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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 2023

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 2023. These unaudited results have been reviewed by the Audit Committee of the Company.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

| | | Unaudited | |
|---|-------------|---------------------------|-----------------|
| | | For the six months | |
| | | ended 30 September | |
| | | 2023 | 2022 |
| | <i>Note</i> | HK\$'000 | HK\$'000 |
| Revenue | 3 | 483,103 | 515,229 |
| Cost of sales | 5 | (291,690) | (298,147) |
| Gross profit | | 191,413 | 217,082 |
| Selling and distribution expenses | 5 | (104,098) | (101,414) |
| General and administrative expenses | 5 | (109,158) | (108,414) |
| Net reversal of impairment/(impairment losses) on financial assets | | 565 | (1,408) |
| Other income | 4 | 944 | 34,598 |
| Operating (loss)/profit | | (20,334) | 40,444 |
| Finance income | 6 | 5,791 | 1,822 |
| Finance costs | 6 | (182) | (250) |
| Finance income – net | 6 | 5,609 | 1,572 |
| (Loss)/profit before income tax | | (14,725) | 42,016 |
| Income tax expense | 7 | (5,092) | (6,135) |
| (Loss)/profit for the period | | (19,817) | 35,881 |
| (Loss)/profit attributable to: | | | |
| Owners of the Company | | (20,265) | 35,117 |
| Non-controlling interests | | 448 | 764 |
| | | (19,817) | 35,881 |
| (Loss)/earnings per share attributable to owners of the Company (expressed in HK cents) | | | |
| Basic and diluted | 8 | (4.70) | 8.14 |

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 | |
| | 2023 | 2022 |
| | HK\$'000 | HK\$'000 |
| (Loss)/profit for the period | (19,817) | 35,881 |
| Other comprehensive loss: | | |
| Item that may be reclassified to profit or loss | | |
| Currency translation differences arising | | |
| from foreign operations | (526) | (1,028) |
| Other comprehensive loss for the period, net of tax | (526) | (1,028) |
| Total comprehensive (loss)/income for the period | (20,343) | 34,853 |
| Total comprehensive (loss)/income attributable to: | | |
| Owners of the Company | (20,791) | 34,089 |
| Non-controlling interests | 448 | 764 |
| | (20,343) | 34,853 |

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 2023 HK\$'000 | Audited As at 31 March 2023 HK\$'000 |
|--|------|--|--|
| | Note | | |
| Non-current assets | | | |
| Property, plant and equipment | 10 | 467,104 | 442,148 |
| Investment properties | | 21,113 | 42,176 |
| Deferred income tax assets | | 23,450 | 23,538 |
| Deposits paid for property, plant and equipment | | 58 | 248 |
| | | 511,725 | 508,110 |
| Current assets | | | |
| Inventories | | 18,873 | 20,264 |
| Trade receivables | 11 | 159,113 | 169,907 |
| Deposits and other receivables | | 24,785 | 17,617 |
| Prepayments | | 19,260 | 14,486 |
| Tax recoverable | | 816 | 2,680 |
| Term deposits with original maturities of over three months | | 180,898 | 248,649 |
| Cash and cash equivalents | | 206,232 | 215,509 |
| | | 609,977 | 689,112 |
| Current liabilities | | | |
| Trade payables | 12 | 29,702 | 24,764 |
| Fees in advance | | 128,049 | 124,743 |
| Accruals, other payables and provisions | | 80,194 | 113,139 |
| Lease liabilities | | 6,342 | 10,565 |
| Current income tax liabilities | | 2,934 | 360 |
| | | 247,221 | 273,571 |
| Net current assets | | 362,756 | 415,541 |
| Total assets less current liabilities | | 874,481 | 923,651 |

