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SEEC MEDIA GROUP LIMITED

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock Code: 205)

UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

The board of directors (the "Board") of SEEC Media Group Limited (the "Company") is pleased to present the interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2018 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

| | Notes | Six months ended 30 June | |
|--|-------|---------------------------------|---------------------------------|
| | | 2018 HK\$'000 (Unaudited) | 2017 HK\$'000 (Unaudited) |
| Revenue | 2 | 82,776 | 130,653 |
| Cost of sales | | <u>(28,207)</u> | <u>(42,913)</u> |
| Gross profit | | 54,569 | 87,740 |
| Other income | | 1,568 | 1,586 |
| Gain on disposal of property, plant and equipment | | – | 23,316 |
| Unrealised fair value losses on held-for-trading investments | | (9,728) | (73,037) |
| Realised losses on held-for-trading investments | | – | (96,039) |
| Other gains and losses | 3 | 2,820 | (2,448) |
| Selling and distribution costs | | (63,424) | (54,579) |
| Administrative expenses | | (47,717) | (40,604) |
| Finance costs | | (883) | (937) |
| Share of profit of a joint venture | | 1,850 | 1,902 |
| Share of loss of an associate | | (38,818) | (51,322) |
| Loss before taxation | 4 | (99,763) | (204,422) |
| Taxation | 5 | 1,433 | 3,649 |
| Loss for the period | | <u>(98,330)</u> | <u>(200,773)</u> |
| Loss for the period attributable to: | | | |
| Owners of the Company | | (96,773) | (201,037) |
| Non-controlling interests | | (1,557) | 264 |
| Loss for the period | | <u>(98,330)</u> | <u>(200,773)</u> |
| Other comprehensive (expense) income for the period | | | |
| <i>Items that will not be reclassified subsequently to profit or loss:</i> | | | |
| Exchange differences arising on translation of foreign operations | | (394) | (2,497) |
| Share of exchange differences of a joint venture | | (452) | 31 |
| <i>Items that may be reclassified subsequently to profit or loss:</i> | | | |
| Share of other comprehensive income of an associate | | 233 | 135 |
| | | <u>(613)</u> | <u>(2,331)</u> |
| Total comprehensive expense for the period | | <u>(98,943)</u> | <u>(203,104)</u> |
| Total comprehensive (expense) income for the period attributable to: | | | |
| Owners of the Company | | (97,374) | (203,368) |
| Non-controlling interests | | (1,569) | 264 |
| | | <u>(98,943)</u> | <u>(203,104)</u> |
| Loss per share (HK cents) | | | |
| Basic | 7 | <u>(1.52)</u> | <u>(3.15)</u> |
| Diluted | 7 | <u>(1.52)</u> | <u>(3.15)</u> |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

| | Notes | As at 30 June 2018 HK\$'000 (Unaudited) | As at 31 December 2017 HK\$'000 (Audited) |
|--|-------|---|---|
| Non-current assets | | | |
| Property, plant and equipment | | 8,108 | 9,322 |
| Intangible assets | | 58,652 | 68,602 |
| Goodwill | | 23,868 | 24,091 |
| Interests in a joint venture | | 42,918 | 41,520 |
| Available-for-sale investments | | 29,650 | 33,000 |
| Interest in an associate | | 24,415 | 63,000 |
| Amount due from a joint venture | | 11,164 | 12,271 |
| Deposits paid | | 24,000 | 24,000 |
| | | <u>222,775</u> | <u>275,806</u> |
| Current assets | | | |
| Accounts receivables | 8 | 234,916 | 258,111 |
| Loan receivables | | 180,315 | 173,406 |
| Amounts due from related companies | | 14,492 | 15,337 |
| Other receivables and prepayments | | 43,381 | 34,246 |
| Held-for-trading investments | 9 | 40,624 | 50,352 |
| Bank balances (trust and segregated accounts) | | 32,508 | 15,359 |
| Bank balances (general accounts), cash and cash equivalents | | 99,970 | 131,791 |
| | | <u>646,206</u> | <u>678,602</u> |
| Current liabilities | | | |
| Accounts payables | 10 | 52,618 | 34,793 |
| Other payables and accruals | | 146,543 | 131,074 |
| Amount due to a joint venture | | 5,379 | 6,330 |
| Amounts due to related companies | | 32,651 | 48,357 |
| Borrowings | | 22,776 | 21,893 |
| Tax payable | | 14,747 | 14,742 |
| | | <u>274,714</u> | <u>257,189</u> |
| Net current assets | | <u>371,492</u> | <u>421,413</u> |
| Total assets less current liabilities | | <u>594,267</u> | <u>697,219</u> |
| Non-current liabilities | | | |
| Deferred tax liabilities | | 5,453 | 6,112 |
| Net assets | | <u>588,814</u> | <u>691,107</u> |
| Capital and reserves | | | |
| Share capital | | 637,354 | 637,354 |
| Reserves | | (55,476) | 45,248 |
| Equity attributable to owners of the Company | | <u>581,878</u> | <u>682,602</u> |
| Non-controlling interests | | 6,936 | 8,505 |
| Total equity | | <u>588,814</u> | <u>691,107</u> |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (“HKAS 34”) “Interim Financial Reporting” issued by Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The condensed consolidated financial statements have been prepared on the historical cost basis. The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2017.

