



Hong Kong Economic Times Holdings Limited

**Interim Report**  
**2011/2012**



Stock Code 00423

## INTERIM RESULTS 2011/2012

The Directors of Hong Kong Economic Times Holdings Limited (the "Company") are pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 September 2011. These results have been reviewed by the Company's auditor, PricewaterhouseCoopers, in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" and by the Audit Committee of the Company.

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>Note</i>	<b>Unaudited For the six months ended 30 September 2011 HK\$'000</b>	2010 HK\$'000
<b>Turnover</b>	3	<b>486,558</b>	464,395
Cost of sales		<b>(277,426)</b>	(247,473)
Gross profit		<b>209,132</b>	216,922
Other revenue	4	-	50
Selling and distribution expenses		<b>(69,754)</b>	(62,626)
General and administrative expenses		<b>(80,466)</b>	(78,107)
Operating profit	5	<b>58,912</b>	76,239
Finance income	6	<b>2,897</b>	1,814
<b>Profit before income tax</b>		<b>61,809</b>	78,053
Income tax expense	7	<b>(10,975)</b>	(8,132)
<b>Profit for the period</b>		<b>50,834</b>	69,921
Other comprehensive income:			
Fair value loss on available-for-sale financial assets		<b>(2,882)</b>	-
Currency translation differences arising from foreign operations		<b>460</b>	193
Other comprehensive income for the period		<b>(2,422)</b>	193
<b>Total comprehensive income for the period</b>		<b>48,412</b>	70,114

The notes on pages 7 to 14 form an integral part of this condensed consolidated interim financial information.

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Continued)

	<i>Note</i>	<b>Unaudited For the six months ended 30 September 2011 HK\$'000</b>	2010 HK\$'000
Profit attributable to:			
Equity holders of the Company		<b>50,154</b>	69,087
Non-controlling interests		<b>680</b>	834
		<b>50,834</b>	69,921
Total comprehensive income attributable to:			
Equity holders of the Company		<b>47,732</b>	69,280
Non-controlling interests		<b>680</b>	834
		<b>48,412</b>	70,114
Earnings per share for profit attributable to equity holders of the Company (expressed in HK cents)			
Basic and diluted	<i>8</i>	<b>11.62</b>	16.01

The notes on pages 7 to 14 form an integral part of this condensed consolidated interim financial information.

	<i>Note</i>	<b>HK\$'000</b>	HK\$'000
<b>Dividends</b>	<i>9</i>	<b>12,948</b>	17,696

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Note</i>	<b>Unaudited As at 30 September 2011 HK\$'000</b>	Audited As at 31 March 2011 HK\$'000
<b>Non-current assets</b>			
Intangible assets		<b>748</b>	1,248
Property, plant and equipment	10	<b>234,777</b>	237,608
Investment properties		<b>30,593</b>	50,497
Held-to-maturity investments		<b>-</b>	28,179
Available-for-sale financial assets		<b>13,476</b>	-
Deferred income tax assets		<b>4,123</b>	4,488
Deposit paid for an investment	16	<b>10,750</b>	-
Deposits paid for property, plant and equipment		<b>18,809</b>	17,462
		<b>313,276</b>	339,482
<b>Current assets</b>			
Inventories		<b>25,050</b>	21,071
Trade receivables	11	<b>168,356</b>	159,742
Deposits, prepayments and other receivables		<b>23,470</b>	14,878
Tax recoverable		<b>254</b>	661
Held-to-maturity investments		<b>-</b>	40,254
Available-for-sale financial assets		<b>19,578</b>	-
Pledged time deposits		<b>86,284</b>	83,013
Term deposits with original maturities of over three months		<b>188,740</b>	194,114
Cash and cash equivalents		<b>160,330</b>	174,192
		<b>672,062</b>	687,925
Investment property held for sale		<b>19,728</b>	-
		<b>691,790</b>	687,925

The notes on pages 7 to 14 form an integral part of this condensed consolidated interim financial information.

