

**BEA securities**

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**HONG KONG RESEARCH****22<sup>nd</sup> July 2005****Main Board Listing - Research**

香港經濟日報集團有限公司

Hong Kong Economic Times Holdings Limited [Stock Code: 0423]**Global Co-ordinator, Sponsor, Bookrunner and** : BNP Paribas Peregrine Capital Limited**Lead Manager****Co-Lead Manager**

: UOB Kay Hian (Hong Kong) Limited

**Sector** : Media**Business** : Newspaper, magazine and book publishing and multimedia production

<b>Total share offer:</b> <u>104,000,000</u> shares <b>(25% of the enlarged share capital)</b>  <b>Public Offer:</b> 10,400,000 shares (10%) <b>Placing:</b> 93,600,000 shares (90%) <b>Greenshoe:</b> 15,600,000 shares (15%)	<b><u>Business of Hong Kong Economic Times</u></b>  The Group, through its subsidiaries, is a diversified media company. Its core business is the publication of <i>Hong Kong Economic Times (HKET)</i> , a leading Chinese financial newspaper in Hong Kong.  Apart from newspaper publishing, the Group has successfully developed other business ventures such as magazine publishing ( <i>e-zone</i> ), book publishing, recruitment advertising and training for business executives. In addition, the Group is one of the real-time financial information providers providing equities and derivatives quotation, news and commentaries and Hong Kong listed companies information to the professional market and retail investors.  The Group operates in 3 major business segments, namely (i) Publishing and Multimedia ( <i>HKET</i> , <i>e-zone</i> magazine, etc), (ii) Electronic Information and Solutions (ET Net, ET Wealth, EPRC, etc.), and (iii) Recruitment Advertising and Training ( <i>Career Times</i> , ET Business College, etc.), which respectively account for 72.7%, 17.6% and 9.7% of the Group's revenue for the year ended 31 <sup>st</sup> March 2005.
<b>Price:</b> HK\$1.43 – HK\$1.70 per share <b>Market Cap.:</b> HK\$595 million – HK\$707 million  <b>Historical FY2005 P/E:</b> 6.85x – 8.15x  <b>Adjusted NTA per share:</b> HK\$0.75 – HK\$0.81  <b>Staffing:</b> 1,049	
<b>HK Public Offer period:</b> 22 <sup>nd</sup> July 2005 – 27 <sup>th</sup> July 2005  <b>Receiving bank:</b> Bank of China (Hong Kong)  <b>Share registrar:</b> Tricor Investor Services Limited  <b>Listing date:</b> 3 <sup>rd</sup> August 2005	

**Major Shareholders after Listing** (Assuming the over-allotment option is not exercised)

Golden Rooster Ltd. (BVI) *	62.740%
Mr. Mak Ping Leung, Managing Director of the Group	3.510%
Mr. Chan Cho Biu, Associate Publisher and Chief Editor of <i>HKET</i>	2.788%
Mr. Shek Kang Chuen, Associate Publisher and Head of Research Department of <i>HKET</i>	2.644%
Ms. See Sau Mei, Managing Director of ET Net	2.164%
Mr. Chan Wa Pong, Company Secretary and Chief Financial Officer of the Group	0.241%
Ms. Pang Ka Yi, Executive Director of ETBC	0.067%
Employee Shareholders	0.846%
	<u>75%</u>

\* Mr. Fung Siu Por, Chairman of the Group (33.5%), Mr. Chu Yu Lun, Non-executive Director of the Group (33.5%), and Putt Putt Co. Ltd. (33%).

*This report has been prepared solely for information purposes and we are not soliciting any action based upon it. Neither this document nor its contents shall be construed as an offer, invitation, advertisement, inducement or representation of any kind or form whatsoever. The information is based upon information, which we consider reliable, but accuracy or completeness is not guaranteed. Opinions expressed herein are subject to change without notice. At time of this report, East Asia Securities Company Limited has no position in securities of the company or companies mentioned herein.*

### Use of Proceeds

Net proceeds from the offer are estimated to be HK\$146.7 million.

(Assuming the over-allotment option is not exercised, and at an issue price of HK\$1.565 each, which is the mid-point of the indicative price range)

	HK\$ million
Business expansion in China, comprising HK\$30 million for advertising business and business co-operation with other media companies and HK\$20 million for developing ET Net's business	50.0
Publishing servicing and/or consumer products magazines in Hong Kong	30.0
Developing financial information pool for datafeed businesses and revamping the existing financial portal to expand its on-line advertising and e-commerce businesses	20.0
Developing wealth management system and related content enhancement	10.0
Upgrading newspaper production technology	25.0
General working capital	11.7

### Financial Highlights

	Year ended 31 <sup>st</sup> March		
	2003	2004	2005
	HK\$'000	HK\$'000	HK\$'000
Turnover	540,448	515,669	608,412
Gross profit	229,397	208,111	257,432
Operating profit	60,541	37,998	81,443
<b>Net profit</b>	<b>37,837</b>	<b>26,005</b>	<b>65,094</b>
<b>Earnings per share – Basic</b>	<b>HK¢12.13</b>	<b>HK¢8.33</b>	<b>HK¢20.86</b>

### Strengths/Opportunities

- ✓ The Group differentiates itself from other newspaper publishers as a diversified financial news and service provider. Its leading status in Chinese financial press through *HKET* supports the operation and development of other business units such as ET Net, a real-time financial information provider, and EPRC, a property information platform.
- ✓ The Group is trying to capture the mainland's advertising market, which at US\$9 billion in 2004 was more than double that of Hong Kong. The Group has entered into an agreement with SZ Advertising, a Shenzhen-based advertising agency, to solicit business in the mainland. In addition, the Group has partnered with Qianlong, one of China's major financial information vendors, to provide Hong Kong's equities quotes and other financial data to mainland investors. With the implementation of QDII, the co-operation with Qianlong will drive growth for ET Net's business.
- ✓ Priced at 6.85x to 8.15x historical P/E, valuation of the counter is attractive compared with 17x to 20x current P/E for Oriental Press Group (stock code: 0018), Next Media (stock code: 0282) and Ming Pao Enterprise Corporation (stock code: 0685), and 17x for SCMP Group (stock code: 0583).

### Weaknesses/Threats

- × *HKET* that relies on a large portion of revenue from corporate announcements may feel the pinch if the Stock Exchange of Hong Kong drops the rule – which is currently under review – requiring listed companies to publish statutory disclosures in daily newspapers. For the past 3 financial years, corporate announcements accounted for 8% to 10% of the Group's revenue.
- × Another concern is the recent proliferation of free newspapers in Hong Kong. Centaline Property Agency's plan of launching a free daily, *AM730*, which is expected to corner Centaline's advertising budget, will negatively affect *HKET* because of its heavy focus on property market advertisement. According to media agency Mindshare Hong Kong, about 18% of *HKET*'s advertising revenue came from property-related clients in the first 5 months of this year and more than one-third of that was from property agencies.

**Recommendation: Trading Buy**