In the current interim period, the Group has applied, for the first time, the amendments to International Financial Reporting Standards (“HKFRSs”).

| | |
|----------|---------------------------------------|
| HKFRS 9 | Financial Instruments; and |
| HKFRS 15 | Revenue from contracts with customers |

The impact of the adoption of these standards and the nature and effect of the change in accounting policies are further described below.

HKFRS 9 – Financial Instruments

HKFRS 9 replaces the provisions of HKAS 39 “Financial Instruments: Recognition and Measurement” that relate to the classification and measurement of financial assets and financial liabilities, impairment for financial assets and hedge accounting.

In accordance with the transitional provisions in HKFRS 9, the Group has taken the exemption under HKFRS 9 not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets resulting from the adoption of HKFRS 9 are recognised in opening accumulated losses as at 1 January 2018. Accordingly, the information presented for 2017 has been presented, as previously reported, under HKAS 39.

The amount by which each financial statement line item is affected by the adoption of HKFRS 9 on the date of initial application is shown as follows:

| | Carrying amount as at 31 December 2017 HK\$'000 | Effect of adoption of HKFRS 9 (note (ii)) HK\$'000 | Carrying amount as at 1 January 2018 HK\$'000 |
|---|--|---|--|
| Condensed consolidated statement of financial position (extract) | | | |
| Available-for-sale investments | 33,000 | (3,350) | 29,650 |
| Reserves (affecting FVTOCI Reserve) | 45,248 | (3,350) | 41,898 |

(i) Classification and measurement

From 1 January 2018, all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

- debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are subsequently measured at amortised cost;
- debt investments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are subsequently measured at fair value through other comprehensive income ("FVTOCI");
- all other debt investments and equity investments are subsequently measured at fair value through profit or loss ("FVTPL").

Despite the foregoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment that is not held for trading in other comprehensive income; and
- the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

When a debt investment measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. In contrast, for an equity investment designated as measured at FVTOCI, the cumulative gain or loss previously recognised in other comprehensive income is not subsequently reclassified to profit or loss.

Debt instruments that are subsequently measured at amortised cost or at FVTOCI are subject to impairment (see note (ii) below).

The adoption of HKFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities.

On 1 January 2018 (the date of initial application of HKFRS 9), the Group has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories.

The following table shows the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets and financial liabilities as at 1 January 2018.

| | Original measurement category under HKAS 39 | New measurement category under HKFRS 9 | Original carrying amount under HKAS 39 <i>HK\$'000</i> | New carrying amount under HKFRS 9 <i>HK\$'000</i> |
|--------------------------------|--|---|---|--|
| Financial assets: | | | | |
| Available-for-sale investments | Amortised cost less impairment | FVTOCI | 33,000 | 29,650 |

(ii) Impairment

The impairment of financial assets has changed from the incurred loss model under HKAS 39 to the expected credit loss model under HKFRS 9. Under the new expected loss approach, it is no longer necessary for a loss event to occur before an impairment loss is recognised. Impairment is made on the expected credit losses, which are the present value of the cash shortfalls over the expected life of the financial assets. The Group assesses on a forward looking basis the expected credit losses associated with debt instruments carried at amortised cost or FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires lifetime expected losses to be recognised from initial recognition of the receivables. The Group has established a provision matrix that is based on the Group's historical default experience, adjusted for factors that are specific to the debtors and an assessment of both the current as well as the forecast direction of conditions. For other financial assets measured at amortised cost (i.e. loan receivables, other receivables and bank balances), the expected credit losses are based on 12-month expected losses and there had been no significant increase in credit risk since initial recognition.

The adoption of expected credit loss model had a negligible impact on the carrying amounts of the Group's receivables.

HKFRS 15 – Revenue from Contracts with Customers

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. Considering the nature of the Group's principal activities, the adoption of HKFRS 15 does not have material impact on the Group's revenue recognition and HKFRS 15 had no material impact on amounts and/or disclosures reported in these unaudited condensed consolidated financial statements.

Other than those new HKFRSs mentioned above, the application of the amendments to HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures in these condensed consolidated financial statements.

2. REVENUE AND SEGMENT INFORMATION

Information reported to the Company's executive directors, being the chief operating decision makers, for the purpose of allocating resources to segments and assessing their performance are organised on the basis of the revenue streams.

The Group has five operating and reporting segments during the period which are as follows:

- (a) advertising services income from provision of advertising services and organising conferences and events;
- (b) sales of books and magazines;
- (c) provision of securities broking services including brokerage, financing and underwriting and placement;
- (d) provision of e-commerce platform services and sales of related goods; and
- (e) money lending.