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)

	<i>Note</i>	<b>Unaudited As at 30 September 2011 HK\$'000</b>	Audited As at 31 March 2011 HK\$'000
<b>Current liabilities</b>			
Trade payables	12	49,124	25,788
Fees in advance		80,902	83,235
Accruals and other payables		87,819	112,523
Current income tax liabilities		17,140	6,804
		<b>234,985</b>	228,350
<b>Net current assets</b>		<b>456,805</b>	459,575
<b>Total assets less current liabilities</b>		<b>770,081</b>	799,057
Financed by:			
Share capital	13	43,160	43,160
Reserves			
Proposed final dividend		-	77,256
Proposed interim dividend		12,948	-
Others		686,625	651,841
Equity holders' funds		<b>742,733</b>	772,257
Non-controlling interests		6,406	5,726
<b>Total equity</b>		<b>749,139</b>	777,983
<b>Non-current liabilities</b>			
Deferred income tax liabilities		20,942	21,074
<b>Total equity and non-current liabilities</b>		<b>770,081</b>	799,057

The notes on pages 7 to 14 form an integral part of this condensed consolidated interim financial information.

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited	
	For the six months ended 30 September	
	2011	2010
	HK\$'000	HK\$'000
Net cash inflow from operating activities	<b>47,555</b>	58,055
Net cash inflow/(outflow) from investing activities	<b>15,659</b>	(68,049)
Net cash outflow from financing activities	<b>(77,256)</b>	(38,412)
Net decrease in cash and cash equivalents	<b>(14,042)</b>	(48,406)
Effect of foreign exchange rate changes, net	<b>180</b>	193
Cash and cash equivalents at 1 April	<b>174,192</b>	160,384
Cash and cash equivalents at 30 September (note)	<b>160,330</b>	112,171

Note: As at 30 September 2011, the total cash and cash equivalents, term deposits with original maturities of over three months and pledged time deposits amounted to HK\$435,354,000 (30 September 2010: HK\$443,154,000).

The notes on pages 7 to 14 form an integral part of this condensed consolidated interim financial information.

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED

	Attributable to equity holders of the Company									
	Share capital HK\$ '000	Share premium HK\$ '000	Merger reserve HK\$ '000	Capital reserve HK\$ '000	Currency translation reserve HK\$ '000	Investment revaluation reserve HK\$ '000	Retained earnings HK\$ '000	Total HK\$ '000	Non-controlling interests HK\$ '000	Total equity HK\$ '000
<b>Balance at 1 April 2010</b>	43,160	122,381	69,944	6,120	795	-	430,814	673,214	4,817	678,031
Profit for the period	-	-	-	-	-	-	69,087	69,087	834	69,921
<b>Other comprehensive income</b>										
Currency translation differences arising from foreign operations	-	-	-	-	193	-	-	193	-	193
<b>Total comprehensive income</b>	-	-	-	-	193	-	69,087	69,280	834	70,114
<b>Transaction with owners</b>										
Final dividend for the year ended 31 March 2010	-	-	-	-	-	-	(38,412)	(38,412)	-	(38,412)
<b>Balance at 30 September 2010</b>	43,160	122,381	69,944	6,120	988	-	461,489	704,082	5,651	709,733
<b>Balance at 1 April 2011</b>	43,160	122,381	69,944	6,120	1,308	-	529,344	772,257	5,726	777,983
Profit for the period	-	-	-	-	-	-	50,154	50,154	680	50,834
<b>Other comprehensive income</b>										
Fair value loss on available-for-sale financial assets	-	-	-	-	-	(2,882)	-	(2,882)	-	(2,882)
Currency translation differences arising from foreign operations	-	-	-	-	460	-	-	460	-	460
<b>Total comprehensive income</b>	-	-	-	-	460	(2,882)	50,154	47,732	680	48,412
<b>Transaction with owners</b>										
Final dividend for the year ended 31 March 2011 (note 9)	-	-	-	-	-	-	(77,256)	(77,256)	-	(77,256)
<b>Balance at 30 September 2011</b>	43,160	122,381	69,944	6,120	1,768	(2,882)	502,242	742,733	6,406	749,139

The notes on pages 7 to 14 form an integral part of this condensed consolidated interim financial information.

## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

*For the six months period ended 30 September 2011*

### 1. Basis of preparation and accounting policies

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

This unaudited condensed interim financial information should be read in conjunction with the Group's audited 2011 annual financial statements, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA.

Except as described below, the accounting policies and method of computation used in the preparation of this condensed interim financial information are consistent with those adopted in the annual financial statements for the year ended 31 March 2011.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

The following amendment to standard is relevant to the Group and mandatory for the first time for the financial year beginning 1 January 2011.

#### **Amendment to HKAS 34 "Interim Financial Reporting"**

Amendment to HKAS 34 "Interim Financial Reporting" is effective for annual periods beginning on or after 1 January 2011. It emphasises the existing disclosure principles in HKAS 34 and adds further guidance to illustrate how to apply these principles. Greater emphasis has been placed on the disclosure principles for significant events and transactions. Additional requirements cover disclosure of changes to fair value measurement (if significant), and the need to update relevant information from the most recent annual report. The change in accounting policy only results in additional disclosures.

#### **Comparative figures**

The comparative figures in respect of the land acquired during the year ended 31 March 2011 which was previously classified as property, plant and equipment has been reclassified to investment properties. This resulted in an increase in investment properties and a related decrease in property, plant and equipment of HK\$34,894,000 as at 31 March 2011.

The reclassification has no impact on profit and earnings per share for the period ended 30 September 2011 and year ended 31 March 2011. As the land was acquired during the year ended 31 March 2011, the consolidated statement of financial position as at 1 April 2010 was not affected by this reclassification of items and hence it was not presented.



## 2. Financial risk management

### 2.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, and cash flow and fair value interest rate risk), credit risk and liquidity risk.

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 March 2011.

There have been no changes in the risk management department since year end or in any risk management policies.

### 2.2 Liquidity risk

Compared to year end, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

### 2.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets that are measured at fair value at 30 September 2011.

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>Assets</b>				
Available-for-sale financial assets	33,054	–	–	33,054
<b>Total assets</b>	<b>33,054</b>	<b>–</b>	<b>–</b>	<b>33,054</b>

During the period ended 30 September 2011, the Group disposed of a significant amount of its held-to-maturity investments and hence reclassified all its held-to-maturity investments to available-for-sale financial assets.

### 3. Segment information

The chief operating decision-maker has been identified as the Chief Executive Officer of the Group. He reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The Group has 4 reportable segments:

- (i) Printed media segment – principally engaged in the printing and publication of newspapers, magazines and books and generates advertising income and circulation income from these publications.
- (ii) Financial news agency, information and solutions segment – principally engaged in the provision of electronic financial and property market information and related solutions and generates service income from provision of information subscription services, solutions and other related maintenance services.
- (iii) Recruitment advertising and training segment – principally engaged in the provision of recruitment advertising and training services. This segment generates advertising income from placement of recruitment advertisement, and enrolment income on the provision of professional training.
- (iv) Lifestyle portals segment – principally engaged in the operation of portals in food, travel, health and other lifestyle focus. This segment generates advertising income and service income from operation of internet portals.

The chief operating decision-maker assesses the performance of the operating segments based on their respective segment results.

Sales between segments are carried out at arm's length.

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. Accordingly, no analysis by geographical basis for the relevant periods/years is presented.

