



香港經濟日報集團有限公司

HONG KONG ECONOMIC TIMES HOLDINGS LIMITED

Stock Code 00423



Hong Kong Economic Times Holdings Limited
Interim Report 2019/2020



INTERIM RESULTS 2019/2020

The Directors of Hong Kong Economic Times Holdings Limited (the “Company”) announce the unaudited interim results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 September 2019. These results have been reviewed by the Company’s auditor, PricewaterhouseCoopers, in accordance with 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.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Unaudited For the six months ended 30 September	
		2019 HK\$'000	2018 HK\$'000
Revenue	3	602,603	646,106
Cost of sales	5	(369,925)	(388,422)
Gross profit		232,678	257,684
Selling and distribution expenses	5	(102,071)	(102,012)
General and administrative expenses	5	(112,359)	(105,687)
Net impairment losses on financial assets		(1,663)	(138)
Other income	4	949	1,899
Operating profit		17,534	51,746
Finance income	6	1,971	1,362
Finance costs	6	(418)	–
Finance income – net	6	1,553	1,362
Profit before income tax		19,087	53,108
Income tax expense	7	(7,252)	(9,873)
Profit for the period		11,835	43,235
Profit attributable to:			
Owners of the Company		11,041	42,241
Non-controlling interests		794	994
		11,835	43,235
Earnings per share attributable to owners of the Company (expressed in HK cents)			
Basic and diluted	8	2.56	9.79

The notes on pages 7 to 17 form an integral part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	For the six months	
	ended 30 September	
	2019	2018
	HK\$'000	HK\$'000
Profit for the period	11,835	43,235
Other comprehensive loss:		
Item that may be reclassified to profit or loss		
Currency translation differences arising from foreign operations	(704)	(1,154)
Other comprehensive loss for the period, net of tax	(704)	(1,154)
Total comprehensive income for the period	11,131	42,081
Total comprehensive income attributable to:		
Owners of the Company	10,337	41,087
Non-controlling interests	794	994
	11,131	42,081

The notes on pages 7 to 17 form an integral part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited	Audited
		As at	As at
		30 September	31 March
		2019	2019
	<i>Note</i>	HK\$'000	HK\$'000
Non-current assets			
Property, plant and equipment	10	587,582	564,395
Investment properties		6,199	19,227
Deferred income tax assets		22,225	22,683
Deposits paid for property, plant and equipment		60	210
		616,066	606,515
Current assets			
Inventories		45,015	70,810
Trade receivables	11	220,261	243,404
Deposits and other receivables		21,133	15,824
Prepayments		16,454	12,470
Tax recoverable		674	934
Pledged deposits		1,661	1,661
Term deposits with original maturities of over three months		146,632	130,882
Cash and cash equivalents		176,664	182,959
		628,494	658,944
Current liabilities			
Trade payables	12	35,773	32,864
Fees in advance		138,749	147,028
Accruals, other payables and provisions		84,924	114,729
Current income tax liabilities		9,191	1,585
Lease liabilities		14,065	-
		282,702	296,206
Net current assets		345,792	362,738
Total assets less current liabilities		961,858	969,253

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

		Unaudited	Audited
		As at	As at
		30 September	31 March
		2019	2019
	<i>Note</i>	HK\$'000	HK\$'000
Equity attributable to owners of the Company			
Share capital	13	43,160	43,160
Reserves		849,560	867,277
		892,720	910,437
Non-controlling interests		16,285	15,491
Total equity		909,005	925,928
Non-current liabilities			
Deferred income tax liabilities		33,021	34,109
Lease liabilities		9,455	–
Other non-current liabilities		10,377	9,216
		52,853	43,325
Total equity and non-current liabilities		961,858	969,253

The notes on pages 7 to 17 form an integral part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED

	Attributable to owners of the Company								Non-controlling interests	Total equity	
	Share capital	Share premium	Merger reserve	Capital reserve	Currency translation		Other reserves	Retained earnings			Total
					reserve	reserve					
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Balance at 1 April 2018	43,160	8,007	69,944	6,120	1,356	6,368	742,139	877,094	13,896	890,990	
Profit for the period	-	-	-	-	-	-	42,241	42,241	994	43,235	
Other comprehensive loss											
Currency translation differences arising from foreign operations	-	-	-	-	(1,154)	-	-	(1,154)	-	(1,154)	
Total comprehensive income	-	-	-	-	(1,154)	-	42,241	41,087	994	42,081	
Transaction with owners											
Final dividend for the year ended 31 March 2018	-	-	-	-	-	-	(25,896)	(25,896)	-	(25,896)	
Balance at 30 September 2018	43,160	8,007	69,944	6,120	202	6,368	758,484	892,285	14,890	907,175	
Balance at 1 April 2019	43,160	8,007	69,944	6,120	579	3,413	779,214	910,437	15,491	925,928	
Profit for the period	-	-	-	-	-	-	11,041	11,041	794	11,835	
Other comprehensive loss											
Currency translation differences arising from foreign operations	-	-	-	-	(704)	-	-	(704)	-	(704)	
Total comprehensive income	-	-	-	-	(704)	-	11,041	10,337	794	11,131	
Transaction with owners											
Final dividend for the year ended 31 March 2019 (note 9)	-	-	-	-	-	-	(28,054)	(28,054)	-	(28,054)	
Balance at 30 September 2019	43,160	8,007	69,944	6,120	(125)	3,413	762,201	892,720	16,285	909,005	

The notes on pages 7 to 17 form an integral part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited	
	For the six months	
	ended 30 September	
	2019	2018
	HK\$'000	HK\$'000
Cash flows from operating activities		
Cash generated from operations	60,325	12,110
Interest paid	(418)	–
Profits tax paid	(16)	–
Net cash generated from operating activities	59,891	12,110
Cash flows from investing activities		
Bank interest received	1,971	1,362
Purchase of property, plant and equipment	(12,746)	(8,394)
Deposits paid for purchase of property, plant and equipment	(60)	(300)
Proceeds from disposal of property, plant and equipment	1	36
Increase in term deposits with original maturities of over three months	(15,750)	(19,999)
Decrease in pledged deposits	–	3,384
Net cash used in investing activities	(26,584)	(23,911)
Cash flows from financing activities		
Final dividend paid to owners of the Company	(28,054)	(25,896)
Principal elements of lease payments	(10,844)	–
Net cash used in financing activities	(38,898)	(25,896)
Net decrease in cash and cash equivalents	(5,591)	(37,697)
Effect of foreign exchange rate changes, net	(704)	(1,281)
Cash and cash equivalents at beginning of the period	182,959	174,764
Cash and cash equivalents at end of the period (note)	176,664	135,786

Note: As at 30 September 2019, the total cash and cash equivalents, term deposits with original maturities of over three months and pledged deposits amounted to HK\$324,957,000 (30 September 2018: HK\$267,812,000).

The notes on pages 7 to 17 form an integral part of this interim condensed consolidated financial information.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2019

1. Basis of preparation and accounting policies

The unaudited interim condensed consolidated 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 (“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 interim condensed consolidated financial information should be read in conjunction with the Group’s audited 2019 annual consolidated financial statements, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the HKICPA.

The accounting policies applied in the preparation of this interim condensed consolidated financial information are consistent with those of the annual consolidated financial statements for the year ended 31 March 2019, as described in those annual consolidated financial statements, except for the estimation of income tax, and the adoption of HKFRS 16 Leases (“HKFRS 16”) as set out below. Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

A number of new or amended standards became applicable for the current reporting period. The Group had to change its accounting policies and make adjustments as a result of adopting HKFRS 16. The other standards did not have any material impact on the Group’s accounting policies and did not require any adjustments.

The paragraphs below explain the impact of adoption of HKFRS 16 on the Group’s interim condensed consolidated financial information and disclose the new accounting policies that have been applied from 1 April 2019.

(a) Accounting policies applied from 1 April 2019

Accounting for leases as lessee from 1 April 2019

From 1 April 2019, a lease is recognised as a right-of-use asset (included in property, plant and equipment) and a corresponding liability at the date on which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the interim condensed consolidated income statement over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset’s useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the fixed lease payments and variable lease payments that are based on an index or a rate.

1. Basis of preparation and accounting policies (Continued)

(a) Accounting policies applied from 1 April 2019 (Continued)

Accounting for leases as lessee from 1 April 2019 (Continued)

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group's incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- prepayment,
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases are recognised on a straight-line basis as an expense in the interim condensed consolidated income statement. Short-term leases are leases with a lease term of 12 months or less.