The following is an analysis of the Group's revenue and results by reportable segment for the period:

Six months ended 30 June 2018

| | Provision of advertising services <i>HK\$'000</i> | Sales of books and magazines <i>HK\$'000</i> | Provision of securities broking services <i>HK\$'000</i> | Provision of e-commerce platform services and sales of related goods <i>HK\$'000</i> | Money lending <i>HK\$'000</i> | Consolidated <i>HK\$'000</i> |
|--|--|---|---|---|----------------------------------|---------------------------------|
| REVENUE | | | | | | |
| External sales | 54,867 | 4,979 | 8,175 | 7,808 | 6,947 | 82,776 |
| RESULT | | | | | | |
| Segment (loss) profit | (27,844) | 1,029 | (3,786) | (5,657) | 6,235 | (30,023) |
| Other income and gains | | | | | | 4,388 |
| Unallocated administration expenses | | | | | | (26,549) |
| Unrealised fair value losses on held-for-trading investments | | | | | | (9,728) |
| Finance costs | | | | | | (883) |
| Share of profit of a joint venture | | | | | | 1,850 |
| Share of loss of an associate | | | | | | (38,818) |
| Loss before taxation | | | | | | (99,763) |

Six months ended 30 June 2017

| | Provision of advertising services <i>HK\$'000</i> | Sales of books and magazines <i>HK\$'000</i> | Provision of securities broking services <i>HK\$'000</i> | Provision of e-commerce platform services <i>HK\$'000</i> | Money lending <i>HK\$'000</i> | Consolidated <i>HK\$'000</i> |
|--|--|---|---|--|----------------------------------|---------------------------------|
| REVENUE | | | | | | |
| External sales | 100,176 | 5,874 | 18,002 | 2,709 | 3,892 | 130,653 |
| RESULT | | | | | | |
| Segment profit (loss) | 20,477 | (314) | 4,975 | (176) | 1,456 | 26,418 |
| Other income | | | | | | 624 |
| Unallocated administration expenses | | | | | | (12,031) |
| Unrealised fair value losses on held-for-trading investments | | | | | | (73,037) |
| Realised losses on held-for- trading investments | | | | | | (96,039) |
| Finance costs | | | | | | (937) |
| Share of profit of a joint venture | | | | | | 1,902 |
| Share of loss of an associate | | | | | | (51,322) |
| Loss before taxation | | | | | | <u>(204,422)</u> |

Segment result represents the profit (loss) from each segment without allocation of unallocated other income, other gains and losses, administration expenses, finance costs, share of profit of a joint venture and loss of an associate. This is the measure reported to the chief operating decision makers for the purpose of resource allocation and performance assessment.

3. OTHER GAINS AND LOSSES

| | Six months ended 30 June | |
|---|---------------------------------|------------------------|
| | 2018 | 2017 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (Unaudited) | (Unaudited) |
| Reversal of bad and doubtful debts, net | 1,405 | 4,484 |
| Net exchange gain (loss) | 1,415 | (6,932) |
| | <u>2,820</u> | <u>(2,448)</u> |

4. LOSS BEFORE TAXATION

The Group's loss before taxation has been arrived at after charging (crediting):

| | Six months ended 30 June | |
|--|--------------------------|-------------------|
| | 2018 | 2017 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Amortisation of intangible assets | 7,784 | 6,075 |
| Depreciation of property, plant and equipment | 1,699 | 2,017 |
| Loss (Gain) on disposal of property, plant and equipment | 3 | (23,316) |
| Bank interest income | (127) | (363) |
| | <u> </u> | <u> </u> |

5. TAXATION

Hong Kong Profits Tax has been provided at the rate of 16.5% for both periods on the estimated assessable profits arising in Hong Kong during both periods.

Under the law the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries has been 25% for both periods.

Included in the taxation was deferred tax credit of approximately HK\$5,453,000 during the period ended 30 June 2018 (30 June 2017: HK\$4,284,000).

6. DIVIDENDS

No dividends were paid, declared or proposed during the reported period. The Board does not recommend any payment of interim dividend for the six months ended 30 June 2018 (30 June 2017: nil).

7. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

| | Six months ended 30 June | |
|--|--------------------------|------------------|
| | 2018 | 2017 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| <i>Loss</i> | | |
| Loss for the period attributable to owners of the Company for the purpose of basic and diluted loss per share | <u>(96,773)</u> | <u>(201,037)</u> |
| | 2018 | 2017 |
| | '000 | '000 |
| <i>Number of shares</i> | | |
| Weighted average number of ordinary shares for the purpose of basic and diluted loss per share | <u>6,373,546</u> | <u>6,373,546</u> |

The computation of diluted loss per share for both periods do not assume the exercise of outstanding share options of the Company since their assumed exercise would result in a decrease in loss per share.

8. ACCOUNTS RECEIVABLES

| | As at 30 June 2018 <i>HK\$'000</i> (Unaudited) | As at 31 December 2017 <i>HK\$'000</i> (Audited) |
|---|---|---|
| Accounts receivables arising from the business of provision of advertising agency services and sales of books and magazines | 48,055 | 70,574 |
| Less: allowance for doubtful debts | (9,401) | (11,345) |
| | 38,654 | 59,229 |
| Accounts receivables arising from the business of dealing in securities: | | |
| – Cash clients | 176,154 | 186,179 |
| Accounts receivables arising from the business of E-commerce platform services and sales of related goods | 20,108 | 12,703 |
| | 234,916 | 258,111 |

Credit period granted by the Group to customers for both provision of advertising agency services and sales of books and magazines are not more than three months from the date of recognition of the sale.