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

| | | Unaudited As at 30 September 2023 HK\$'000 | Audited As at 31 March 2023 HK\$'000 |
|---|-------------|--|--|
| | <i>Note</i> | | |
| Equity attributable to owners of the Company | | | |
| Share capital | 13 | 43,160 | 43,160 |
| Reserves | | 777,039 | 828,042 |
| | | 820,199 | 871,202 |
| Non-controlling interests | | 21,668 | 21,220 |
| Total equity | | 841,867 | 892,422 |
| Non-current liabilities | | | |
| Deferred income tax liabilities | | 19,435 | 18,867 |
| Lease liabilities | | 777 | 1,403 |
| Other non-current liabilities | | 12,402 | 10,959 |
| | | 32,614 | 31,229 |
| Total equity and non-current liabilities | | 874,481 | 923,651 |

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 | | | | | | | | | | |
|---|---------------------------------------|------------------------------|-------------------------------|--------------------------------|------------------------------------|--------------|-------------------------------|----------------------------------|-------------------|--|-----------------------------|
| | Share capital HK\$'000 | Share premium HK\$'000 | Merger reserve HK\$'000 | Capital reserve HK\$'000 | Currency | | Other reserves HK\$'000 | Retained earnings HK\$'000 | Total HK\$'000 | Non- controlling interests HK\$'000 | Total equity HK\$'000 |
| | | | | | translation reserve HK\$'000 | reserve | | | | | |
| Balance at 1 April 2022 | 43,160 | 8,007 | 69,944 | 6,120 | 1,036 | 9,030 | 748,044 | 885,341 | 20,281 | 905,622 | |
| Profit for the period | - | - | - | - | - | - | 35,117 | 35,117 | 764 | 35,881 | |
| Other comprehensive loss | | | | | | | | | | | |
| Currency translation differences arising from foreign operations | - | - | - | - | (1,028) | - | - | (1,028) | - | (1,028) | |
| Total comprehensive (loss)/income | - | - | - | - | (1,028) | - | 35,117 | 34,089 | 764 | 34,853 | |
| Transaction with owners | | | | | | | | | | | |
| Final dividend for the year ended 31 March 2022 (note 9) | - | - | - | - | - | - | (28,054) | (28,054) | - | (28,054) | |
| Balance at 30 September 2022 | 43,160 | 8,007 | 69,944 | 6,120 | 8 | 9,030 | 755,107 | 891,376 | 21,045 | 912,421 | |
| Balance at 1 April 2023 | 43,160 | 8,007 | 69,944 | 6,120 | 409 | 9,062 | 734,500 | 871,202 | 21,220 | 892,422 | |
| (Loss)/profit for the period | - | - | - | - | - | - | (20,265) | (20,265) | 448 | (19,817) | |
| Other comprehensive loss | | | | | | | | | | | |
| Currency translation differences arising from foreign operations | - | - | - | - | (526) | - | - | (526) | - | (526) | |
| Total comprehensive (loss)/income | - | - | - | - | (526) | - | (20,265) | (20,791) | 448 | (20,343) | |
| Transaction with owners | | | | | | | | | | | |
| Final dividend for the year ended 31 March 2023 (note 9) | - | - | - | - | - | - | (30,212) | (30,212) | - | (30,212) | |
| Balance at 30 September 2023 | 43,160 | 8,007 | 69,944 | 6,120 | (117) | 9,062 | 684,023 | 820,199 | 21,668 | 841,867 | |

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 | |
| | 2023 | 2022 |
| | HK\$'000 | HK\$'000 |
| Cash flows from operating activities | | |
| Cash used in operations | (22,569) | (693) |
| Interest paid | (182) | (250) |
| Profits tax refund/(paid) | 1 | (5) |
| Net cash used in operating activities | (22,750) | (948) |
| Cash flows from investing activities | | |
| Bank interest received | 5,791 | 1,822 |
| Purchase of property, plant and equipment and investment properties | (23,512) | (12,948) |
| Deposits paid for purchase of property, plant and equipment | (58) | (6,201) |
| Proceeds from disposal of property, plant and equipment | 2 | 5 |
| Decrease/(increase) in term deposits with original maturities of over three months | 67,752 | (117,417) |
| Net cash generated from/(used in) investing activities | 49,975 | (134,739) |
| Cash flows from financing activities | | |
| Final dividend paid to owners of the Company | (30,212) | (28,054) |
| Principal elements of lease payments | (5,764) | (6,147) |
| Net cash used in financing activities | (35,976) | (34,201) |
| Net decrease in cash and cash equivalents | (8,751) | (169,888) |
| Effect of foreign exchange rate changes, net | (526) | (1,028) |
| Cash and cash equivalents at beginning of the period | 215,509 | 362,765 |
| Cash and cash equivalents at end of the period | | |
| <i>(note)</i> | 206,232 | 191,849 |

