625,000 in respect of the year ended 31 March 2005 to its then shareholders prior to a reorganisation under which the Company became the holding company of the Group.

## 8. Trade receivables

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

	2007 HK\$'000	2006 HK\$'000
Trade receivables, gross		
0 to 30 days	107,963	90,595
31 to 60 days	26,576	16,977
61 to 90 days	11,901	11,205
Over 90 days	10,945	16,019
	<hr/>	<hr/>
	157,385	134,796
Less: provision for impairment of receivables	(2,414)	(6,276)
	<hr/>	<hr/>
Trade receivables, net	<u>154,971</u>	<u>128,520</u>

The carrying amounts of trade receivables approximate their fair values. Majority of the trade receivables are denominated in Hong Kong dollars.

## 9. Trade payables

An ageing analysis of trade payables is as follows:

	2007 HK\$'000	2006 HK\$'000
0 to 30 days	24,034	21,681
31 to 60 days	768	195
61 to 90 days	453	97
Over 90 days	244	550
	<hr/>	<hr/>
	<u>25,499</u>	<u>22,523</u>

The carrying amounts of trade payables approximate their fair values. Majority of the trade payables are denominated in Hong Kong dollars.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Overview

The Group's results continued its upward trend with across-the-board growth in all the three business segments in which the Group operates, namely, publishing and multimedia, financial news agency, information and solutions and recruitment advertising and training.

The publishing and multimedia segment benefited from the strength of Hong Kong's economy, bullish stock market and consumer confidence, which brought in more advertising and promotion revenue in the year under review.

The financial news agency, information and solutions segment maintained its industry leadership in the provision of news, financial and property information in the professional market. It recorded a growth of 11% in turnover and 68% in operating profit.

The tight employment market and the continuing demand for self-enhancement courses resulted in recruitment advertising and training segment achieving a turnover growth of 14%.

The Board of Directors and our Management are committed to continue our efforts in expanding the Group's businesses, enhancing our shareholders' return and at the same time producing quality and informative products that add value to our readers and customers.

### Turnover

Advertising income for the year ended 31 March 2007 recorded an increase of 17% as compared to the year ended 31 March 2006. The increase in IPO activities and consumer confidence, and the full year effect of *U Magazine* and *Take me Home*, which were introduced in the latter part of 2005, contributed to the rise in advertising income.

Circulation income recorded an increase of 14% as compared to the year ended 31 March 2006. The increase was mainly due to the good response and the full year effect of the new publication *U Magazine* while *HKET* registered a moderate growth.

Service income for the year ended 31 March 2007 recorded an increase of 9% as compared to the year ended 31 March 2006. The active stock market had fuelled the demand for our stock quotation business in the financial news agency, information and solutions segment.

Enrolment income for the year ended 31 March 2007 achieved a remarkable increase of 53% as compared to the year ended 31 March 2006. In addition to the increasing awareness of the public for self-enhancement and development, ET Business College had been successful in organising recurring courses and seminars.

### Operating Costs

Gross profit margin for the year ended 31 March 2007 attained 42.8%, which was lower than previous financial year's 44.1%. The decrease in gross profit margin was mainly due to the full year effect of the two new publications, *U Magazine* and *Take me Home* which were still at investment stage.

Staff costs continued to be the largest single item of operating cost of the Group, representing approximately 48% of the total operating costs, which was similar to the previous financial year. Staff costs increased by 14% as compared to the year ended 31 March 2006, mainly due to overall salary increment, and the full year impact of *U Magazine* and *Take me Home*.

Newsprint costs constituted 16% of the Group's total operating costs for the year ended 31 March 2007 as compared to 17% in the year ended 31 March 2006. The effective control over newsprint consumption meant that newsprint costs only increased by 8% for the year ended 31 March 2007 as compared to year ended 31 March 2006 despite of the full year effect of the publication of *Take me Home*, which was printed by the Group using newsprint.

#### Profit Attributable to Equity Holders

For the year ended 31 March 2007, the Group has achieved double digit growth in terms of the profit attributable to equity holders. Net profit margin improved from 13.6% for the year ended 31 March 2006 to 14.4% for the year ended 31 March 2007, reflecting an impressive business expansion and effective cost control measures.

The increase in net profit is even more significant taking into account the investments in *U Magazine* and *Take me Home* for sustainable medium term growth. The results demonstrated the success of the Group's business strategy, sound leadership from the Board of Directors and the hardwork and loyalty of staff.

#### Liquidity and Capital Resources

(in HK\$ million)	As at 31 March	
	2007	2006
Net current assets	271.4	236.7
Cash and cash equivalents	230.0	219.6
Bank loans and finance leases	–	68.7
Equity holders' fund	534.0	451.5
Gearing ratio	–	10.3%
Current ratio	2.82 times	2.62 times

The Group's net current assets as at 31 March 2007 has increased by HK\$34.7 million from the position as at 31 March 2006. During the year under review, the Group had distributed the final dividend declared for the financial year ended 31 March 2006 and interim dividend for the six months period ended 30 September 2006 amounting to a total of HK\$37.5 million. The Group had also repaid all the outstanding bank loans and finance leases in August 2006. However, the net current assets of the Group still recorded an increase due to the good operating performance of the Group during the year under review.

The Group continued to achieve steady growth in operating profit. Net cash inflow from operating activities increased in line with the increase in profit attributable to equity holders. Net cash outflow from investing activities decreased significantly following completion of major investment in printing press lines in the year ended 31 March 2006, and the acquisition of remaining interests in a subsidiary in August 2005.

