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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: 00423)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 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 2020. 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

| | | Unaudited | |
|---|-------------|---------------------------|-----------------|
| | | For the six months | |
| | | ended 30 September | |
| | | 2020 | 2019 |
| | <i>Note</i> | HK\$'000 | HK\$'000 |
| Revenue | 3 | 467,809 | 602,603 |
| Cost of sales | 5 | (292,467) | (369,925) |
| Gross profit | | 175,342 | 232,678 |
| Selling and distribution expenses | 5 | (89,856) | (102,071) |
| General and administrative expenses | 5 | (105,366) | (112,359) |
| Net impairment losses on financial assets | | (972) | (1,663) |
| Other income | 4 | 52,280 | 949 |
| Operating profit | | 31,428 | 17,534 |
| Finance income | 6 | 1,315 | 1,971 |
| Finance costs | 6 | (277) | (418) |
| Finance income – net | 6 | 1,038 | 1,553 |
| Profit before income tax | | 32,466 | 19,087 |
| Income tax expense | 7 | (2,756) | (7,252) |
| Profit for the period | | 29,710 | 11,835 |
| Profit attributable to: | | | |
| Owners of the Company | | 28,726 | 11,041 |
| Non-controlling interests | | 984 | 794 |
| | | 29,710 | 11,835 |
| Earnings per share attributable to owners of the Company (expressed in HK cents) | | | |
| Basic and diluted | 8 | 6.66 | 2.56 |

The above interim condensed consolidated income statement should be read in conjunction with the accompanying notes.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Unaudited | |
|--|--------------------|----------|
| | For the six months | |
| | ended 30 September | |
| | 2020 | 2019 |
| | HK\$'000 | HK\$'000 |
| Profit for the period | 29,710 | 11,835 |
| Other comprehensive income/(loss): | | |
| Item that may be reclassified to profit or loss | | |
| Currency translation differences arising | | |
| from foreign operations | 442 | (704) |
| Other comprehensive income/(loss) | | |
| for the period, net of tax | 442 | (704) |
| Total comprehensive income for the period | 30,152 | 11,131 |
| Total comprehensive income attributable to: | | |
| Owners of the Company | 29,168 | 10,337 |
| Non-controlling interests | 984 | 794 |
| | 30,152 | 11,131 |

The above interim condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

| | | Unaudited As at 30 September 2020 HK\$'000 | Audited As at 31 March 2020 HK\$'000 |
|--|------|--|--|
| | Note | | |
| Non-current assets | | | |
| Property, plant and equipment | 10 | 556,671 | 559,646 |
| Investment properties | | 6,033 | 6,116 |
| Deferred income tax assets | | 23,273 | 22,631 |
| Deposits paid for property, plant and equipment | | – | 2,721 |
| | | 585,977 | 591,114 |
| Current assets | | | |
| Inventories | | 22,209 | 34,634 |
| Trade receivables | 11 | 167,577 | 165,511 |
| Deposits and other receivables | | 27,749 | 18,528 |
| Prepayments | | 17,970 | 14,500 |
| Tax recoverable | | 3,413 | 2,390 |
| Pledged deposits | | 1,702 | 1,702 |
| Term deposits with original maturities of over three months | | 127,728 | 164,551 |
| Cash and cash equivalents | | 256,977 | 220,525 |
| | | 625,325 | 622,341 |
| Current liabilities | | | |
| Trade payables | 12 | 21,535 | 25,875 |
| Fees in advance | | 121,757 | 130,979 |
| Accruals, other payables and provisions | | 89,541 | 98,177 |
| Lease liabilities | | 16,419 | 8,108 |
| Current income tax liabilities | | 5,112 | 2,445 |
| | | 254,364 | 265,584 |
| Net current assets | | 370,961 | 356,757 |
| Total assets less current liabilities | | 956,938 | 947,871 |

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

| | | Unaudited As at 30 September 2020 HK\$'000 | Audited As at 31 March 2020 HK\$'000 |
|---|------|--|--|
| | Note | | |
| Equity attributable to owners of the Company | | | |
| Share capital | 13 | 43,160 | 43,160 |
| Reserves | | 852,443 | 844,855 |
| | | 895,603 | 888,015 |
| Non-controlling interests | | 18,078 | 17,094 |
| Total equity | | 913,681 | 905,109 |
| Non-current liabilities | | | |
| Deferred income tax liabilities | | 28,684 | 30,945 |
| Lease liabilities | | 8,573 | 6,960 |
| Other non-current liabilities | | 6,000 | 4,857 |
| | | 43,257 | 42,762 |
| Total equity and non-current liabilities | | 956,938 | 947,871 |

