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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 2017

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 2017 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	Notes	Six months ended 30 June	
		2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Revenue	2	130,653	99,874
Cost of sales		<u>(42,913)</u>	<u>(49,907)</u>
Gross profit		87,740	49,967
Other income		1,586	3,061
Gain on disposal of property, plant and equipment		23,316	–
Unrealised fair value (losses) gains on held-for-trading investments		(73,037)	28,847
Realised losses on held-for-trading investments		(96,039)	–
Other gains and losses	3	(2,448)	(17,034)
Selling and distribution costs		(54,579)	(61,146)
Administrative expenses		(40,604)	(22,373)
Finance costs		(937)	(672)
Share of profit of a joint venture		1,902	7,017
Share of loss of an associate		(51,322)	(6,426)
Loss before taxation	4	(204,422)	(18,804)
Taxation	5	3,649	(840)
Loss for the period		<u>(200,773)</u>	<u>(19,644)</u>
Loss for the period attributable to:			
Owners of the Company		(201,037)	(18,914)
Non-controlling interests		264	(730)
Loss for the period		<u>(200,773)</u>	<u>(19,644)</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		(2,497)	(4,742)
Share of exchange differences of a joint venture		31	(107)
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Share of other comprehensive income (expense) of an associate		135	(120)
		<u>(2,331)</u>	<u>(4,969)</u>
Total comprehensive expense for the period		<u>(203,104)</u>	<u>(24,613)</u>
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company		(203,368)	(23,883)
Non-controlling interests		264	(730)
		<u>(203,104)</u>	<u>(24,613)</u>
Loss per share (HK cents)			
Basic	7	<u>(3.15)</u>	<u>(0.30)</u>
Diluted	7	<u>(3.15)</u>	<u>(0.30)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Notes	As at 30 June 2017 <i>HK\$'000</i> (Unaudited)	As at 31 December 2016 <i>HK\$'000</i> (Audited)
Non-current assets			
Property, plant and equipment		8,317	32,096
Other intangible assets	8	73,600	28,085
Goodwill		21,420	10,337
Interests in joint ventures		42,381	40,448
Available-for-sale investments		35,700	35,700
Interest in an associate		81,350	132,537
Deposits paid		24,000	45,600
		286,768	324,803
Current assets			
Accounts receivables	9	269,198	170,372
Loan receivables		117,367	119,095
Amounts due from related companies		6,986	6,995
Other receivables and prepayments		22,071	35,079
Held-for-trading investments	10	37,582	207,603
Bank balances (trust and segregated accounts)	11	1,387	6,627
Bank balances (general accounts), cash and cash equivalents	11	240,778	339,171
		695,369	884,942
Current liabilities			
Accounts payables	12	35,426	19,555
Other payables and accruals		149,303	136,783
Amount due to a joint venture		674	1,804
Amounts due to related companies		22,863	71,796
Borrowings		21,030	23,269
Tax payable		13,718	12,600
		243,014	265,807
Net current assets		452,355	619,135
Total assets less current liabilities		739,123	943,938
Non-current liabilities			
Deferred tax liabilities		6,765	8,476
Net assets		732,358	935,462
Capital and reserves			
Share capital	13	637,354	637,354
Reserves		85,579	288,947
Equity attributable to owners of the Company		722,933	926,301
Non-controlling interests		9,425	9,161
Total equity		732,358	935,462

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 2017 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2016.

In the current interim period, the Group has applied, for the first time, certain amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are mandatorily effective for the current interim period.