The ageing analysis of the Group's accounts receivables arising from the provision of advertising agency services and sales of books and magazines net of allowance for doubtful debts, presented based on date of magazines issued, which approximate the date of revenue recognition is as follow:

| | As at 30 June 2018 | | As at 31 December 2017 | |
|-----------------------------|--------------------|------------|------------------------|-----|
| | <i>HK\$'000</i> | % | <i>HK\$'000</i> | % |
| | (Unaudited) | | (Audited) | |
| Less than three months | 19,169 | 50 | 32,269 | 54 |
| Three months to six months | 8,634 | 22 | 16,427 | 28 |
| Over six months to one year | 10,851 | 28 | 10,533 | 18 |
| | 38,654 | 100 | 59,229 | 100 |

The credit period for the business of dealing in securities with the settlement terms of cash clients are usually one to two days after the trade date.

The Group seeks to maintain tight control over its outstanding accounts receivable of securities broking business in order to minimize credit risk. Outstanding balances are regularly monitored by management. The management ensures that the listed equity securities belonged to clients in which the Group holds as custodian are sufficient to cover the amounts due to the Group.

The ageing analysis of the Group's accounts receivable arising from the dealing in securities on cash clients, presented based on date of completion, which approximate the date of revenue recognition is as follows:

Ageing of accounts receivable which are past due but not impaired:

| | As at 30 June 2018 | | As at 31 December 2017 | |
|---------------------------------------|--------------------|------------|------------------------|------------|
| | <i>HK\$'000</i> | % | <i>HK\$'000</i> | % |
| | (Unaudited) | | (Audited) | |
| Less than three months | 4,170 | 2 | – | – |
| Over three months but within one year | 4,105 | 2 | 186,179 | 100 |
| Over one year | 167,879 | 96 | – | – |
| | <u>176,154</u> | <u>100</u> | <u>186,179</u> | <u>100</u> |

Included in the Group's accounts receivables balance arising from the dealing in securities on cash client are debtors with aggregate carrying amount of approximately HK\$176,154,000 (31 December 2017: approximately HK\$186,179,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and amounts are still considered recoverable based on historical experience. The Group does not hold any collateral over these balances.

Credit period granted by the Group to customers for both provision of e-commerce platform services and sales of related goods are normally not more than 90 days from the date of recognition of the sale.

The ageing analysis of the Group's accounts receivable arising from the provision of e-commerce platform services and sales of related goods, presented based on date of service provided and the goods sold, which approximate the date of revenue recognition is as follows:

| | As at 30 June 2018 | | As at 31 December 2017 | |
|-----------------------------|--------------------|------------|------------------------|------------|
| | <i>HK\$'000</i> | % | <i>HK\$'000</i> | % |
| | (Unaudited) | | (Audited) | |
| Less than three months | 5,198 | 26 | 3,778 | 30 |
| Three months to six months | 2,324 | 12 | 3,965 | 31 |
| Over six months to one year | 7,671 | 38 | 2,843 | 22 |
| Over one year | 4,915 | 24 | 2,117 | 17 |
| | <u>20,108</u> | <u>100</u> | <u>12,703</u> | <u>100</u> |

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits and credit ratings attributed to customers are reviewed regularly. Management considers the customers neither past due nor impaired are of good credit quality based on repayment history of respective customers.

9. HELD-FOR-TRADING INVESTMENTS

| | As at 30 June 2018 <i>HK\$'000</i> (Unaudited) | As at 31 December 2017 <i>HK\$'000</i> (Audited) |
|---|--|--|
| Held-for-trading investments include: | | |
| Listed securities: | | |
| – Equity securities listed in Hong Kong | <u>40,624</u> | <u>50,352</u> |

Held-for-trading investments as at 30 June 2018 and 31 December 2017 represent equity securities listed in Hong Kong. The fair values of the investments are determined based on the quoted market bid price available on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The fair value of held-for-trading investments was classified as Level 1 of the fair value hierarchy.

10. ACCOUNTS PAYABLES

| | As at 30 June 2018 <i>HK\$'000</i> (Unaudited) | As at 31 December 2017 <i>HK\$'000</i> (Audited) |
|--|--|--|
| Accounts payables arising from the provision of advertising agency services and sales of books and magazines | 10,594 | 13,285 |
| Accounts payables arising from the securities broking business – Cash clients (<i>Note</i>) | 31,399 | 15,359 |
| Accounts payables arising from the business of E-commerce platform services and sales of related goods | <u>10,625</u> | <u>6,149</u> |
| | <u>52,618</u> | <u>34,793</u> |

Note: The balance of accounts payables arising from the securities broking business are repayable on demand except where certain accounts payables to clients represent margin deposits received from clients for their trading activities under normal course of business. Only the excess amounts over the required margin deposits stipulated are repayable on demand.

No ageing analysis is disclosed as in the opinion of the directors of the Company, the ageing analysis does not give additional value in view of the nature of this business.

The ageing analysis of the Group's accounts payables arising from the provision of advertising agency services and sales of books and magazines presented based on the invoice date at the end of the reporting period is as follows:

| | As at 30 June 2018 | | As at 31 December 2017 | |
|-----------------------------|--------------------|------------|------------------------|------------|
| | <i>HK\$'000</i> | % | <i>HK\$'000</i> | % |
| | (Unaudited) | | (Audited) | |
| Less than three months | 5,268 | 50 | 7,424 | 56 |
| Three months to six months | 887 | 8 | 3,021 | 23 |
| Over six months to one year | 2,559 | 24 | 708 | 5 |
| Over one year | 1,880 | 18 | 2,132 | 16 |
| | <u>10,594</u> | <u>100</u> | <u>13,285</u> | <u>100</u> |

The average credit period granted by accounts payable is 92 days (2017: 52 days). The Group has financial risk management policies in place to ensure that all payables are within the credit time frame.