The above interim condensed consolidated balance sheet should be read in conjunction with the accompanying notes.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED

| | Attributable to owners of the Company | | | | | | | Non- | | Total equity HK\$'000 |
|---|---------------------------------------|------------------------------|-------------------------------|--------------------------------|--|-------------------------------|----------------------------------|-------------------|--------------------------------------|-----------------------------|
| | Share capital HK\$'000 | Share premium HK\$'000 | Merger reserve HK\$'000 | Capital reserve HK\$'000 | Currency translation reserve HK\$'000 | Other reserves HK\$'000 | Retained earnings HK\$'000 | Total HK\$'000 | controlling interests HK\$'000 | |
| 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 | - | - | - | - | - | - | (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 |
| Balance at 1 April 2020 | 43,160 | 8,007 | 69,944 | 6,120 | (128) | 7,811 | 753,101 | 888,015 | 17,094 | 905,109 |
| Profit for the period | - | - | - | - | - | - | 28,726 | 28,726 | 984 | 29,710 |
| Other comprehensive income | | | | | | | | | | |
| Currency translation differences arising from foreign operations | - | - | - | - | 442 | - | - | 442 | - | 442 |
| Total comprehensive income | - | - | - | - | 442 | - | 28,726 | 29,168 | 984 | 30,152 |
| Transaction with owners | | | | | | | | | | |
| Final dividend for the year ended 31 March 2020 (note 9) | - | - | - | - | - | - | (21,580) | (21,580) | - | (21,580) |
| Balance at 30 September 2020 | 43,160 | 8,007 | 69,944 | 6,120 | 314 | 7,811 | 760,247 | 895,603 | 18,078 | 913,681 |

The above interim condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT

| | Unaudited For the six months ended 30 September | |
|---|---|------------------|
| | 2020 HK\$'000 | 2019 HK\$'000 |
| Cash flows from operating activities | | |
| Cash generated from operations | 41,484 | 60,325 |
| Interest paid | (277) | (418) |
| Profits tax paid | (4,015) | (16) |
| Net cash generated from operating activities | 37,192 | 59,891 |
| Cash flows from investing activities | | |
| Bank interest received | 1,315 | 1,971 |
| Purchase of property, plant and equipment | (9,077) | (12,746) |
| Deposits paid for purchase of property, plant and equipment | – | (60) |
| Proceeds from disposal of property, plant and equipment | 459 | 1 |
| Decrease/(increase) in term deposits with original maturities of over three months | 36,823 | (15,750) |
| Net cash generated from/(used in) investing activities | 29,520 | (26,584) |
| Cash flows from financing activities | | |
| Final dividend paid to owners of the Company | (21,580) | (28,054) |
| Principal elements of lease payments | (9,122) | (10,844) |
| Net cash used in financing activities | (30,702) | (38,898) |
| Net increase/(decrease) in cash and cash equivalents | 36,010 | (5,591) |
| Effect of foreign exchange rate changes, net | 442 | (704) |
| Cash and cash equivalents at beginning of the period | 220,525 | 182,959 |
| Cash and cash equivalents at end of the period (note) | 256,977 | 176,664 |

Note: As at 30 September 2020, the total cash and cash equivalents, term deposits with original maturities of over three months and pledged deposits amounted to HK\$386,407,000 (30 September 2019: HK\$324,957,000).

The above interim condensed consolidated cash flow statement should be read in conjunction with the accompanying notes.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2020

Significant changes in the current reporting period

During the six months ended 30 September 2020, the Group's printed media business was adversely affected by the outbreak of Coronavirus Disease 2019 ("COVID-19 pandemic"). In response to these unprecedented challenges and extreme market conditions, the Group took a cautious and prudent approach in cost management, streamlined its operating structure to increase efficiency and utilised the applicable government relief measures funded by the Anti-epidemic Fund while at the same time increased its investment in the development of mobile and digital platforms to meet the rising market demand in digital advertising and services.