The directors of the Company consider that the application of the new and revised HKFRSs in the current interim period has had no material effect on the amounts reported in the Group’s condensed consolidated financial statements and/or disclosures set out 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
- (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 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	<u>100,176</u>	<u>5,874</u>	<u>18,002</u>	<u>2,709</u>	<u>3,892</u>	<u>130,653</u>
RESULT						
Segment (loss) profit	<u>20,477</u>	<u>(314)</u>	<u>4,975</u>	<u>(176)</u>	<u>1,456</u>	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						<u>(51,322)</u>
Loss before taxation						<u><u>(204,422)</u></u>

Six months ended 30 June 2016

	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>	Consolidated <i>HK\$'000</i>
REVENUE				
External sales	<u>88,307</u>	<u>8,460</u>	<u>3,107</u>	<u>99,874</u>
RESULT				
Segment (loss) profit	<u>(31,830)</u>	<u>2,209</u>	<u>1,173</u>	(28,448)
Other income				2,989
Unrealised fair value gains on held-for-trade investments				28,847
Unallocated administration expenses				(22,372)
Finance costs				(411)
Share of profit of a joint venture				7,017
Share of loss of an associate				<u>(6,426)</u>
Loss before taxation				<u><u>(18,804)</u></u>

Segment result represents the (loss) profit 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

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

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
(Reversal of) Allowance for bad and doubtful debts, net	(4,484)	3,655
Impairment loss on goodwill	–	15,000
Net exchange loss (gain)	6,932	(1,621)
	<u>2,448</u>	<u>17,034</u>

4. LOSS BEFORE TAXATION

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

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Amortisation of sole agency rights (included in costs of sales)	–	1,152
Amortisation of other intangible assets	6,075	–
Depreciation of property, plant and equipment	2,017	2,250
(Gain) loss on disposal of property, plant and equipment	(23,316)	83
Bank interest income	(363)	(1,770)
	<u>(363)</u>	<u>(1,770)</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\$4,284,000 during the period ended 30 June 2017 (30 June 2016: HK\$ nil).

6. DIVIDENDS

No dividends were paid, declared or proposed during the reported period. The directors do not recommend the payment of an interim dividend (2016: 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	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Loss for the period attributable to owners of the Company for the purpose of basic and diluted loss per share	<u>(201,037)</u>	<u>(18,914)</u>
<i>Number of shares</i>	<i>2017</i>	<i>2016</i>
	<i>'000</i>	<i>'000</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. OTHER INTANGIBLE ASSETS

	Technical know how <i>HK\$'000</i> <i>(a)</i>	Customer relationship <i>HK\$'000</i> <i>(a)</i>	Website and domain name <i>HK\$'000</i> <i>(b)</i>	Total <i>HK\$'000</i>
At cost:				
At 1 January 2016 (audited)	–	–	–	–
Acquisition of subsidiaries	27,622	1,570	–	29,192
At 31 December 2016 and at 1 January 2017 (audited)	27,622	1,570	–	29,192
Acquisition of subsidiaries	15,590	–	–	15,590
Addition	–	–	36,000	36,000
At 30 June 2017 (unaudited)	43,212	1,570	36,000	80,782
Accumulated amortisation and impairment:				
At 1 January 2016 (audited)	–	–	–	–
Charge for the year	911	196	–	1,107
At 31 December 2016 and at 1 January 2017 (audited)	911	196	–	1,107
Charge for the period	2,082	393	3,600	6,075
At 30 June 2017 (unaudited)	2,993	589	3,600	7,182
At 30 June 2017 (unaudited)	40,219	981	32,400	73,600
At 31 December 2016 (audited)	26,711	1,374	–	28,085

- (a) The technology know how is related to platforms for catering business and mobile application integration systems business which were acquired through business combination on 9 September 2016 and 25 May 2017 respectively. The useful life of the technology know how is 5-7 years.

The customer relationship represents the contract backlog with customers which were acquired through business combination on 9 September 2016. The useful life of the customer relationship is over its contract term.

- (b) The website and domain name represents the website and internet domain name, and all of its respective contents, and any other rights associated with the website acquired during the interim period ended 30 June 2017.