The segment results for the six months period ended 30 September 2011 are as follows:

	Unaudited For the six months ended 30 September											
	Printed media		Financial news agency, information and solutions		Recruitment advertising and training		Lifestyle portals		Corporate		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	335,900	327,425	116,801	108,343	29,356	26,433	7,862	5,594	-	-	489,919	467,795
Inter-segment transactions	(2,186)	(2,197)	(1,140)	(726)	(111)	(470)	(24)	(7)	-	-	(3,361)	(3,400)
Turnover - from external customers	333,714	325,228	115,661	107,617	29,345	25,963	7,838	5,587	-	-	486,558	464,395
Profit/(loss) for the period	27,758	48,001	20,631	24,142	5,132	3,602	(2,457)	(6,799)	(230)	975	50,834	69,921

#### 4. Other revenue

	<b>Unaudited</b>	
	<b>For the six months</b>	
	<b>ended 30 September</b>	
	<b>2011</b>	2010
	<b>HK\$'000</b>	HK\$'000
Rental income from properties	-	50

#### 5. Operating profit

Operating profit is stated after charging the following:

	<b>Unaudited</b>	
	<b>For the six months</b>	
	<b>ended 30 September</b>	
	<b>2011</b>	2010
	<b>HK\$'000</b>	HK\$'000
Amortisation of contractual customer relationships	498	499
Depreciation of property, plant and equipment and investment properties	13,253	13,686
Gain on disposal of property, plant and equipment and investment property	(45)	(43)
Operating lease rentals on land and buildings	8,384	7,374
Staff costs	203,558	206,575

#### 6. Finance income

	<b>Unaudited</b>	
	<b>For the six months</b>	
	<b>ended 30 September</b>	
	<b>2011</b>	2010
	<b>HK\$'000</b>	HK\$'000
Bank interest income	1,546	962
Interest income from held-to-maturity and available-for-sale financial assets	1,351	852
	<b>2,897</b>	1,814

## 7. Income tax expense

Hong Kong profits tax has been provided at a rate of 16.5% (2010: 16.5%) on the estimated assessable profits for the period.

	Unaudited For the six months ended 30 September	
	2011 HK\$'000	2010 HK\$'000
Current income tax – Hong Kong profits tax	10,743	14,240
Deferred income tax relating to the origination and reversal of temporary differences	232	(6,108)
	10,975	8,132

## 8. Earnings per share

The calculation of basic earnings per share for current period is based on profit attributable to equity holders of the Company of HK\$50,154,000 (2010: HK\$69,087,000) and 431,600,000 shares (2010: 431,600,000 shares) in issue during the period.

Diluted earnings per share are the same as basic earnings per share as there were no dilutive potential ordinary shares during the period ended 30 September 2011 (2010: same).

## 9. Dividends

A final dividend in respect of the year ended 31 March 2011 of HK 17.9 cents per share, amounting to a total dividend of HK\$77,256,000 was paid in August 2011.

The Directors have declared an interim dividend of HK 3.0 cents (2010: HK 4.1 cents) per share, amounting to HK\$12,948,000 (2010: HK\$17,696,000), for the six months ended 30 September 2011.

## 10. Property, plant and equipment

	Unaudited						
	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	Total HK\$'000
At 1 April 2010, as previously reported	51,316	3,603	86,218	16,721	634	7,754	166,246
Restatement due to the adoption of amended HKAS 17	62,366	-	-	-	-	-	62,366
At 1 April 2010, as restated	113,682	3,603	86,218	16,721	634	7,754	228,612
Additions	-	302	193	3,792	369	1,894	6,550
Transfer from investment property	1,388	-	-	-	-	-	1,388
Depreciation	(756)	(977)	(5,473)	(4,575)	(141)	(1,752)	(13,674)
Disposals	-	-	-	(9)	-	-	(9)
Net book value at 30 September 2010	114,314	2,928	80,938	15,929	862	7,896	222,867
At 30 September 2010							
Cost	148,015	26,579	167,189	100,930	1,737	48,657	493,107
Accumulated depreciation	(33,701)	(23,651)	(86,251)	(85,001)	(875)	(40,761)	(270,240)
Net book value at 30 September 2010	114,314	2,928	80,938	15,929	862	7,896	222,867
At 1 April 2011, as previously reported	166,798	4,512	77,299	14,824	1,141	7,928	272,502
Reclassification from leasehold land to investment properties (note 1)	(34,894)	-	-	-	-	-	(34,894)
	131,904	4,512	77,299	14,824	1,141	7,928	237,608
Additions	-	749	3,013	5,775	760	1,190	11,487
Depreciation	(834)	(879)	(5,542)	(4,082)	(182)	(1,558)	(13,077)
Disposals	-	-	(1,167)	-	(73)	(1)	(1,241)
Net book value at 30 September 2011	131,070	4,382	73,603	16,517	1,646	7,559	234,777
At 30 September 2011							
Cost	166,430	29,849	170,268	109,676	2,242	49,897	528,362
Accumulated depreciation	(35,360)	(25,467)	(96,665)	(93,159)	(596)	(42,338)	(293,585)
Net book value at 30 September 2011	131,070	4,382	73,603	16,517	1,646	7,559	234,777