Note: As at 30 September 2023, the total cash and cash equivalents and term deposits with original maturities of over three months amounted to HK\$387,130,000 (30 September 2022: HK\$407,456,000).

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 2023

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 2023 annual consolidated financial statements, which have been prepared in accordance with Hong Kong Financial Reporting Standards 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 2023, as described in those annual consolidated financial statements, except for the recognition of estimation of income tax, and the adoption of Amendments to HKAS 12 “Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction” (“HKAS 12”) as set out below.

(a) Income tax

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

(b) Amendments to HKAS 12 “Deferred tax related to assets and liabilities arising from a single transaction”

The Group has changed its accounting policies following the adoption of Amendments to HKAS 12 and has applied retrospectively to lease transactions that occurred on or after 1 April 2022, which resulted in the recognition of separate deferred income tax assets and separate deferred income tax liabilities for temporary differences arising on leases, both at initial recognition and subsequently, whereas the Group previously accounted for the assets and liabilities arising from a single transaction as a whole and accordingly temporary differences relating to the relevant assets and liabilities were assessed on a net basis.

1. Basis of preparation and accounting policies (Continued)
(b) Amendments to HKAS 12 “Deferred tax related to assets and liabilities arising from a single transaction” (Continued)

Upon the adoption, the Group recognised HK\$53,000 deferred income tax assets and HK\$52,000 deferred income tax liabilities as at 31 March 2023 (as at 1 April 2022: HK\$52,000 deferred income tax assets and HK\$53,000 deferred income tax liabilities) for the temporary differences arising on lease transactions that gave rise the taxable and deductible temporary differences associated with lease liabilities and right-of-use assets on a gross basis, however, there is no impact on the Group’s consolidated balance sheet as the related deferred tax assets and liabilities continues to offset for the purpose of presentation on the balance sheet.

There is also no impact on the Group’s performance and the retained earnings at the earliest period presented.

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 is assessing the impact of the adoption of these new and amended standards. The Group is not yet in a position to state whether they would have a material impact on the Group’s results of operations and financial position.

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 2023.

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 2023.

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 carrying amounts of trade receivables, deposits and other receivables, cash and cash equivalents, term deposits with original maturities of over three months, trade payables, accruals and other payables as at 30 September 2023 approximate their fair values due to their relatively short maturities. Lease liabilities are initially measured on a present value basis by discounting the lease payments to net present value using the Group's incremental borrowing rate.

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 | |
| | 2023 | 2022 |
| | HK\$'000 | HK\$'000 |
| Advertising income | 243,340 | 279,621 |
| Circulation income | 21,801 | 25,380 |
| Service income | 217,962 | 210,228 |
| | 483,103 | 515,229 |

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.

3. Revenue and segment information (Continued)

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 2023 and 2022 are as follows:

| | Unaudited | | | | | | | |
|-----------------------------------|---------------------------------------|----------|---|----------|-----------|----------|----------|---------|
| | For the six months ended 30 September | | | | | | | |
| | Media | | Financial news agency, information and solutions | | Corporate | | Total | |
| 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | |
| HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | |
| REVENUE | | | | | | | | |
| Revenue | 331,151 | 356,381 | 154,364 | 161,334 | - | - | 485,515 | 517,715 |
| Inter-segment transactions | (379) | (550) | (2,033) | (1,936) | - | - | (2,412) | (2,486) |
| Revenue - from external customers | 330,772 | 355,831 | 152,331 | 159,398 | - | - | 483,103 | 515,229 |
| RESULTS | | | | | | | | |
| (Loss)/profit for the period | (38,222) | 10,812 | 15,994 | 25,083 | 2,411 | (14) | (19,817) | 35,881 |