9. ACCOUNTS RECEIVABLES

	As at 30 June 2017 <i>HK\$'000</i> (Unaudited)	As at 31 December 2016 <i>HK\$'000</i> (Audited)
Accounts receivables	77,696	91,602
Less: allowance for doubtful debts	<u>(8,992)</u>	<u>(13,351)</u>
	<u>68,704</u>	<u>78,251</u>
Accounts receivables arising from the business of dealing in securities (<i>Note</i>):		
– Cash clients	192,983	91,950
– Hong Kong Securities Clearing Company Limited (“HKSCC”)	7,511	171
	<u>200,494</u>	<u>92,121</u>
	<u><u>269,198</u></u>	<u><u>170,372</u></u>

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

No ageing analysis of the Group’s accounts receivables arising from the business of dealing in securities 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 these businesses.

The Group seeks to maintain tight control over its outstanding accounts receivables of securities broking business in order to minimise 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.

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 2017		As at 31 December 2016	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
	(Unaudited)		(Audited)	
Less than three months	40,883	60	52,603	67
Three months to six months	8,670	13	17,013	22
Over six months to one year	19,151	27	8,635	11
	<u>68,704</u>	<u>100</u>	<u>78,251</u>	<u>100</u>

10. HELD-FOR-TRADING INVESTMENTS

	As at 30 June 2017 <i>HK\$'000</i> (Unaudited)	As at 31 December 2016 <i>HK\$'000</i> (Audited)
Held-for-trading investments include:		
Listed securities:		
– Equity securities listed in Hong Kong	<u>37,582</u>	<u>207,603</u>

Held-for-trading investments as at 30 June 2017 and 31 December 2016 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.

11. BANK BALANCES, CASH AND CASH EQUIVALENTS

Included in the bank balances (general accounts), cash and cash equivalents are short-term deposits of approximately HK\$3,753,000 (2016: approximately HK\$4,952,000) placed in various brokers' accounts. There is no restrictions in the use of these balances.

The Group maintains segregated trust accounts with authorised institutions to hold clients' monies arising from its normal course of business. The Group has classified the clients' monies as cash held on behalf of customers under the current assets section of the consolidated statement of financial position and recognised the corresponding accounts payables to respective clients on the grounds that it is liable for any loss or misappropriation of clients' monies. The cash held on behalf of customers is restricted and governed by the Securities and Futures (Client Money) Rules under the Securities and Futures Ordinance.

12. ACCOUNTS PAYABLES

	As at 30 June 2017 <i>HK\$'000</i> (Unaudited)	As at 31 December 2016 <i>HK\$'000</i> (Audited)
Accounts payables	12,253	12,760
Accounts payables arising from the securities broking business		
– Cash clients (<i>Note</i>)	<u>23,173</u>	<u>6,795</u>
	<u>35,426</u>	<u>19,555</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 2017		As at 31 December 2016	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
	(Unaudited)		(Audited)	
Less than three months	5,712	46	9,349	73
Three months to six months	1,222	10	956	7
Over six months to one year	<u>5,319</u>	<u>44</u>	<u>2,455</u>	<u>20</u>
	<u>12,253</u>	<u>100</u>	<u>12,760</u>	<u>100</u>

The average credit period granted by accounts payable is 52 days (2016: 63 days). The Group has financial risk management policies in place to ensure that all payables are within the credit time frame.

13. SHARE CAPITAL

	Number of shares '000	Amount HK\$'000
Authorised		
At 1 January 2016, 31 December 2016 and 30 June 2017		
– Ordinary shares of HK\$0.1 each	10,000,000	1,000,000
Issued and fully paid		
At 1 January 2016, 31 December 2016 and 30 June 2017		
	6,373,546	637,354

All the issued shares rank pari passu in all respects including all rights as to dividends, voting rights and return of capital.

14. SHARE OPTIONS

The Company operates a share option scheme (the “Old Share Option Scheme”) which was adopted on 26 August 2002. On 11 May 2012, the Company adopted a new share option scheme (the “Share Option Scheme”), of which all terms and conditions are the same as the Old Share Option Scheme.