## 11. Trade receivables

The credit period granted by the Group to its trade customers ranges from 0 to 90 days. The ageing analysis of trade receivables by overdue date is as follows:

	<b>Unaudited 30 September 2011 HK\$'000</b>	Audited 31 March 2011 HK\$'000
0 to 30 days	95,921	102,393
31 to 60 days	31,954	19,464
61 to 90 days	19,360	14,630
Over 90 days	24,590	27,055
Trade receivables, gross	171,825	163,542
Less: provision for impairment of receivables	(3,469)	(3,800)
	<b>168,356</b>	159,742

## 12. Trade payables

The ageing analysis of trade payables is as follows:

	<b>Unaudited 30 September 2011 HK\$'000</b>	Audited 31 March 2011 HK\$'000
0 to 30 days	46,599	24,904
31 to 60 days	831	694
61 to 90 days	510	71
Over 90 days	1,184	119
	<b>49,124</b>	25,788

## 13. Share Capital

	<b>Unaudited 30 September 2011 HK\$'000</b>	Audited 31 March 2011 HK\$'000
Authorised: 2,000,000,000 shares of HK\$0.10 each	200,000	200,000
Issued and fully paid: 431,600,000 shares of HK\$0.10 each	43,160	43,160

#### 14. Related party transactions

Significant transactions with related parties are:

	<b>Unaudited</b>	
	<b>For the six months ended</b>	
	<b>30 September</b>	
	<b>2011</b>	2010
	<b>HK\$'000</b>	HK\$'000
Service income received from related parties	284	76
Hardware purchased from a related party	483	736
Rental expenses paid to a related party	356	356
	<b>839</b>	1,092
Key management personnel compensation		
Salaries and other short-term employee benefits	8,925	9,588
Post-employment benefits	392	373
	<b>9,317</b>	9,961

#### 15. Capital commitments

Capital commitments at the end of the reporting period but not yet incurred are as follows:

	<b>Unaudited</b>	Audited
	<b>30 September</b>	31 March
	<b>2011</b>	2011
	<b>HK\$'000</b>	HK\$'000
Property, plant and equipment		
– contracted but not yet provided for	107,425	72,201
– authorised but not yet contracted for	1,652	236
	<b>109,077</b>	72,437

#### 16. Events occurring after the end of the reporting period

- a. On 12 September 2011, the Group entered into a provisional agreement with an independent third party to sell a property for a total cash consideration of HK\$22,880,000. The transaction was completed on 28 October 2011.
- b. On 20 October 2011, the Group entered into a formal agreement with an independent third party to acquire the entire issued share capital of Ringier Print (HK) Limited, a printing company for a total cash consideration of HK\$215,000,000. The Group had paid a deposit of HK\$10,750,000 as at 30 September 2011. The acquisition was completed on 2 November 2011.