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 2020 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 2020, as described in those annual consolidated financial statements, except for the recognition of estimation of income tax and government subsidies as set out below.

Income tax

Income tax expenses for the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

Government subsidies

Subsidies from the government are recognised at their fair value where there is a reasonable assurance that the subsidy will be received and the Group will comply with all attached conditions. Government subsidies relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

A number of amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies and did not require any adjustments.

Certain new and amended standards have been issued but are not mandatory for application in the current reporting period. The Group did not early adopt these new and amended standards in the current reporting period and they are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

1. Basis of preparation and accounting policies (Continued)

The preparation of interim condensed consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements for the year ended 31 March 2020.

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 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 for the year ended 31 March 2020.

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

2.2 Liquidity risk

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

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 2020 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 | |
| | 2020 | 2019 |
| | HK\$'000 | HK\$'000 |
| Advertising income | 232,129 | 327,944 |
| Circulation income | 35,171 | 42,508 |
| Service income | 200,509 | 232,151 |
| | 467,809 | 602,603 |

3. Revenue and segment information (Continued)

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.

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.

The segment results for the six months ended 30 September 2020 are as follows:

| Unaudited | | | | | | | | |
|--|----------|----------|----------|----------|-----------|----------|----------|----------|
| For the six months ended 30 September | | | | | | | | |
| Financial news agency, information and solutions | | | | | | | | |
| | Media | | | | Corporate | | Total | |
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| REVENUE | | | | | | | | |
| Revenue | 304,944 | 436,650 | 165,580 | 168,972 | - | - | 470,524 | 605,622 |
| Inter-segment transactions | (477) | (495) | (2,238) | (2,524) | - | - | (2,715) | (3,019) |
| Revenue – from external customers | 304,467 | 436,155 | 163,342 | 166,448 | - | - | 467,809 | 602,603 |
| RESULTS | | | | | | | | |
| Profit/(loss) for the period | (859) | (13,272) | 30,582 | 25,114 | (13) | (7) | 29,710 | 11,835 |

4. Other income

| | Unaudited For the six months ended 30 September | |
|--|---|----------|
| | 2020 | 2019 |
| | HK\$'000 | HK\$'000 |
| Rental income from investment properties | 835 | 949 |
| Government subsidies (<i>note</i>) | 51,445 | – |
| | 52,280 | 949 |

Note:

Government subsidies recognised were primarily related to subsidies from the Hong Kong Government under the Anti-epidemic Fund. There were no unfulfilled conditions and other contingencies attached to the receipts of these subsidies.

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 | |
|---|---|----------|
| | 2020 | 2019 |
| | HK\$'000 | HK\$'000 |
| Staff costs including Directors' and CEO's remuneration | 281,334 | 307,430 |
| Depreciation of property, plant and equipment and investment properties | 33,221 | 37,405 |
| Provision for obsolete inventories | 65 | 100 |

6. Finance income and costs

| | Unaudited For the six months ended 30 September | |
|------------------------|---|----------|
| | 2020 | 2019 |
| | HK\$'000 | HK\$'000 |
| Finance income | | |
| – Bank interest income | 1,315 | 1,971 |
| Finance costs | | |
| – Interest on leases | (277) | (418) |
| Finance income – net | 1,038 | 1,553 |

7. Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits for the period.

| | Unaudited | |
|---------------------------|---------------------------|----------|
| | For the six months | |
| | ended 30 September | |
| | 2020 | 2019 |
| | HK\$'000 | HK\$'000 |
| Current income tax | | |
| Hong Kong profits tax | 5,650 | 7,881 |
| PRC enterprise income tax | 9 | 1 |
| | 5,659 | 7,882 |
| Deferred income tax | (2,903) | (630) |
| | 2,756 | 7,252 |

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\$28,726,000 (2019: HK\$11,041,000) and the number of 431,600,000 (2019: 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 2020 (2019: same).

9. Dividends

A final dividend in respect of the year ended 31 March 2020 of HK 5.0 cents per share, amounting to a total dividend of HK\$21,580,000 was paid in September 2020.

The Directors have declared an interim dividend of HK 2.0 cents (2019: HK 2.0 cents) per share, amounting to HK\$8,632,000 (2019: HK\$8,632,000), for the six months ended 30 September 2020.