Details of the movements in the number of share options under the Company’s share options schemes during the period were as follows:

	Date of grant	Adjusted exercise price HK\$	Exercisable period	Number of share options				
				Outstanding at 1.1.2016	Expired during the year	Outstanding at 31.12.2016	Forfeited during the period	Outstanding at 30.06.2017
Employees in aggregate	29.10.2008	0.290	29.10.2011 to 28.10.2016	1,573,000	(1,573,000)	–	–	–
	16.12.2009	0.267	16.12.2012 to 15.12.2017	1,851,000	–	1,851,000	(92,550)	1,758,450
				<u>3,424,000</u>	<u>(1,573,000)</u>	<u>1,851,000</u>	<u>(92,550)</u>	<u>1,758,450</u>

Notes:

- (1) The share options granted on 29 October 2008 and 16 December 2009 were fully vested on 29 October 2011 and 16 December 2012 respectively.
- (2) Share options were forfeited upon staff resignation.
- (3) No option was exercised during the six months ended 30 June 2017 and 30 June 2016.
- (4) As at 30 June 2017, the number of shares issuable under the share options granted under the Old Share Option Scheme was approximately 1,758,450 (31 December 2016: 1,851,000).
- (5) As at 30 June 2017, no share option has been granted under the Share Option Scheme since its adoption on 11 May 2012.

The Company did not recognise expense in relation to share options during the six months ended 30 June 2017 (six months ended 30 June 2016: nil).

15. RELATED PARTY TRANSACTIONS

Apart from certain balances with related parties as disclosed in the condensed consolidated statement of financial position, during each of the six months ended 30 June 2017 and 2016 the Group had following related party transactions:

(a)

	Six months ended 30 June	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Compensation to key management personnel		
Fees and salaries and other benefits	948	1,139
Contributions to retirement benefits schemes	9	50
	<u>957</u>	1,189
Office rental expenses paid to a related party	2,121	2,119
Magazine registration number charges received from a joint venture	680	632
Disposal of property, plant and equipment to a joint venture	<u>435</u>	<u>335</u>

(b) On 19 September 2016, a wholly-owned subsidiary of the Company entered into agreements to sell its commercial office properties located in PRC for an aggregated consideration of RMB52,000,000 (equivalent to approximately HK\$61,905,000) (inclusive of the relevant value added tax in the PRC) to a related party. The disposal transaction was completed in January 2017 and generated gain on disposal of approximately RMB20,567,000 (equivalent to approximately HK\$23,316,000) during the period ended 30 June 2017.

16. COMMITMENTS

(a) **Operating lease commitments**

As lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments which fall due as follows:

	As at	As at
	30 June	31 December
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Within one year	8,556	9,480
In the second to fifth year inclusive	3,385	6,079
	<u>11,941</u>	<u>15,559</u>

Operating lease payments represent rentals payable by the Group for its office premises. Leases are negotiated for a term ranging from nine months to three years.

(b) Other commitments

Pursuant to several agreements entered into between the Group and magazine publication companies, being independent third parties, the Group at the end of the reporting period had commitments to make payments to certain magazines publication companies for agency rights for advertising in their magazines which fall due as follows:

	As at 30 June 2017 <i>HK\$'000</i> (Unaudited)	As at 31 December 2016 <i>HK\$'000</i> (Audited)
Within one year	3,120	22,740
In the second to fifth year inclusive	4,368	4,680
	<u>7,488</u>	<u>27,420</u>

During the year ended 31 December 2016, a wholly-owned subsidiary of the Group has entered into agreements with two independent third parties pursuant to which the Group has agreed to acquire the entire equity interest in a company established in the PRC. The PRC company principally engaged in operating a e-commerce platform. As at 30 June 2017, the relating commitments contracted but not yet incurred was HK\$6,000,000.

17. EVENT AFTER THE REPORTING PERIOD

On 27 July 2017, 637,200,000 share options to subscribe for up to a total of 637,200,000 ordinary shares of HK\$0.10 each of the Company were granted to eligible participants under the Share Option Scheme. The exercise price of the options granted was HK\$0.033 per share and the validity period of the options was from 27 July 2017 to 26 July 2022 (both days inclusive). Please refer to the announcement of the Company dated 27 July 2017 for further details.