4. Other income

| | Unaudited | |
|--|---------------------------------------|---------------|
| | For the six months ended 30 September | |
| | 2023 | 2022 |
| | HK\$'000 | HK\$'000 |
| Rental income from investment properties | 906 | 1,266 |
| Government subsidies (<i>note</i>) | – | 33,296 |
| Others | 38 | 36 |
| | 944 | 34,598 |

Note:

During the period ended 30 September 2022, 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 | |
| | 2023 | 2022 |
| | HK\$'000 | HK\$'000 |
| Staff costs including Directors' and CEO's remuneration | 289,832 | 289,624 |
| Content costs | 54,148 | 57,255 |
| Depreciation of property, plant and equipment and investment properties | 20,783 | 20,320 |
| Provision for obsolete inventories | 15 | 57 |

6. Finance income and costs

| | Unaudited | |
|-----------------------|---------------------------------------|--------------|
| | For the six months ended 30 September | |
| | 2023 | 2022 |
| | HK\$'000 | HK\$'000 |
| Finance income | | |
| Bank interest income | 5,791 | 1,822 |
| Finance costs | | |
| Interest on leases | (182) | (250) |
| Finance income – net | 5,609 | 1,572 |

7. Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits for the period.

| | Unaudited | |
|---------------------------|--------------------|----------|
| | For the six months | |
| | ended 30 September | |
| | 2023 | 2022 |
| | HK\$'000 | HK\$'000 |
| Current income tax | | |
| Hong Kong profits tax | 4,438 | 4,711 |
| PRC enterprise income tax | (1) | 5 |
| | 4,437 | 4,716 |
| Deferred income tax | 655 | 1,419 |
| | 5,092 | 6,135 |

8. (Loss)/earnings per share

The calculation of basic loss per share (2022: earnings per share) is based on the loss attributable to owners of the Company of HK\$20,265,000 (2022: earnings attributable to owners of the Company of HK\$35,117,000) and the number of 431,600,000 (2022: 431,600,000) shares in issue during the period.

Diluted (loss)/earnings per share are the same as basic (loss)/earnings per share as there were no dilutive potential ordinary shares during the period ended 30 September 2023 (2022: same).

9. Dividends

A final dividend in respect of the year ended 31 March 2023 of HK 7.0 cents (2022: HK 6.5 cents) per share, amounting to a total dividend of HK\$30,212,000 (2022: HK\$28,054,000) was paid during the period.

The Directors have declared an interim dividend of HK 3.0 cents (2022: HK 3.0 cents) per share, amounting to HK\$12,948,000 (2022: HK\$12,948,000), for the six months ended 30 September 2023.

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 31 March 2023 | | | | | | | | |
| Cost | 170,095 | 35,832 | 122,210 | 199,445 | 3,872 | 121,378 | 297,965 | 950,797 |
| Accumulated depreciation and impairment | (54,657) | (31,469) | (99,447) | (179,374) | (2,526) | (107,350) | (33,826) | (508,649) |
| Net book value at 31 March 2023 | 115,438 | 4,363 | 22,763 | 20,071 | 1,346 | 14,028 | 264,139 | 442,148 |
| At 1 April 2023 | | | | | | | | |
| | 115,438 | 4,363 | 22,763 | 20,071 | 1,346 | 14,028 | 264,139 | 442,148 |
| Additions | - | 2,324 | - | 2,683 | 248 | 2,834 | 917 | 9,006 |
| Transfer from investment properties (note) | 3,290 | - | - | - | - | - | 33,271 | 36,561 |
| Depreciation | (2,976) | (1,287) | (3,050) | (4,320) | (260) | (2,591) | (6,126) | (20,610) |
| Disposals | - | - | - | (1) | - | - | - | (1) |
| Net book value at 30 September 2023 | 115,752 | 5,400 | 19,713 | 18,433 | 1,334 | 14,271 | 292,201 | 467,104 |
| At 30 September 2023 | | | | | | | | |
| Cost | 173,445 | 38,156 | 122,210 | 202,088 | 4,120 | 124,158 | 331,858 | 996,035 |
| Accumulated depreciation and impairment | (57,693) | (32,756) | (102,497) | (183,655) | (2,786) | (109,887) | (39,657) | (528,931) |
| Net book value at 30 September 2023 | 115,752 | 5,400 | 19,713 | 18,433 | 1,334 | 14,271 | 292,201 | 467,104 |