10. Property, plant and equipment

| | Unaudited | | | | | | | Total HK\$'000 |
|--|-----------------------|---------------------------------------|------------------------------------|--|-------------------------------|---|--|-------------------|
| | 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 | Right- of-use assets HK\$'000 | |
| At 1 April 2019 | 133,238 | 9,252 | 134,184 | 21,990 | 1,249 | 18,756 | 263,399 | 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 | 134,463 | 9,325 | 122,883 | 22,134 | 976 | 19,233 | 278,568 | 587,582 |
| At 30 September 2019 | | | | | | | | |
| Cost | 169,750 | 71,076 | 445,023 | 190,377 | 3,138 | 104,129 | 312,457 | 1,295,950 |
| Accumulated depreciation | (35,287) | (61,751) | (322,140) | (168,243) | (2,162) | (84,896) | (33,889) | (708,368) |
| Net book value at 30 September 2019 | 134,463 | 9,325 | 122,883 | 22,134 | 976 | 19,233 | 278,568 | 587,582 |
| At 1 April 2020 | 131,218 | 9,394 | 111,661 | 19,923 | 1,037 | 16,919 | 269,494 | 559,646 |
| Additions | 345 | 19 | 4,062 | 4,758 | 700 | 2,260 | 19,250 | 31,394 |
| Depreciation | (2,688) | (1,499) | (10,253) | (4,894) | (295) | (3,933) | (9,576) | (33,138) |
| Disposals | – | – | (839) | (25) | (43) | – | (324) | (1,231) |
| Net book value at 30 September 2020 | 128,875 | 7,914 | 104,631 | 19,762 | 1,399 | 15,246 | 278,844 | 556,671 |
| At 30 September 2020 | | | | | | | | |
| Cost | 170,095 | 72,819 | 444,856 | 196,928 | 3,454 | 107,477 | 317,904 | 1,313,533 |
| Accumulated depreciation | (41,220) | (64,905) | (340,225) | (177,166) | (2,055) | (92,231) | (39,060) | (756,862) |
| Net book value at 30 September 2020 | 128,875 | 7,914 | 104,631 | 19,762 | 1,399 | 15,246 | 278,844 | 556,671 |

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 2020 HK\$'000 | Audited 31 March 2020 HK\$'000 |
|---|---|---|
| 0 to 30 days | 75,934 | 52,561 |
| 31 to 60 days | 27,958 | 36,197 |
| 61 to 90 days | 24,501 | 22,470 |
| Over 90 days | 45,819 | 59,891 |
| Trade receivables, gross | 174,212 | 171,119 |
| Less: provision for impairment of trade receivables | (6,635) | (5,608) |
| | 167,577 | 165,511 |

12. Trade payables

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

| | Unaudited 30 September 2020 HK\$'000 | Audited 31 March 2020 HK\$'000 |
|---------------|---|---|
| 0 to 30 days | 17,234 | 21,017 |
| 31 to 60 days | 646 | 952 |
| 61 to 90 days | 815 | 7 |
| Over 90 days | 2,840 | 3,899 |
| | 21,535 | 25,875 |

13. Share capital

| | Unaudited 30 September 2020 HK\$'000 | Audited 31 March 2020 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 | |
| | 2020 | 2019 |
| | HK\$'000 | HK\$'000 |
| Service income from related parties | 266 | 265 |
| Hardware purchased from a related party | 51 | 1,012 |
| Rental payment to a related party (<i>note</i>) | 544 | 544 |
| Key management personnel compensation | | |
| Salaries and other short-term benefits | 7,030 | 8,233 |
| Post-employment benefits | 251 | 362 |
| | 7,281 | 8,595 |

Note:

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.

15. Capital commitments

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

| | Unaudited | Audited |
|---|---------------------|----------|
| | 30 September | 31 March |
| | 2020 | 2020 |
| | HK\$'000 | HK\$'000 |
| Property, plant and equipment | | |
| – contracted but not yet provided for | – | 1,166 |
| – authorised but not yet contracted for | 298 | 925 |
| | 298 | 2,091 |

16. Approval of the interim condensed consolidated financial information

This interim condensed consolidated financial information was approved by the Board of Directors on 23 November 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