Accounting for leases as lessor from 1 April 2019

The lessor accounting under HKFRS 16 did not have any significant impact on the Group's accounting policies.

(b) Impact of adoption of HKFRS 16

The Group has adopted HKFRS 16 retrospectively from 1 April 2019, but has not restated comparatives for the 2019 reporting period, as permitted under the specific transitional provision in the standard. The adjustments arising from the new leasing rules are therefore recognised in the opening interim condensed consolidated balance sheet on 1 April 2019.

The Group leases various properties including offices and premises. Lease terms are negotiated on an individual basis and a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

In applying HKFRS 16 for the first time, the Group has used the following practical expedient permitted by the standard:

- the use of a single discount rate to a portfolio of lease with reasonably similar characteristics

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessment made applying HKAS 17 Leases ("HKAS 17") and Hong Kong (Financial Reporting Interpretations Committee) Interpretation 4 "Determining whether an Arrangement contains a Lease".

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 3.26%.

1. Basis of preparation and accounting policies (Continued)

(b) Impact of adoption of HKFRS 16 (Continued)

On adoption of HKFRS 16, the Group did not need to make any adjustments to the accounting for investment property held as lessor as a result of adopting the new leasing standard.

The reconciliation between the operating lease commitments as disclosed by applying HKAS 17 as at 31 March 2019 and the lease liabilities recognised in the interim condensed consolidated balance sheet as at 1 April 2019 (date of initial application of HKFRS 16) is as follows:

	(Unaudited) HK\$'000
Operating lease commitments disclosed as at 31 March 2019	17,837
Discounted using the lessee's incremental borrowing rate at the date of initial application	17,673
Less: prepaid rent	(182)
Lease liabilities recognised as at 1 April 2019	17,491
Of which are:	
Current lease liabilities	15,912
Non-current lease liabilities	1,579
	17,491

The associated right-of-use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated balance sheet as at 31 March 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of assets:

	Unaudited	
	30 September	1 April
	2019	2019
	HK\$'000	HK\$'000
Leasehold land	254,085	244,892
Properties	23,649	17,673
Right-of-use assets	277,734	262,565

1. Basis of preparation and accounting policies (Continued)

(b) Impact of adoption of HKFRS 16 (Continued)

The change in accounting policy resulted in the recognition of right-of-use assets and lease liabilities approximated to HK\$262,565,000 and HK\$17,491,000 in the opening of the interim condensed consolidated balance sheet on 1 April 2019 respectively. Among the right-of-use assets recognised on 1 April 2019, balance approximated to HK\$244,892,000 and HK\$182,000 was reclassified from “leasehold land and buildings” in property, plant and equipment and other current assets respectively.

The change in accounting policy did not have any impact on the Group’s retained earnings as at 1 April 2019.

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 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 consolidated financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements as at 31 March 2019.

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

2.2 Liquidity risk

As a result of adoption of HKFRS 16, the Group recognised lease liabilities of approximately HK\$17,491,000 as at 1 April 2019 and approximately HK\$23,520,000 as at 30 September 2019. The table below analyses the Group’s lease liabilities into relevant maturity grouping based on the remaining periods at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Unaudited	
	30 September	1 April
	2019	2019
	HK\$’000	HK\$’000
Less than 1 year	14,065	15,912
Between 1 and 2 years	5,773	1,579
Between 2 and 5 years	3,682	–
	23,520	17,491

2.3 Fair value of financial assets and liabilities measured at amortised cost

The fair values of trade receivables, deposits and other receivables, cash and cash equivalents, term deposits with original maturities of over three months, pledged deposits and trade payables, accruals, other payables and lease liabilities as at 30 September 2019 approximate their carrying amounts due to the relatively short term nature of these financial instruments.

3. Revenue and segment information

An analysis of the Group's revenue for the period is as follows:

	Unaudited	
	For the six months ended 30 September	
	2019	2018
	HK\$'000	HK\$'000
Advertising income	327,944	355,542
Circulation income	42,508	44,544
Service income	232,151	246,020
	602,603	646,106

The chief operating decision-maker has been identified as the Chief Executive Officer ("CEO") 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.