Note:

During the period ended 30 September 2023, investment properties of HK\$36,561,000 have been reclassified to property, plant and equipment as a result of change in usage.

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 2023 HK\$'000 | Audited 31 March 2023 HK\$'000 |
|---|---|---|
| 0 to 30 days | 73,921 | 63,577 |
| 31 to 60 days | 28,980 | 42,088 |
| 61 to 90 days | 23,971 | 17,645 |
| Over 90 days | 40,055 | 54,976 |
| Trade receivables, gross | 166,927 | 178,286 |
| Less: provision for impairment of trade receivables | (7,814) | (8,379) |
| | 159,113 | 169,907 |

12. Trade payables

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

| | Unaudited 30 September 2023 HK\$'000 | Audited 31 March 2023 HK\$'000 |
|---------------|---|---|
| 0 to 30 days | 25,420 | 21,367 |
| 31 to 60 days | 411 | 740 |
| 61 to 90 days | 656 | 554 |
| Over 90 days | 3,215 | 2,103 |
| | 29,702 | 24,764 |

13. Share capital

| | Unaudited 30 September 2023 HK\$'000 | Audited 31 March 2023 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. Capital commitments

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

| | Unaudited 30 September 2023 HK\$'000 | Audited 31 March 2023 HK\$'000 |
|---------------------------------------|---|---|
| Property, plant and equipment | | |
| Contracted but not yet provided for | 1,011 | 953 |
| Authorised but not yet contracted for | 271 | 58 |
| | 1,282 | 1,011 |

15. Contingent liability

A subsidiary of the Group, which is engaged in the provision of printing services for publications, was named as one of the defendants who were alleged to be infringing intellectual property in a legal proceeding submitted to the High Court on 18 October 2022. The claim amount is not specified by the plaintiff. Management, based on the information currently available, believes that it is impracticable to evaluate the likely outcome of the case and to estimate the financial effect to the Group as it is still at an early stage of the proceedings.

16. Approval of the interim condensed consolidated financial information

This interim condensed consolidated financial information was approved by the Board of Directors on 20 November 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

Summary of Profit and Loss Account

| (HK\$'000) | For the six months ended 30 September | | % Change |
|---|--|----------------|--------------|
| | 2023 | 2022 | |
| Revenue | 483,103 | 515,229 | -6% |
| Cost of sales | (291,690) | (298,147) | -2% |
| Gross profit | 191,413 | 217,082 | -12% |
| Gross profit margin | 39.6% | 42.1% | |
| Selling and distribution expenses | (104,098) | (101,414) | 3% |
| General and administrative expenses | (109,158) | (108,414) | 1% |
| Net reversal of impairment/ (impairment losses) on financial assets | 565 | (1,408) | -140% |
| Other income | 944 | 34,598 | -97% |
| Operating (loss)/profit | (20,334) | 40,444 | -150% |
| Finance income – net | 5,609 | 1,572 | 257% |
| (Loss)/profit before income tax | (14,725) | 42,016 | -135% |
| Income tax expense | (5,092) | (6,135) | -17% |
| (Loss)/profit for the period | (19,817) | 35,881 | -155% |
| Non-controlling interests | (448) | (764) | -41% |
| (Loss)/profit attributable to owners | (20,265) | 35,117 | -158% |
| Net profit margin | (4.1%) | 7.0% | |

General

Ongoing global macroeconomic challenges and increasing geopolitical tensions continued to create challenges for the local economy. Market sentiment stayed cautious amid high local interest rates and the slower than expected economic recovery in Mainland China. Trading volume of local stock market contracted further during the first three quarters of 2023 while fund raising activities remained tepid. The residential property market also underwent a marked correction and consolidation after multiple rounds of Federal Reserve rate hikes. Driven by a full opening and increased inbound tourism and consumer activities, local economy began to recover but the pace was slow.