The ageing analysis of the Group's accounts payables arising from the provision of e-commerce platform service and sales of related goods presented based on the invoice date at the end of the reporting period is as follows:

| | As at 30 June 2018 | | As at 31 December 2017 | |
|-----------------------------|--------------------|------------|------------------------|------------|
| | <i>HK\$'000</i> | % | <i>HK\$'000</i> | % |
| | (Unaudited) | | (Audited) | |
| Less than three months | 3,097 | 29 | 2,245 | 37 |
| Three months to six months | 1,435 | 14 | 2,152 | 35 |
| Over six months to one year | 4,356 | 41 | 1,060 | 17 |
| Over one year | 1,736 | 16 | 692 | 11 |
| | <u>10,624</u> | <u>100</u> | <u>6,149</u> | <u>100</u> |

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: nil).

BUSINESS REVIEW

Advertising and Sales of Books and Magazines

Revenue derived from the business of advertising and sales of books and magazines was continuous to be one of the major sources of income to the Group. However, due to the expiry of the exclusive advertising contracts of certain magazines during the first half of 2018 and the rapid development of the internet economy in China over the past few years, the Group's print media advertising business faced ongoing difficult and challenging business environment. As a result, the development of the print media in China, as well as the Group's revenue derived from the print media business, were adversely affected.

The revenue derived from the provision of advertising services, organising conferences and events for the current period was approximately HK\$54.9 million, representing a decrease of approximately 45.2% from approximately HK\$100.2 million for the last period. The revenue derived from sales of books and magazines for the current period was approximately HK\$5.0 million, representing a decrease of approximately 15.2% from approximately HK\$5.9 million for the last period.

Securities Broking

The Group was granted by the Securities and Futures Commission a license to carry out Type 1 (dealing in securities) regulated activity under the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) (the "SFO"). By carrying out the securities broking business, it is expected that the Group can be benefited from diversifying its business portfolio.

The Group provides brokerage services for clients in respect of securities listed on the Stock Exchange of Hong Kong Limited. For the six months ended 30 June 2018, the commission and brokerage income and the interest income derived from the securities broking business amounted to approximately HK\$8.2 million in total, representing approximately 9.9% of the total revenue of the Group. Since the commencement of the securities broking business, the Group endeavored to provide brokerage services for the clients, as well as participate in equity fund raising transactions for Hong Kong listed companies, including placing, underwriting and initial public offering. In addition, in view of the inactive investor sentiment in Hong Kong during the period, the Group has adopted flexible market strategy in order to increase the number of clients.

Money Lending

In order to strengthen the flexibility of the Group so that it is able to react to the changing market situation promptly, the Group intends to provide diversified financial services to its clients through developing money lending services. It is believed that the money lending business will be able to leverage other financial business of the Group and broaden the Group's income stream. Therefore, the Group has commenced operation in the money lending business through an indirect non-wholly owned subsidiary of the Company, which is a licensed money lender under the Money Lenders Ordinance (Chapter 163, Laws of Hong Kong). For the six months ended 30 June 2018, the interest income from loan receivables arising from the money lending business amounted to approximately HK\$6.9 million, representing approximately 8.4% of the total revenue of the Group.

E-commerce

In September 2016 and May 2017, the Group acquired the entire issued share capital of two companies in which their wholly-owned subsidiaries were principally engaged in the provision of services and sales of goods in relation to e-commerce platforms. In February 2017, the Group acquired the entire interest associated with an website and domain name in relation to an e-commerce business. For the six months ended 30 June 2018, the revenue contributed by the provision of e-commerce platform services and sales of related goods was approximately HK\$7.8 million, representing approximately 9.4% of the total revenue of the Group.

OUTLOOK AND PROSPECTS

Upon the launch of Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect as well as the continuous improvement in the relevant regulatory systems, it is expected that the financial market will be strengthened and the market sentiment and market momentum in Hong Kong will be improved. Also, the relevant policies and arrangements under the Belt and Road Initiative and the Guangdong-Hong Kong-Macao Greater Bay Area will make Hong Kong more competitive in attracting foreign investments. The management believes that the financial business of the Group, including the existing businesses in securities broking and money lending, will be benefited from these recent and future development. Looking forward, it is expected that the equity fund raising market and the financial activities in Hong Kong will remain strong. The Group will continue its effort to develop and strengthen the abovementioned financial business. It is expected that the proportion of the Group's revenue contributed by the financial business will become higher in the future. However, the Board expects that the Group's business of advertising and sales of books and magazines may face shrinkage in their contributions to the Group's future revenue and profitability in view of the difficult operating environment for print media business in China.

The Group will maintain its cautiously optimistic outlook and explore other suitable investment opportunities which are able to bring satisfactory and sustainable returns to the Group and maximize the shareholders' value.