Summary of Profit and Loss Account

| (HK\$'000) | For the six months ended 30 September | | % Change |
|--|--|----------------|-------------|
| | 2020 | 2019 | |
| Revenue | 467,809 | 602,603 | -22% |
| Cost of sales | (292,467) | (369,925) | -21% |
| Gross profit | 175,342 | 232,678 | -25% |
| Gross profit margin | 37.5% | 38.6% | |
| Selling and distribution expenses | (89,856) | (102,071) | -12% |
| General and administrative expenses | (105,366) | (112,359) | -6% |
| Net impairment losses on financial assets | (972) | (1,663) | -42% |
| Other income | 52,280 | 949 | N/A |
| Operating profit | 31,428 | 17,534 | 79% |
| Finance income – net | 1,038 | 1,553 | -33% |
| Profit before income tax | 32,466 | 19,087 | 70% |
| Income tax expense | (2,756) | (7,252) | -62% |
| Profit for the period | 29,710 | 11,835 | 151% |
| Non-controlling interests | (984) | (794) | 24% |
| Profit attributable to owners | 28,726 | 11,041 | 160% |
| Net profit margin | 6.4% | 2.0% | |

General

The COVID-19 pandemic has caused severe disruptions to a wide range of local economic and business activities. Local advertising market, hard hit by the weak business and consumer sentiments, contracted significantly for the period under review.

Under such unprecedented difficult and extreme market conditions, the Group's revenue was down by HK\$134.8 million or 22% to HK\$467.8 million for the six months ended 30 September 2020 when compared to the same period last year. Profit attributable to owners was HK\$28.7 million for the six months ended 30 September 2020.

Revenue

| | For the six months ended | | |
|--------------------|--------------------------|----------|----------|
| | 30 September | | % Change |
| | 2020 | 2019 | |
| | HK\$'000 | HK\$'000 | |
| Revenue: | | | |
| Advertising income | 232,129 | 327,944 | -29% |
| Circulation income | 35,171 | 42,508 | -17% |
| Service income | 200,509 | 232,151 | -14% |
| Total | 467,809 | 602,603 | -22% |

Advertising income, mainly contributed by the Group's printed publications and digital platforms, decreased by 29% to HK\$232.1 million from the same period ended 30 September 2019. The decrease was mainly attributable to the significant decline of advertising income from the Group's printed publications. The COVID-19 pandemic has adversely affected all businesses across the marketing industry, particularly the printed media. Most advertisers and marketers remained cautious on their advertising spending by pulling back or deferring their advertising campaigns and promotion plans. The Group's digital advertising income, being our strategic focus in the recent years, has however maintained its growth momentum and was able to compensate part of the loss in advertising income from the printed publications.

Circulation income decreased by 17% to HK\$35.2 million when compared with the period ended 30 September 2019. The decrease was in line with most of the printed titles in the market during the period under review.

Service income decreased by 14% to HK\$200.5 million from the same period ended 30 September 2019. 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, in line with the decrease of print volume of most publications and promotional activities in the market. Service income from financial news agency, information and solutions remained solid for the period under review.

Operating Costs

Gross profit margin of the Group was 37.5% for the six months ended 30 September 2020, a decline of 1.1 percentage point from last year same period. Management would continue to monitor and streamline the cost structure and redeploy resources to improve cost effectiveness of the Group's operations.

Staff costs for the six months ended 30 September 2020, representing approximately 58% of the Group's total operating costs, decreased by 8% as compared to the same period last year. The decrease was mainly due to the decrease in headcount after rationalisation of Group's operational resources.

Newsprint costs for the six months ended 30 September 2020, which constituted about 3% of the Group's total operating costs, decreased by 63% as compared to last year same period. The significant decrease was mainly due to the combined effect of reduced newsprint consumption and effective inventory and production material control.

Profit Attributable to Owners

The Group's net profit attributable to owners for the six months ended 30 September 2020 was HK\$28.7 million which was after an Employment Support Scheme subsidy of HK\$51.3 million granted by the Hong Kong Government under the Anti-epidemic Fund for use of paying part of the wages of employees for the period under review.

Media segment recorded negative operating results for the period under review. The segment was adversely affected by the weak consumer and business sentiments caused by COVID-19 pandemic. Despite the decrease of print advertising income, digital platforms maintained its growth momentum during the period under review. The severe disruptions caused by COVID-19 pandemic have further accelerated the digital transformation of local media. Social distancing and other anti-epidemic measures have stimulated record-high engagement for online and digital platforms. In order to match the new marketing demands on digital platforms, the Group has increased its investment in data and analytical technology with quality content creation, audience behavior studies, digital product integration, predictive analytics and smart marketing strategy. The Group believes that these initiatives are crucial for the Group's sustainable growth and long-term business development.