Against this challenging backdrop, the Group's revenue for the six months ended 30 September 2023 decreased by HK\$32.1 million or 6% to HK\$483.1 million when compared to the same period last year. Net results turned to negative and recorded a loss attributable to owners of HK\$20.3 million for the six months ended 30 September 2023, a decline of HK\$22.1 million, after excluding the one-off Employment Support Scheme subsidy granted by the Hong Kong Government under the Anti-epidemic Fund ("ESS Subsidy") of HK\$33.3 million for the corresponding period in 2022.

Revenue

| | For the six months | | % Change |
|--------------------|--------------------|----------|----------|
| | ended 30 September | | |
| | 2023 | 2022 | |
| | HK\$'000 | HK\$'000 | |
| Revenue: | | | |
| Advertising income | 243,340 | 279,621 | -13% |
| Circulation income | 21,801 | 25,380 | -14% |
| Service income | 217,962 | 210,228 | 4% |
| Total | 483,103 | 515,229 | -6% |

Advertising income, primarily contributed by the Group's printed publications and digital platforms, decreased by HK\$36.3 million or 13% to HK\$243.3 million when compared to the same period last year. Local advertising market, adversely impacted by the sluggish local stock and property markets and the poor business and market sentiments, remained weak for the period under review. Advertisers and marketers were cautious on their advertising spending by deferring or scaling down their marketing campaigns and promotion plans. Both readers and advertisers continued to shift to digital channels. Digital advertising, particularly mobile advertising, has taken the largest slice from the local advertising spending and remains the key growth engine. For the period under review, Group's digital advertising income has already overtaken printed advertising income and has become the largest contributor to the Group's advertising income.

Circulation income decreased by 14% to HK\$21.8 million for the period under review. The decrease was in line with most of the printed titles in the market during the period under review.

Service income increased by 4% to HK\$218.0 million from the same period ended 30 September 2022. The increase was mainly due to the increase of service income generated from Group's digital platform on lifestyle. Service income from financial news agency, information and solutions and the printing services of Group's printing plants remained solid for the period under review.

During the six months ended 30 September 2023, over 60% of the Group's total revenue was generated from Group's digital platforms and information and solution businesses, which demonstrated the progress of our digitalisation strategy in the recent years.

Operating Costs

Gross profit margin of the Group was 39.6% for the six months ended 30 September 2023, a decline of 2.5 percentage point from last year same period. Management would continue to monitor and streamline the cost structure, rationalise and redeploy resources to improve efficiency and cost effectiveness of the Group's operations.

Staff costs for the six months ended 30 September 2023, representing approximately 57% of the Group's total operating costs, maintained at the same level as in last year same period. The salary increment in line with the general employment market, was offset by the decrease of headcount after a business and resources reorganisation during the period under review.

Content costs which mainly consisted of market data license fees of various exchanges, financial index providers and foreign news agencies, constituting around 11% of the Group's total operating costs for the six months ended 30 September 2023, maintained at the same level as in last year same period. The amount was in line with the market data usage of customers who had subscribed for ET Net securities and derivative quotation services under the financial news agency, information and solutions segment.

Loss Attributable to Owners

The Group recorded a loss attributable to owners for the six months ended 30 September 2023 of HK\$20.3 million as compared to the net profit attributable to owners for the six months ended 30 September 2022, a decline of HK\$22.1 million, after excluding the one-off ESS Subsidy of HK\$33.3 million for the corresponding period in 2022. Net profit margin turned negative, reduced from 7.0 percentage point to -4.1 percentage point for the six months ended 30 September 2023.