MANAGEMENT DISCUSSION AND ANALYSIS

For the first half of 2018, the advertising business of the Group was the most significant source of revenue of the Group. For the six months ended 30 June 2018, the aggregated revenue of the Group deriving from the provision of advertising agency services and organizing conferences and events, and sales of books and magazines was approximately HK\$59.8 million, representing a decrease of approximately 43.6% as compared with that of approximately HK\$106.1 million for the six months ended 30 June 2017. The decrease in revenue was mainly attributable to the weak performance of the Group's advertising business as a result of the expiry of certain exclusive advertising contracts of magazines during the first half of 2018 and also the severe industry and operating environment in the print media advertising business in China.

For the six months ended 30 June 2018, the revenue of the Group deriving from the securities broking business, the e-commerce business and the money lending business were approximately HK\$8.2 million (six months ended 30 June 2017: approximately HK\$18.0 million), approximately HK\$7.8 million (six months ended 30 June 2017: approximately HK\$2.7 million) and approximately HK\$6.9 million (six months ended 30 June 2017: approximately HK\$3.9 million) respectively. The securities broking business was commenced during the first half of 2016, while both the e-commerce business and the money lending business were commenced during the second half of 2016.

The overall gross profit margin of the Group for the six months ended 30 June 2018 was approximately 67.2%, which remained stable as compare with that for the six months ended 30 June 2017 of approximately 67.2%.

The Group held certain held-for-trading investments comprising of equity securities listed in Hong Kong. For the six months ended 30 June 2018, there were unrealised fair value losses on held-for-trading investments of approximately HK\$9.7 million (six months ended 30 June 2017: unrealised losses of approximately HK\$73.0 million and realised losses of approximately HK\$96.0 million). The significant realised and unrealised fair value losses during the six months ended 30 June 2017 was caused by the substantial decrease in market prices of the equity securities listed in Hong Kong held by the Group during the same period.

The selling and distribution costs for the six months ended 30 June 2018 was approximately HK\$63.4 million, increased by approximately 16.2% from approximately HK\$54.6 million for the six months ended 30 June 2017. The administrative expenses increased by approximately 17.5% from approximately HK\$40.6 million for the six months ended 30 June 2017 to approximately HK\$47.7 million for the six months ended 30 June 2018.

For the six months ended 30 June 2018, a share of profit from Mondadori-SEEC (Beijing) Advertising Co. Ltd., a joint venture of the Group, of approximately HK\$1.9 million (six months ended 30 June 2017: approximately HK\$1.9 million) was recognised.

For the six months ended 30 June 2018, a share of loss from GreaterChina Professional Services Limited, an associate of the Group, of approximately HK\$38.8 million (six months ended 30 June 2017: approximately HK\$51.3 million) was recognised. GreaterChina Professional Services Limited is a company listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (stock code: 8193) in which the principal businesses of its subsidiaries were asset advisory services and asset appraisal, corporate services and consultancy, media advertising and financial services.

The loss for the six months ended 30 June 2018 attributable to owners of the Company amounted to approximately HK\$96.8 million (six months ended 30 June 2017: approximately HK\$201.0 million), representing a decrease of approximately 51.9%. The decrease in loss was mainly due to the substantial realised and unrealised fair value losses on held-for-trading investments recognised in last period.

To preserve financial resources for future operation of the Group, the Board did not recommend the payment of a dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: nil).

USE OF PROCEEDS

On 9 September 2015, the Company proposed to raise gross proceeds of up to approximately HK\$531.13 million, before expenses, by way of an open offer of 5,311,287,930 ordinary shares of HK\$0.10 each to the qualifying shareholders at a subscription price of HK\$0.10 per offer share, on the basis of five offer shares for every one existing shares held on the record date (the “Open Offer”). On 29 December 2015, 5,311,287,930 offer shares were allotted and issued pursuant to the Open Offer. The net proceeds for the Open Offer were approximately HK\$518.27 million.

For the details of the Open Offer, please refer to the announcements of the Company dated 19 August 2015, 9 September 2015, 23 November 2015 and 28 December 2015, the circular of the Company dated 4 November 2015 and the prospectus of the Company dated 4 December 2015 (the “Prospectus”).

On 22 June 2016, the Company announced that the use of the unutilized net proceeds of approximately HK\$72 million been changed from original allocation as for the operation and development of the e-commerce platform to the revised allocation as for the acquisition of companies engaged in the development and operation of e-commerce platform.

On 8 July 2016, the Company announced that the use of part of the unutilized net proceeds of approximately HK\$100 million been changed from original allocation as for the set-up and operation of a company licensed under the SFO (the “Type 1 Company”) to conduct Type 1 (dealing in securities) regulated activity under the SFO to the revised allocation as for the operation and development of money lending business.

The Board from time to time reviews the business operation of the Type 1 Company and assesses the existing placements and underwriting activities involved, the potential business opportunities from its clients, and the condition of equity fund raising market in Hong Kong.

The Board noted that the equity fund raising market condition in Hong Kong for the first half of 2016 was less active and far below from the Company’s expectation as at the date of the Prospectus. Since the commencement of business, the Group used its best endeavored to look for potential placing and underwriting business opportunities from its clients and potential clients. Nevertheless, in the first half of 2016, the Type 1 Company had only acted as the underwriter/sub-underwriter for two of its clients. During that period of time apart from the two underwriting activities, no other underwriting activity from the clients or other potential clients could be identified by the Type 1 Company. On the other hand, during the first half of 2016, the liquid capital of the Type 1 Company was sufficient to comply with relevant requirement in accordance with the Securities and Futures (Financial Resources) Rules (Chapter 571N, Laws of Hong Kong) (the “FRR Rules”).