#### 17. Approval of the condensed interim financial information

This condensed interim financial information was approved by the Board of Directors on 21 November 2011.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Summary of Profit and Loss Account

	For the six months ended 30 September		% Change
	2011 HK\$'000	2010 HK\$'000	
<b>Turnover</b>	<b>486,558</b>	<b>464,395</b>	<b>5%</b>
Cost of sales	(277,426)	(247,473)	12%
Gross profit	209,132	216,922	-4%
<b>Gross profit margin</b>	<b>43.0%</b>	<b>46.7%</b>	
Other revenue	–	50	-100%
Selling and distribution expenses	(69,754)	(62,626)	11%
General and administrative expenses	(80,466)	(78,107)	3%
Operating profit	58,912	76,239	-23%
Finance income	2,897	1,814	60%
Profit before income tax	61,809	78,053	-21%
Income tax expense	(10,975)	(8,132)	35%
<b>Profit for the period</b>	<b>50,834</b>	<b>69,921</b>	<b>-27%</b>
Non-controlling interests	(680)	(834)	-18%
<b>Profit attributable to equity holders</b>	<b>50,154</b>	<b>69,087</b>	<b>-27%</b>
<b>Net profit margin</b>	<b>10.4%</b>	<b>15.1%</b>	

#### General

The Group recorded a turnover of HK\$486.6 million for the six months period ended 30 September 2011, a 5% growth when compared with the same period last year. Profit attributable to equity holders decreased by 27% to HK\$50.2 million.

The Group launched its new publication, *Sky Post*, a free Chinese daily on 27 July 2011 with audited distribution circulation exceeding 500,000 copies (audited by Hong Kong Audit Bureau of Circulations). *Sky Post* targets the mass audience and extends the advertising client base of the well-established publications of the Group. The new product would put pressure on the cost and profit of the Group in the near term, but would benefit the Group as a whole in the medium to longer term.



## Turnover

	Six months period ended 30 September		% Change
	2011 HK\$'000	2010 HK\$'000	
Turnover:			
Advertising income	272,025	262,055	4%
Circulation income	69,068	69,053	0%
Service income	135,530	125,283	8%
Enrolment income	9,935	8,004	24%
<b>Total</b>	<b>486,558</b>	<b>464,395</b>	<b>5%</b>

The Group's turnover for the first half of the financial year 2011/12 increased by 5% when compared with the same period last year, from HK\$464.4 million to HK\$486.6 million.

The Group's turnover from respective revenue sources saw an encouraging growth at the early part of the financial year. However, the worsening European sovereign debt crisis, stalling growth in the US as well as concern over slowing Chinese economic growth weighed on the local property and financial sectors. This is affecting the Group's revenue growth in the latter part of the reporting period. In particular, advertising income from IPO activities and property market dropped in the second quarter of the financial year 2011/12, which is in line with the reduced number of IPOs and fewer transactions in the property market.

## Operating Costs

The Group's gross profit margin dropped from 46.7% in the first half of the financial year 2010/11 to 43.0% in the current period, a decrease of 3.7 percentage points.

The decrease in gross profit margin was mainly attributable to the increase in newsprint costs, which made up about 12% of the total operating costs, due to both rising prices and consumption volume when compared with the same period last year.

The Group's turnover growth in the latter part of the reporting period was at a lower rate due to the worsening global economic conditions, but the operating costs of the Group was increasing at a faster pace owing to the general inflationary pressure and the Group's product development plans. As a result, operating profit decreased by 23% when compared with the same period last year.

### Profit Attributable to Equity Holders

Profit attributable to equity holders for the period under review was HK\$50.2 million, a decrease of HK\$18.9 million or 27% as compared with HK\$69.1 million for the same period last year.

The decrease in net profit was mainly attributable to the printed media segment. Despite the increase in turnover by approximately 3%, net profit was lower due to significant increase in operating costs, especially the printing and production costs.

Net profit margin for the six months period ended 30 September 2011 was 10.4%, around 4.7 percentage points lower than the 15.1% net profit margin for the same period last year.

The continuous investment in the Group's product development and revenue base diversification shall exert pressure on the Group's bottom line. Management will take a cautious approach in cost management during this period of business expansion.