Financial news agency, information and solutions segment, being the solid profit contributor to the Group, recorded a stable segment results when compared to the preceding reporting period. Backed by its well-established competitive advantages, deep-rooted industry knowledge and the drive to stay ahead of the curve of the rapid digitalisation and diversification of the financial industry, this segment had secured various financial solution projects. The Group will continue its talent, capital and technology inputs into the mobile platform development to meet the rising market demand in the mobile digital banking and securities trading services.

Liquidity and Capital Resources

| | As at 30 September 2020 | As at 31 March 2020 |
|--|--|---------------------------|
| (in HK\$ million) | | |
| Net current assets | 371.0 | 356.8 |
| Term deposits, pledged deposits and cash and cash equivalents | 386.4 | 386.8 |
| Owners' equity | 895.6 | 888.0 |
| Gearing ratio | N/A | N/A |
| Current ratio | 2.46 times | 2.34 times |

The Group's net current assets as at 30 September 2020 increased by HK\$14.2 million from the position as at 31 March 2020. An Employment Support Scheme subsidy of HK\$51.3 million was granted by the Hong Kong Government under the Anti-epidemic Fund for use of paying part of the wages of employees for the period under review, of which a sum of HK\$38.5 million was received during the reporting period and the balance of HK\$12.8 million, which would be paid after the period end, was recognised in 'other receivables' as at 30 September 2020.

The Group had distributed the final dividend declared for the financial year ended 31 March 2020 amounting to HK\$21.6 million.

As at 30 September 2020, the Group had a cash balance of HK\$386.4 million as compared to HK\$386.8 million as at 31 March 2020. 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 2020.

OUTLOOK

Despite there were signs of improvement in the fourth quarter of 2020, Hong Kong economy would continue to face uncertainties and downside risk, hinging crucially on the evolving global public health and economic situations. The US-China trade and political tensions and geopolitical uncertainties will continue to affect the global and local economies. Until effective vaccines or diagnosis can be successfully developed and widely applied, the COVID-19 pandemic will remain a threat to the global and local economies and bring challenges to Group's operating environment for the rest of the year. The Group will closely monitor the economic situation and take a cautious and prudent approach in cost management, operational efficiency and financial discipline. The solid and stable results of financial news agency, information and solutions segment, together with our strong cash flow position, provide the Group with a strong foundation for our strategic focus in digital businesses. We are confident that the Group is well positioned to ride over the challenges ahead and capitalise any emerging opportunities.

EMPLOYEES

As at 30 September 2020, the Group had 1,407 employees (30 September 2019: 1,552 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 (2019: HK 2.0 cents) per share, amounting to HK\$8,632,000 (2019: HK\$8,632,000), payable on 18 December 2020 to shareholders whose names appear on the Register of Members of the Company at the close of business on 8 December 2020.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 9 December 2020 to 11 December 2020, 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 8 December 2020.

DIRECTORS

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

Executive Directors

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

Mr. MAK Ping Leung

(alias: Mr. Mak Wah Cheung)

(*retired on 1 May 2020*)

Ms. SEE Sau Mei Salome

Mr. CHAN Cho Bui

Ms. WONG Ching

Non-executive Director

Mr. CHU Yu Lun

Independent Non-executive Directors

Mr. CHOW On Kiu

Mr. LO Foo Cheung

Mr. O'YANG Wiley

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 2020.

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 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 confirmed their compliance with the required standard set out in the Model Code throughout the six months period ended 30 September 2020.

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 2020 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, 23 November 2020

As at the date of this announcement, the Board comprises: (a) Executive Directors: Mr. Fung Siu Por, Lawrence, Ms. See Sau Mei Salome, Mr. Chan Cho Bui and Ms. Wong Ching; (b) Non-executive Director: Mr. Chu Yu Lun; and (c) Independent Non-executive Directors: Mr. Chow On Kiu, Mr. Lo Foo Cheung and Mr. O'Yang Wiley.

This announcement is published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and of the Company (www.hketgroup.com and www.etnet.com.hk/etg).