In view of these, the Board considered that, after the change in use of proceeds as announced on 8 July 2016, there are still sufficient financial resources for the Type 1 Company to operate and comply with the liquid capital requirement under the FRR Rules in the foreseeable future. Moreover, it was believed that the money lending business will be able to leverage the existing financial business of the Group and broaden the Group’s income stream. Accordingly, the Board considers that the change in use of proceeds is fair and reasonable and in the best interests of the Company and its shareholders as a whole.

For the details of the change in use of proceeds from the Open Offer, please refer to the announcements of the Company dated 22 June 2016 and 8 July 2016 (the “Announcements”).

The information on the use of proceeds from the Open Offer is tabled as follows:

| | Intended use of proceeds as stated in the Prospectus and the Announcements <i>HK\$'000</i> | Actual use of proceeds as at the date of this announcement <i>HK\$'000</i> | Unutilised balance <i>HK\$'000</i> | Details |
|--|--|--|--|--|
| Set-up and operation of the Type 1 Company | 265,000 | 265,000 | – | Used as capital injection for the Type 1 Company |
| Set-up and operation of companies licensed under the SFO to conduct Type 4, Type 6 and Type 9 regulated activities under the SFO | 30,000 | – | 30,000 | – |
| Acquisition of companies engaged in the development and operation of e-commerce platform | 124,000 | 119,600 | 4,400 | Used as consideration and refundable deposits for the acquisition of companies engaged in the development and operation of e-commerce platform |
| Operation and development of money lending business | 100,000 | 100,000 | – | Used as intended |
| | <u>519,000</u> | <u>484,600</u> | <u>34,400</u> | |

The Board expected that the unutilised balance will be used as intended.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

On 25 May 2017, a wholly-owned subsidiary of the Company, Honor Fame Group Limited, entered into an agreement with an independent third party for the acquisition of the entire issued share capital of Pinnacle China Group Limited (“Pinnacle China”, together with its subsidiary, “Pinnacle China Group”) at the consideration of HK\$24,000,000. Pinnacle China is an investment holding company incorporated in the British Virgin Islands with limited liability. The wholly-owned subsidiary of Pinnacle China principally engages in the provision of services in relation to an e-commerce platform. The consideration was satisfied by cash. The acquisition of Pinnacle China Group was completed in May 2017.

There was no material acquisitions and disposals of subsidiaries during the six months ended 30 June 2018.

SIGNIFICANT INVESTMENTS

As at 30 June 2018, the Group had held-for-trading investments, representing equity securities listed in Hong Kong, of approximately HK\$40.6 million (31 December 2017: approximately HK\$50.4 million). The Board considers that investments with market value accounting for more than 5% of the Group's total assets as 30 June 2017 as significant investments.

Details of the top two held-for-trading investments, in terms of market value as at 30 June 2017, are as follows:

| Company name | As at 30 June 2018 | | | For the six months ended 30 June 2018 | | |
|---|-----------------------|---|---------------------------------|---|--|---------------------------------------|
| | Number of shares held | Proportion to the total issued share capital for the stocks | Market value <i>HK\$'000</i> | Proportion to the total assets of the Group | Unrealised fair value losses on the investments <i>HK\$'000</i> | Dividends received <i>HK\$'000</i> |
| QPL International Holdings Limited ("QIH") | 68,700,000 | 3.04% | 5,153 | 0.57% | 1,992 | – |
| China e-Wallet Payment Group Limited ("CEPG") | 74,000,000 | 2.70% | 21,460 | 2.39% | 7,400 | – |
| | | | 26,613 | | 9,392 | – |

QIH is principally engaged in the manufacture and sales of integrated circuit leadframes, heatsinks, stiffeners and related products. CEPG is principally engaged in the provision of biometric and Radio Frequency Identification products and solution services, internet and mobile application and related services.

For the six months ended 30 June 2018, the Group recognised unrealised fair value losses on held-for-trading investments of approximately HK\$9.7 million (six months ended 30 June 2017: approximately HK\$73.0 million), which was mainly attributable to the fair value losses on investments in QIH and CEPG of approximately HK\$2.0 million and HK\$7.4 million respectively. For the six months ended 30 June 2018, the Group did not recognise any realised losses on held-for-trading investments (six months ended 30 June 2017: loss of approximately HK\$96.0 million) as there was no disposal in relation to those held-for-trading investments during the six months ended 30 June 2018.

Looking forward, the Board believes that the future performance of the listed investments held by the Group will be volatile and substantially affected by overall economic environment, equity market conditions, investor sentiment and the business performance and development of the investee companies.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's daily operating activities were mainly financed by internal resources. As at 30 June 2018, the Group's total equity was approximately HK\$588.8 million (31 December 2017: approximately HK\$691.1 million). The decrease was mainly due to the loss for the current period of approximately HK\$98.3 million.