### Liquidity and Capital Resources

(in HK\$ million)	As at 30 September 2011	As at 31 March 2011
Net current assets	456.8	459.6
Term deposits, pledged time deposits and cash and cash equivalents	435.4	451.3
Equity holders' funds	742.7	772.3
Current ratio	2.94 times	3.01 times

The Group's net current assets as at 30 September 2011 was HK\$456.8 million, which is similar to the position as at 31 March 2011. The favorable operating results for the six months period ended 30 September 2011 and the reclassification of an investment property and held-to-maturity investments from non-current assets to property held for sale and available-for-sale financial assets respectively under the category of current assets helped to increase the Group's current assets. The increase was largely offset by the payment of a final dividend for the financial year 2010/11 and the deposit paid for capital expenditure and investment.

Term deposits, pledged time deposits and cash and cash equivalents decreased by HK\$15.9 million from HK\$451.3 million as at 31 March 2011 to HK\$435.4 million as at 30 September 2011. The decrease was mainly due to the payment of a final dividend for the financial year 2010/11 amounting to HK\$77.3 million in August 2011, which offset the Group's net cash inflow from operating activities and investing activities of HK\$47.6 million and HK\$15.6 million respectively. As noted in the Group's announcements, the Group had paid a deposit of HK\$10.8 million in September 2011 when a preliminary sales and purchase agreement was signed for the acquisition of a printing company at a consideration of HK\$215 million. The deposit payment was included in the cash flow from investing activities in this Interim Report. Subsequent to the end of the reporting period, the formal sales and purchase agreement was signed on 20 October 2011, and the acquisition was completed on 2 November 2011. The balance of consideration money HK\$204.2 million was duly paid.

Also subsequent to the end of the reporting period, the Group disposed of an office unit situated at Kodak House II to an independent third party at a consideration of HK\$22.9 million.

The Group had no borrowing as at 30 September 2011. Any surplus cash was placed in short-term deposits with banks in Hong Kong.

## OUTLOOK

The financial year 2011/12 is a year full of excitement and challenges for the Group.

The successful launch of the Group's new publication, *Sky Post*, represents the Group's continuous effort on diversification. The new publication brought in new sources of advertising revenue that was not previously available to the Group's other publications. Though in the early investment stage, it would put pressure on the profit of the Group. The positive response from readers and advertisers soon after its launch were a proven testimony to the Group's insistence on quality and value positioning.

To cater for the growth of the Group's newsprint-based publications, and to ensure good printing quality and efficiency, the Group invested in a new printing press line at the beginning of the year.

In October 2011, the Group acquired a books and magazines printing company, which was also one of the major printers of the Group's books and magazines over the last decade. The acquisition would secure the smooth and cost effective production of the Group's books and magazines. The acquisition would also facilitate the future growth of the Group's core business.

In the face of uncertainty, and possibly slowdown, in external economic conditions, there are many challenges ahead. There would be pressure on the Group's costs and profit margin. The Directors believe that with the favorable positioning of our products and services and the dedication and competence of the Group's staff, the Group shall be able to ride through the challenges ahead and is confident of the future of the Group in the longer term.

## EMPLOYEES

As at 30 September 2011, the Group had 1,362 employees (30 September 2010: 1,293 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.

## INTERIM DIVIDEND

The Directors have declared an interim dividend of HK 3.0 cents (2010: HK 4.1 cents) per share, amounting to HK\$12,948,000 (2010: HK\$17,696,000), payable on 15 December 2011 to shareholders whose names appear on the Register of Members of the Company at the close of business on 6 December 2011.

## CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 7 December 2011 to 9 December 2011, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 6 December 2011.

## DIRECTORS

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

### Executive Directors

Mr. FUNG Siu Por, Lawrence (*Chairman*)

Mr. MAK Ping Leung

*(alias: Mr. Mak Wah Cheung)*

Mr. CHAN Cho Biu

Mr. SHEK Kang Chuen

Ms. SEE Sau Mei Salome

Mr. CHAN Wa Pong

### Non-executive Director

Mr. CHU Yu Lun

### Independent Non-executive Directors

Mr. CHAN Mo Po, Paul

Mr. CHOW On Kiu

Mr. LO Foo Cheung

## DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2011, the interests and short positions of each Director and chief executives in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept by the Company under Section 352 of Part XV of the SFO or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