The full repayment of all outstanding bank loans and finance leases (including interest element) during the year amounting to about HK\$70 million and the payment of final dividend for the year ended 31 March 2006 and interim dividend for the six months period ended 30 September 2006 totalling HK\$37.5 million resulted in a cash outflow of HK\$107 million from financing activities.

Following the repayment of all outstanding bank loans and finance leases, the Group had no gearing as at 31 March 2007. Current ratio had shown an improvement as compared to that as at 31 March 2006. As at 31 March 2007, the Group had cash balance of HK\$230 million as compared to HK\$220 million as at 31 March 2006.

The Group is able to meet its working capital requirements, support investment needs of any future business plans and fulfill the dividend payment policy at the current fund level.

#### OUTLOOK

The cost pressures due to investment in *Take me Home*, a free community weekly, *U Magazine*, a lifestyle and leisure magazine, both of which were launched about a-year-and-half ago and are progressing well, the possibility of launching other media related projects later this year, and the loss of revenue following implementation of HKEx's new rule abolishing the mandatory requirement of paid announcements in newspapers for Main Board issuers in stages effective from 25 June 2007 mean that we are entering a consolidation period of one to two years before the negative impacts mentioned above will be fully absorbed by growth in other business areas.

Despite concerns over rises, though slowly, in interest rates worldwide, the possibility of inflation and global financial market risks, Mainland's economy continues to expand strongly and provides important impetus to the growth of our economy. Moreover, worldwide economy is progressing on a steady path. Hong Kong's GDP for 2007 was forecasted by the Government to increase by 4.5 to 5.5 per cent, which is favourable to our businesses.

Our core business direction is to provide quality information and related services to our customers focusing on finance, property, human resources, education and lifestyle. The Group offers a wide range of products and services. With a balanced and diversified portfolio, a strong network of customer reach, a competent team of passionate staff and a culture of constantly striving to improve, we shall continue to build upon our strength, enlarging market share in existing businesses, looking for investment opportunities and at the same time exercising effective cost control. The Group is well positioned to capitalize on the changes and opportunities ahead.

In conclusion, although there might be short-term adjustments, overall, we are very optimistic about the future of our Group in the years to come.

## **EMPLOYEES**

As at 31 March 2007, the Group had 1,277 employees (31 March 2006: 1,228 employees). The Directors believe that employees are the most valuable assets of the Group and competitive remuneration packages are offered to retain quality staff. Employee benefits include medical insurance, discretionary bonus, provident fund schemes and other staff benefits.

## **DIVIDEND**

The Directors recommend a payment from the distributable reserves of the Company a final dividend of HK7.9 cents per share in respect of the year ended 31 March 2007 to the shareholders whose names appear on the register of members of the Company at the close of business on 24 July 2007, amounting to HK\$34,096,000. The final dividend, payable on 31 July 2007, is subject to the approval of the shareholders of the Company at the forthcoming annual general meeting to be held on 30 July 2007.

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members of the Company will be closed from 25 July 2007 to 30 July 2007, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the final dividend, and be eligible to attend and vote at the forthcoming annual general meeting of the Company, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 24 July 2007.

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

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

## **COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES**

In the opinion of the Directors, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the "Code Provisions") contained in Appendix 14 of the Listing Rules for the year ended 31 March 2007 except as stated and explained below.

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

## **CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

All Directors of the Company have confirmed their compliance with the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules throughout the year ended 31 March 2007.

## **AUDIT COMMITTEE**

The Company established an Audit Committee on 29 April 2005 with written terms of reference. The Audit Committee comprises three Independent Non-executive Directors, Mr. Chan Mo Po, Paul, Mr. Chow On Kiu and Mr. Lo Foo Cheung. The Audit Committee has reviewed the Group's audited final results for the year ended 31 March 2007.

## **REMUNERATION COMMITTEE**

The Company established a Remuneration Committee on 29 April 2005 with written terms of reference. The Remuneration Committee comprises Non-executive Director, Mr. Chu Yu Lun and two Independent Non-executive Directors, Mr. Lo Foo Cheung and Mr. Chow On Kiu.

## **NOMINATION COMMITTEE**

The Company established a Nomination Committee on 29 April 2005 with written terms of reference. The Nomination Committee comprises Non-executive Director, Mr. Chu Yu Lun and two Independent Non-executive Directors, Mr. Chow On Kiu and Mr. Chan Mo Po, Paul.

On Behalf of the Board  
**Hong Kong Economic Times Holdings Limited**  
**Fung Siu Por, Lawrence**  
Chairman

Hong Kong, 25 June 2007

*This announcement is also published on the website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) and the Company ([www.hketgroup.com](http://www.hketgroup.com)). The Group's Annual Report 2006/2007 containing all the information required by the Rules Governing the Listing of Securities on the Stock Exchange will be published on the Stock Exchange's and the Company's website in due course.*

*As at the date of announcement, the Board comprises: (a) the Executive Directors: Mr. Fung Siu Por, Lawrence, Mr. Mak Ping Leung (alias: Mr. Mak Wah Cheung), Mr. Chan Cho Bui, Mr. Shek Kang Chuen, Ms. See Sau Mei Salome and Mr. Chan Wa Pong; (b) the Non-executive Director: Mr. Chu Yu Lun; and (c) the Independent Non-executive Directors: Mr. Chan Mo Po, Paul, Mr. Chow On Kiu and Mr. Lo Foo Cheung.*

"Please also refer to the published version of this announcement in International Herald Tribune."