During the year, the Group shifted its strategic focus of building an omni-channel media platform with quality content providing to the readers and marketers. To reflect this change of business strategy, the operating segments have been reorganised which is the basis on which the internal reports are provided to the CEO for assessing performance and determining the allocation of resources. The comparative segment information for the six months ended 30 September 2019 has been reclassified to align with the presentation of the latest segment information disclosure as a result of such change.

After the reorganisation, the Group has two reportable segments:

- (i) Media segment – principally engaged in the printing and publication of newspapers, magazines and books and the operation of digital platforms, including recruitment, finance and lifestyle. This segment generates advertising income, circulation income and service income from these publications and digital platforms.
- (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.

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 is presented.

3. Revenue and segment information (Continued)

The segment results for the six months ended 30 September 2019 are as follows:

	Unaudited							
	For the six months ended 30 September							
	Media		Financial news agency, information and solutions		Corporate		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
	(Restated)						(Restated)	
REVENUE								
Revenue*	436,650	476,684	168,972	172,093	-	-	605,622	648,777
Inter-segment transactions	(495)	(537)	(2,524)	(2,134)	-	-	(3,019)	(2,671)
Revenue – from external customers	436,155	476,147	166,448	169,959	-	-	602,603	646,106
Profit/(loss) for the period	(13,272)	13,117	25,114	30,128	(7)	(10)	11,835	43,235

4. Other income

	Unaudited	
	For the six months ended 30 September	
	2019	2018
	HK\$'000	HK\$'000
Rental income from investment properties	949	1,899

5. Expenses by nature

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

	Unaudited	
	For the six months ended 30 September	
	2019	2018
	HK\$'000	HK\$'000
Staff costs including Directors' and CEO's remuneration	307,430	293,999
Depreciation of property, plant and equipment and investment properties	37,405	27,026
Operating lease rentals on land and buildings	–	13,489
Provision for obsolete inventories	100	149

6. Finance income and costs

	Unaudited	
	For the six months ended 30 September	
	2019	2018
	HK\$'000	HK\$'000
Finance income		
– Bank interest income	1,971	1,362
Finance costs		
– Interest on leases	(418)	–
Finance income – net	1,553	1,362

7. Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits for the period.

	Unaudited	
	For the six months ended 30 September	
	2019	2018
	HK\$'000	HK\$'000
Current income tax		
Hong Kong profits tax	7,881	11,373
PRC enterprise income tax	1	–
	7,882	11,373
Deferred income tax	(630)	(1,500)
	7,252	9,873

8. Earnings per share

The calculation of basic earnings per share for the current period is based on the profit attributable to owners of the Company of HK\$11,041,000 (2018: HK\$42,241,000) and the number of 431,600,000 (2018: 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 2019 (2018: same).

9. Dividends

A final dividend in respect of the year ended 31 March 2019 of HK 6.5 cents per share, amounting to a total dividend of HK\$28,054,000 was paid in September 2019.

The Directors have declared an interim dividend of HK 2.0 cents (2018: HK 2.0 cents) per share, amounting to HK\$8,632,000 (2018: HK\$8,632,000), for the six months ended 30 September 2019.

10. Property, plant and equipment

	Unaudited							
	Leasehold land and buildings	Leasehold improvements	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Network and computer equipment	Right- of-use assets	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2018	339,581	8,154	157,552	20,005	1,738	20,785	-	547,815
Additions	-	389	-	5,790	85	3,889	-	10,153
Depreciation	(2,972)	(1,632)	(12,171)	(4,735)	(280)	(4,791)	-	(26,581)
Disposals	-	-	-	(36)	-	-	-	(36)
Net book value at 30 September 2018	336,609	6,911	145,381	21,024	1,543	19,883	-	531,351
At 30 September 2018								
Cost	385,242	64,988	444,882	179,821	3,182	94,965	-	1,173,080
Accumulated depreciation	(48,633)	(58,077)	(299,501)	(158,797)	(1,639)	(75,082)	-	(641,729)
Net book value at 30 September 2018	336,609	6,911	145,381	21,024	1,543	19,883	-	531,351
At 1 April 2019, as previously reported	378,964	9,252	134,184	21,990	1,249	18,756	-	564,395
Adjustment for change in accounting policy (note 1)	(244,892)	-	-	-	-	-	262,565	17,673
At 1 April 2019, as restated	134,072	9,252	134,184	21,990	1,249	18,756	262,565	582,068
Additions	-	2,017	148	5,117	-	5,674	17,081	30,037
Transfer from investment properties	3,576	-	-	-	-	-	9,368	12,944
Depreciation	(2,351)	(1,944)	(11,449)	(4,970)	(273)	(5,197)	(11,138)	(37,322)
Disposals	-	-	-	(3)	-	-	(142)	(145)
Net book value at 30 September 2019	135,297	9,325	122,883	22,134	976	19,233	277,734	587,582
At 30 September 2019								
Cost	169,750	71,076	445,023	190,377	3,138	104,129	310,335	1,293,828
Accumulated depreciation	(34,453)	(61,751)	(322,140)	(168,243)	(2,162)	(84,896)	(32,601)	(706,246)
Net book value at 30 September 2019	135,297	9,325	122,883	22,134	976	19,233	277,734	587,582