Name of Director	Ordinary shares of the Company		
	Capacity/Nature of interest	Number of shares held	Percentage of issued share capital of the Company
Mr. FUNG Siu Por, Lawrence <i>(Note 1)</i>	Corporate	44,275,000	10.258%
Mr. MAK Ping Leung	Beneficial owner	810,000	0.188%
Mr. CHAN Cho Biu	Beneficial owner	520,000	0.120%
Mr. SHEK Kang Chuen	Beneficial owner	1,000,000	0.232%
Ms. SEE Sau Mei Salome	Beneficial owner	370,000	0.086%
Mr. CHAN Wa Pong	Beneficial owner	1,000,000	0.232%
Mr. CHU Yu Lun <i>(Note 2)</i>	Corporate	87,435,000	20.258%
Mr. CHOW On Kiu	Beneficial owner	150,000	0.035%
Mr. LO Foo Cheung	Beneficial owner	540,000	0.125%

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

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

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

At no time during the six months ended 30 September 2011 was the Company or any of its subsidiaries a party to any arrangement to enable the Directors and chief executives of the Company (including their spouses or children under 18 years of age) to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

Save as disclosed above, at no time during the six months ended 30 September 2011 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors and chief executives of the Company (including their spouses or children under 18 years of age) to hold any interest or short positions in the shares or underlying shares in, or debentures of, the Company or its associated corporation required to be disclosed pursuant to the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

The register of substantial shareholders required to be kept under section 336 of Part XV of the SFO shows that as at 30 September 2011, the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of Directors and chief executives:

Name of Substantial Shareholders	Number of ordinary shares held (long position)	Percentage of issued share capital of the Company
Sky Vision Investments Limited <i>(Note 1)</i>	87,435,000	20.258%
H Partners Management, LLC <i>(Note 2)</i>	63,770,000	14.775%
Golden Rooster Limited <i>(Note 3)</i>	44,275,000	10.258%
The University of Hong Kong	43,160,000	10.000%
MaMa Charitable Foundation Limited	42,681,000	9.889%

*Note 1: Sky Vision Investments Limited is wholly owned by Mr. Chu Yu Lun and his wife, Ms. Chow Chiu Hing. For the purpose of Part XV of the SFO, Mr. Chu Yu Lun and Ms. Chow Chiu Hing are therefore deemed interested in the shares held by Sky Vision Investments Limited.*

*Note 2: H Partners Management, LLC is wholly owned by Mr. Jaffer Rehan. For the purpose of Part XV of the SFO, Mr. Jaffer Rehan is therefore deemed interested in the shares held by H Partners Management, LLC.*

*Note 3: Golden Rooster Limited is wholly owned by Mr. Fung Siu Por, Lawrence and his wife, Ms. Lee Suk Wai Alexandra. For the purpose of Part XV of the SFO, Mr. Fung Siu Por, Lawrence and Ms. Lee Suk Wai Alexandra are therefore deemed interested in the shares held by Golden Rooster Limited.*

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

The Company has not redeemed any of its shares during the period and neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the six months ended 30 September 2011.

## **CORPORATE GOVERNANCE**

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

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

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

The Company confirmed the adoption of the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. All Directors of the Company have confirmed their compliance with the required standard set out in the Model Code regarding directors' securities transactions throughout the six months period ended 30 September 2011.

## **AUDIT COMMITTEE**

The Company established an Audit Committee in 2005 with written terms of reference. The Audit Committee comprises three Independent Non-executive Directors, Mr. Chan Mo Po, Paul as Committee Chairman, Mr. Chow On Kiu and Mr. Lo Foo Cheung. The Group's unaudited interim results for the six months ended 30 September 2011 have been reviewed by the Audit Committee.

## **REMUNERATION COMMITTEE**

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

## **NOMINATION COMMITTEE**

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

By order of the Board  
**Hong Kong Economic Times Holdings Limited**  
**Chan Wa Pong**  
*Executive Director*

Hong Kong, 21 November 2011