Media segment recorded negative operating results of HK\$38.2 million for the period under review, an increase of loss of HK\$21.6 million when compared to last year same period, after excluding the one-off ESS Subsidy in 2022. The increase was mainly attributable to the decrease of advertising income resulted from the weak market sentiment amid the sluggish property and financial markets and the slow recovery of the local consumer market. New and continued investments in technology, talent and innovation have made us more agile and resilient. The Group would continue its investment initiatives in digital platforms with focus on customer experience, value creation and digital capability enhancement to expand our market share in digital advertising.

Financial news agency, information and solutions segment, remained the solid profit contributor to the Group, recorded a moderate decrease in net profit of HK\$3.2 million for the six months ended 30 September 2023, after excluding the one-off ESS Subsidy in 2022. The decrease was mainly attributable to the decrease of advertising income from its digital platform amid the sluggish advertising market for the period under review. This segment, capturing the market trend of digitalisation and diversification, had successfully secured several digital financial solution and property data projects in banking, securities and derivatives trading, wealth management and property data analysis. The Group will continue its talent, innovation and technology inputs to meet the rising demand in these innovative digital solutions.

Liquidity and Capital Resources

| (in HK\$ million) | As at 30 September 2023 | As at 31 March 2023 |
|---|--|---------------------------|
| Net current assets | 362.8 | 415.5 |
| Term deposits and cash and cash equivalents | 387.1 | 464.2 |
| Owners' equity | 820.2 | 871.2 |
| Gearing ratio | N/A | N/A |
| Current ratio | 2.47 times | 2.52 times |

The Group's net current assets as at 30 September 2023 decreased by HK\$52.7 million from the position as at 31 March 2023. The decrease was mainly due to the payment for the acquisition of a property and the negative operating results of the Group for the six months ended 30 September 2023.

Net cash generated from investing activities was HK\$50.0 million, resulted from the decrease of funds placed under short-term bank deposits with maturities of over three months. During the period under review, the Group had acquired a property as office premises at a consideration of approximately HK\$15.7 million, funded by matured term deposit.

The Group had distributed the final dividend declared for the financial year ended 31 March 2023 amounting to HK\$30.2 million.

As at 30 September 2023, the Group had a cash balance of HK\$387.1 million as compared to HK\$464.2 million as at 31 March 2023. Majority of the cash was placed under short-term deposits with banks in Hong Kong and was held in Hong Kong dollars or in United States dollars. The Group had no significant exposure to exchange rate risk.

The Group had no borrowing as at 30 September 2023.

OUTLOOK

Looking ahead, ongoing macroeconomic uncertainties, high interest rate and geopolitical tensions will continue to shape the global market and the local business environment. However, as the inflationary pressure is more under control, Federal Funds rate is expected to decline gradually in 2024. Though the challenging external environment and the slower recovery in the Mainland economy will continue to weigh on the local market, the revival of inbound tourism and local consumption will continue to underpin the local economic recovery. The Group would continue its investment initiatives in digital platforms by ploughing more resources into quality content creation, innovative technologies and the talents development, which we believe will bring in sustainable growth and long-term business development. The Group will closely monitor the economic and political situations, take a cautious and prudent approach in cost management, operational efficiency and financial discipline. The Group is in a solid financial position with cash balance of approximately HK\$387.1 million as at 30 September 2023, and we are well placed to meet challenges and capture new opportunities ahead.

EMPLOYEES

As at 30 September 2023, the Group had 1,234 employees (30 September 2022: 1,352 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 (2022: HK 3.0 cents) per share, amounting to HK\$12,948,000 (2022: HK\$12,948,000), payable on 21 December 2023 to shareholders whose names appear on the Register of Members of the Company at the close of business on 8 December 2023.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 6 December 2023 to 8 December 2023, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on 5 December 2023.

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*)

Ms. SEE Sau Mei Salome

Ms. WONG Ching

Non-executive Director

Mr. CHU Yu Lun

Independent Non-executive Directors

Mr. LO Foo Cheung

Mr. O'YANG Wiley

Mr. SIN Hendrick

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 2023.

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 C.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 2023.

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 2023 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. Sin Hendrick 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, 20 November 2023

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

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).