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 based on invoice date is as follows:

	Unaudited 30 September 2019 HK\$'000	Audited 31 March 2019 HK\$'000
0 to 30 days	88,780	81,249
31 to 60 days	40,834	61,485
61 to 90 days	31,167	35,942
Over 90 days	66,163	69,748
Trade receivables, gross	226,944	248,424
Less: provision for impairment of trade receivables	(6,683)	(5,020)
	220,261	243,404

12. Trade payables

The ageing analysis of trade payables by overdue day is as follows:

	Unaudited 30 September 2019 HK\$'000	Audited 31 March 2019 HK\$'000
0 to 30 days	30,538	27,887
31 to 60 days	133	1,044
61 to 90 days	775	790
Over 90 days	4,327	3,143
	35,773	32,864

13. Share capital

	Unaudited 30 September 2019 HK\$'000	Audited 31 March 2019 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

During the period, the Group entered into the following transactions with related parties:

	Unaudited	
	For the six months ended 30 September	
	2019	2018
	HK\$'000	HK\$'000
Service income from related parties	265	74
Hardware purchased from a related party	1,012	688
Rental expenses to a related party (note(i))	–	544
Key management personnel compensation		
Salaries and other short-term benefits	8,233	8,168
Post-employment benefits	362	349
	8,595	8,517

Note (i):

The Group entered into an operating lease agreement with a related company beneficially owned by Mr. FUNG Siu Por, Lawrence and Mr. CHU Yu Lun, the substantial shareholders and Directors of the Company, on terms mutually agreed by both parties. The lease payments to the related company for the six months ended 30 September 2019 was HK\$544,000.

15. Capital commitments

Capital commitments at the balance sheet date but not yet incurred are as follows:

	Unaudited	Audited
	30 September	31 March
	2019	2019
	HK\$'000	HK\$'000
Property, plant and equipment		
– contracted but not yet provided for	–	–
– authorised but not yet contracted for	698	945
	698	945

16. Approval of the interim condensed consolidated financial information

This interim condensed consolidated financial information was approved by the Board of Directors on 25 November 2019.

MANAGEMENT DISCUSSION AND ANALYSIS**Summary of Profit and Loss Account**

(HK\$'000)	For the six months ended 30 September		% Change
	2019	2018	
Revenue	602,603	646,106	-7%
Cost of sales	(369,925)	(388,422)	-5%
Gross profit	232,678	257,684	-10%
Gross profit margin	38.6%	39.9%	
Selling and distribution expenses	(102,071)	(102,012)	0%
General and administrative expenses	(112,359)	(105,687)	6%
Net impairment losses on financial assets	(1,663)	(138)	11 times
Other income	949	1,899	-50%
Operating profit	17,534	51,746	-66%
Finance income – net	1,553	1,362	14%
Profit before income tax	19,087	53,108	-64%
Income tax expense	(7,252)	(9,873)	-27%
Profit for the period	11,835	43,235	-73%
Non-controlling interests	(794)	(994)	-20%
Profit attributable to owners	11,041	42,241	-74%
Net profit margin	2.0%	6.7%	

General

The Group's revenue for the six months period ended 30 September 2019 decreased by HK\$43.5 million or 7% when compared to the same period last year. Profit attributable to owners for the period under review recorded a significant decline of HK\$31.2 million to HK\$11.0 million.