The Group had non-current liabilities of approximately HK\$5.5 million as at 30 June 2018 (31 December 2017: approximately HK\$6.1 million). The non-current liabilities as at 30 June 2018 consisted of deferred tax liabilities. As at 30 June 2018, the Group's gearing ratio was approximately 32.2% representing a percentage of total liabilities over total assets (31 December 2017: approximately 27.6%).

As at 30 June 2018, the Group had borrowings of approximately HK\$22.8 million (31 December 2017: approximately HK\$21.9 million). The borrowings carried a fixed interest rate of 8% per annum and was repayable on demand (31 December 2017: fixed interest rate of 8% per annum; repayable on demand).

As at 30 June 2018, the Group had bank and cash balances (other than those in trust and segregated accounts) amounted to approximately HK\$100.0 million (31 December 2017: approximately HK\$131.8 million).

CHARGE ON ASSETS

As at 30 June 2018, the Group had pledged held-for-trading investments of approximately HK\$37.8 million (31 December 2017: HK\$48.0 million) to secure the margin payables of approximately HK\$22.8 million (31 December 2017: HK\$21.9 million), which was included in the borrowings of the Group.

FOREIGN CURRENCIES AND TREASURY POLICY

Most of the Group's business transactions, assets and liabilities are denominated in Hong Kong Dollars, United States Dollars or Renminbi. It is the Group's treasury policy to manage its foreign currency exposure whenever its financial impact is material to the Group. During the period, apart from the borrowings mentioned above, the Group did not have any fixed interest rate borrowings and had not engaged in any financial instruments for hedging or speculative activities.

EMPLOYEES

At as 30 June 2018, the Group had 416 (31 December 2017: 427) employees in Hong Kong and the PRC. Salaries, bonus and benefits were decided in accordance with the market condition and performance of the respective employees.

DIRECTORS' INTERESTS IN SHARES

As at 30 June 2018, the interests of the Directors in the shares of the Company, as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, were as follows:

Long position in the shares and underlying shares of the Company

| Name of Director | Nature of interest | Number of shares held | Percentage of number of issued shares of the Company at 30 June 2018 ^(Note) |
|------------------|--------------------|-----------------------|--|
| Zhang Zhifang | Beneficial owner | 750,000 | 0.01% |

Note: The percentage shareholding is calculated on the basis of the Company's issued share capital of 6,373,545,516 as at 30 June 2018.

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

Save as disclosed above, as at 30 June 2018, none of the directors had any long or short positions in any shares, underlying shares or debentures of the Company.

PURCHASE, REDEMPTION OR SALE OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period.

CORPORATE GOVERNANCE

The Company has complied throughout the period with the Corporate Governance Code and Corporate Governance Report (the "Code") as set out in Appendix 14 to the Listing Rules except the following major deviations:

Code Provision A.1.3 and A.7.1

Code Provisions A.1.3 and A.7.1 stipulate that 14-day notice should be given for each regular board meeting and that in respect of regular meetings, and so far as practicable in all other cases, an agenda and accompanying board papers should be sent in full to all directors in a timely manner and at least three days before the intended date of a board or board committee meeting (or such other period as agreed).

The Company agrees that sufficient time should be given to the directors in order to make a proper decision. In these respects, the Company adopts a more flexible approach (and yet sufficient time has been given) in convening board meetings to ensure efficient and prompt management decisions could be made.

Code Provision A.2 and E.1.2

The Board currently has not appointed any Director as its Chairman. The Board will review the present situation in the coming regular meetings as appropriate.

Code Provision A.4.1

Code A.4.1 stipulates that non-executive directors should be appointed for a specific term and subject to re-election.

The term of office for non-executive directors are the same as for all directors (i.e. no specific term and subject to retirement from office by rotation and be eligible for re-election in accordance with the provisions of the Company's Bye-laws). At each annual general meeting, one-third of the directors for the time being or, if their number is not a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation, provided that every director shall be subject to retirement by rotation at least once every three years.

REMUNERATION COMMITTEE

The Remuneration Committee comprises three independent non-executive directors, namely Mr. Law Chi Hung being the chairman of the committee, Mr. Leung Tat Yin and Mr. Wong Ching Cheung.

NOMINATION COMMITTEE

The Nomination Committee comprises three independent non-executive directors, namely Mr. Wong Ching Cheung being the chairman of the committee, Mr. Law Chi Hung and Mr. Leung Tat Yin .

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive directors. The Audit Committee is chaired by Mr. Law Chi Hung and comprising two other members, namely Mr. Leung Tat Yin and Mr. Wong Ching Cheung. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and financial reporting matters including the review of the unaudited consolidated interim financial statements for the six months ended 30 June 2018.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in Appendix 10 to the Listing Rules (the “Model Code”). Having made specific enquiry of all directors, all directors confirmed they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by directors adopted by the Company for the six months ended 30 June 2018.

MEMBERS OF THE BOARD OF DIRECTORS

As at the date hereof, the members of the Board are as follows:

Executive Directors:

Mr. Li Leong
Mr. Li Xi
Mr. Zhang Zhifang
Mr. Zhou Hongtao

Independent Non-Executive Directors:

Mr. Law Chi Hung
Mr. Leung Tat Yin
Mr. Wong Ching Cheung

By order of the Board

Li Leong
Director

Hong Kong, 31 August 2018