Revenue

	For the six months ended		% Change
	30 September		
	2019	2018	
	HK\$'000	HK\$'000	
Revenue:			
Advertising income	327,944	355,542	-8%
Circulation income	42,508	44,544	-5%
Service income	232,151	246,020	-6%
Total	602,603	646,106	-7%

Revenue for the six months ended 30 September 2019 was HK\$602.6 million, a 7% drop from the same period last year.

Advertising income, mainly contributed by the Group's printed publications and digital platforms, decreased by 8% to HK\$327.9 million from the same period ended 30 September 2018. The decrease was mainly attributable to the decline of advertising income from Group's printed publications. The adversity in the economic and business environments resulted from the global economic uncertainty and the recent social unrest in Hong Kong has further weakened the consumer sentiment and resulted in the decline in print advertising spending. The Group's digital advertising income generated from various digital platforms including recruitment, finance and lifestyle has however continued its growth momentum and was able to compensate part of the loss in advertising income from printed publications. The strategic efforts placed on digital platforms development enabled the Group to broaden its advertising income base.

Circulation income decreased by 5% to HK\$42.5 million when compared with the period ended 30 September 2018. Our dedicated efforts to provide credible and quality content enabled us to retain premium readers and contained the decline in circulation income for the period under review.

Service income decreased by 6% to HK\$232.2 million from the same period ended 30 September 2018. This income was mainly generated by the financial news agency, information and solutions businesses and the printing services of the Group's printing plants. The drop was mainly caused by the decrease of printing services income which was in line with the decrease of print volume of most titles in the market.

Operating Costs

Gross profit margin of the Group was 38.6% for the six months ended 30 September 2019, a decline of 1.3 percentage point from last year same period. Management would continue to monitor and improve the cost effectiveness of the Group's operations.

Staff costs for the six months ended 30 September 2019, representing approximately 53% of the Group's total operating costs, increased by 5% as compared to the same period last year. The increase was mainly due to general salary increase effective from April 2019 and increase in headcount for the digital platforms development.

Newsprint costs for the six months ended 30 September 2019, constituted around 7% of the Group's total operating costs, decreased by 27% as compared to last year same period. The decrease was mainly due to the decrease of newsprint consumption during the period under review.

Profit Attributable to Owners

The Group's net profit attributable to owners for the six months ended 30 September 2019 recorded a significant decline of HK\$31.2 million to HK\$11.0 million as compared to HK\$42.2 million for the six months ended 30 September 2018.

Media segment's operating results turned negative for the period under review. The segment was adversely affected by the weak consumer sentiment caused by the recent social unrest in Hong Kong as well as the prolonged Sino-US trade tension. Advertisers became more cautious on advertising spending by scaling down the promotional budgets or rescheduling the marketing campaigns, bringing about interim cuts on their advertising spending. Despite the decrease of print advertising income, digital platforms maintained its growth momentum during the period under review and had become the drivers of growth of this segment. The Group would continue its investment initiatives in digital platforms by ploughing more resources into quality content, innovative technologies and talent development. The Group is determined to build an integrated, all-around, quality-based and customer-oriented digital platform across various business domains in Hong Kong and is confident that these initiatives are worthwhile for the Group's sustainable growth and better profit.

Financial news agency, information and solutions segment, remained the solid profit contributor to the Group, had recorded a moderate decrease in segment results when compared to the preceding reporting period. To capture emerging market demand in the new innovative digital banking and securities trading services and to secure our distinct leading position in the market, more investments had been made on talent development and technology advancement during the period under review. The Group would continue its capital and talent inputs into this segment.

Liquidity and Capital Resources

(in HK\$ million)	As at 30 September 2019	As at 31 March 2019
Net current assets	345.8	362.7
Term deposits, pledged deposits and cash and cash equivalents	325.0	315.5
Owners' funds	892.7	910.4
Gearing ratio	N/A	N/A
Current ratio	2.22 times	2.22 times

The Group's net current assets as at 30 September 2019 decreased by HK\$16.9 million from the position as at 31 March 2019. The decrease was mainly due to the recognition of lease liabilities amounted to HK\$14.1 million on the adoption of new accounting standard, HKFRS 16, from 1 April 2019.

The Group recorded net cash generated from operating activities of HK\$59.9 million while cash used in investing activities was HK\$26.6 million.

The Group had distributed the final dividend declared for the financial year ended 31 March 2019 amounting to HK\$28.1 million.

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As at 30 September 2019, the Group had a cash balance of HK\$325.0 million as compared to HK\$315.5 million as at 31 March 2019. Majority of the cash was placed under term deposits denominated in Hong Kong dollars with original maturities of over three months. The Group has no significant exposure to exchange rate risk.

The Group had no borrowing as at 30 September 2019.

OUTLOOK

The operating environment of the Group for the rest of the year remains challenging. The slowdown of the global economy, the prolonged Sino-US trade tension and the local social unrest are expected to cause adverse impacts on the consumer and investment sentiments of the local economy, which will continue to bring about challenges and cast shadows on Group's performance. The Group will closely monitor the economic situation and take a cautious and prudent approach towards cost management, operational efficiency and financial discipline. The Group is in a strong cash flow position with a cash balance of over HK\$320 million as at 30 September 2019, and we are well placed to ride through the cyclical swings and capitalise any emerging opportunities ahead.

EMPLOYEES

As at 30 September 2019, the Group had 1,552 employees (30 September 2018: 1,508 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 2.0 cents (2018: HK 2.0 cents) per share, amounting to HK\$8,632,000 (2018: HK\$8,632,000), payable on 20 December 2019 to shareholders whose names appear on the Register of Members of the Company at the close of business on 10 December 2019.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 11 December 2019 to 13 December 2019, 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 Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 10 December 2019.

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. SHEK Kang Chuen

(*resigned on 23 July 2019*)

Ms. SEE Sau Mei Salome

Mr. CHAN Cho Bui

(*appointed on 1 September 2019*)

Ms. WONG Ching

(*appointed on 1 September 2019*)

Non-executive Director

Mr. CHU Yu Lun

Independent Non-executive Directors

Mr. CHOW On Kiu

Professor LEUNG Gabriel Matthew

(*retired on 26 July 2019*)

Mr. LO Foo Cheung

Mr. O'YANG Wiley

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2019, the interests and short positions of each Director and chief executive 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 Directors	Capacity/Nature of interest	Ordinary shares of the Company	
		Number of shares held	Percentage of issued share capital of the Company
Mr. FUNG Siu Por, Lawrence (Note 1)	Corporate	54,359,000	12.595%
Mr. MAK Ping Leung	Beneficial owner	810,000	0.188%
Ms. SEE Sau Mei Salome	Beneficial owner	370,000	0.086%
Mr. CHAN Cho Bui	Beneficial owner	520,000	0.120%
Mr. CHU Yu Lun (Note 2)	Corporate	87,435,000	20.258%
Mr. LO Foo Cheung	Beneficial owner	740,000	0.171%

Note 1: The interests in the 54,359,000 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 2019 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors and chief executive of the Company (including their spouses or children under 18 years of age) to acquire benefits by means of acquisition of shares or underlying 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 2019 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors and chief executive of the Company (including their spouses or children under 18 years of age) to hold any interests 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 2019, 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 the Directors and chief executive:

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%
MaMa Charitable Foundation Limited	58,169,000	13.478%
Golden Rooster Limited (<i>Note 2</i>)	54,359,000	12.595%
The University of Hong Kong	43,160,000	10.000%
Webb David Michael	26,054,000	6.037%

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: 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. 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 2019.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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

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

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company confirmed the adoption of 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 2019.

AUDIT COMMITTEE

The Company established an Audit Committee in 2005 with written terms of reference. The Audit Committee comprises Non-executive Director, Mr. Chu Yu Lun and two Independent Non-executive Directors, Mr. O’Yang Wiley as Committee Chairman and Mr. Lo Foo Cheung. The Group’s unaudited interim results for the six months ended 30 September 2019 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. O'Yang Wiley.

NOMINATION COMMITTEE

The Company established a Nomination Committee in 2005 with written terms of reference. The Nomination Committee comprises three Independent Non-executive Directors, Mr. Chow On Kiu as Committee Chairman, Mr. Lo Foo Cheung and Mr. O'Yang Wiley.

On behalf of the Board

Hong Kong Economic Times Holdings Limited

Fung Siu Por, Lawrence

Chairman

Hong Kong, 25 November 2019