Save as disclosed above and elsewhere in these financial statements, the Group has no significant event which took place after the reporting period.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: nil).

BUSINESS REVIEW

Advertising and Sales of Books and Magazines

Due to the continuous slowing down of economic growth in China, the print media advertising business faced ongoing difficult and challenging business environment. However, as a result of improved industry and operating environment in the print media advertising business in China in 2017, the performance of the advertising business of the Group for the six months ended 30 June 2017 was enhanced.

The revenue derived from provision of advertising services, organising conferences and events for the current period was increased by approximately 13.4%. The revenue derived from sales of books and magazines for the current period was decreased by approximately 30.6%.

Securities Broking

In January 2016, 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 2017, the commission and brokerage income and the interest income derived from the securities broking business amounted to approximately HK\$18.0 million in total, representing approximately 13.8% 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 the existing 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). The money lenders license was granted on 28 June 2016. For the six months ended 30 June 2017, the interest income from loan receivables arising from the money lending business amounted to approximately HK\$3.9 million, representing approximately 3.0% 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 both of their wholly-owned subsidiaries were principally engaged in the provision of services 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 2017, the revenue contributed by the provision of e-commerce platform services was approximately HK\$2.7 million, representing approximately 2.1% 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. In addition, Hong Kong has been admitted as a member of the Asian Infrastructure Investment Bank. 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 development. Looking forward, it is expected that the equity fund raising market and the financial activities in Hong Kong will remain strong. In addition to the Group's principal business of advertising and sales of books and magazines, 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.

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 2017, the advertising business of the Group continued to be the most significant source of revenue of the Group. For the six months ended 30 June 2017, 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\$106.1 million, representing an increase of approximately 9.6% as compared with that of approximately HK\$96.8 million for the six months ended 30 June 2016. The increase in revenue was mainly attributable to the advertising business of the Group as a result of improved industry and operating environment in the print media advertising business in China.

For the six months ended 30 June 2017, the revenue of the Group deriving from the securities broking business, the e-commerce business and the money lending business were approximately HK\$18.0 million (six months ended 30 June 2016: HK\$3.1 million), approximately HK\$2.7 million (six months ended 30 June 2016: nil) and approximately HK\$3.9 million (six months ended 30 June 2016: nil) 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 2017 was approximately 67.2%, which was higher than that for the six months ended 30 June 2016 of approximately 50.0%. The higher gross profit margin in current period was primarily attributable to the increase in revenue and the reduction in cost of sales because (i) no amortisation of sole agency rights was charged to cost of sales as the rights had been fully impaired and written off in year 2016 and (ii) the reduction of costs after the cessation of certain loss-making magazines contracts last year. In addition, the gross profit margins contributed by both securities broking business and the money lending business were much higher as compared with those contributed by other businesses of the Group.

The Group held certain held-for-trading investments comprising of equity securities listed in Hong Kong. For the six months ended 30 June 2017, there were unrealised fair value losses and realised losses on held-for-trading investments of approximately HK\$73.0 million (six months ended 30 June 2016: gains of approximately HK\$28.8 million) and approximately HK\$96.0 million (six months ended 30 June 2016: nil) respectively. The significant realised and unrealised fair value losses was caused by the substantial decrease in market prices of the equity securities listed in Hong Kong held by the Group during the six months ended 30 June 2017.

For the six months ended 30 June 2017, other gains and losses mainly consisted of net exchange loss of approximately HK\$6.9 million (six months ended 30 June 2016: gain of approximately HK\$1.6 million), and net reversal of bad and doubtful debts of approximately HK\$4.5 million (six months ended 30 June 2016: net allowance for bad and doubtful debts of approximately HK\$3.7 million). The Group had tightened the credit control and increased the effort in collection of the trade receivables arising from the advertising business and thus the Group recorded a net reversal of bad and doubtful debts in current period.

The selling and distribution costs for the six months ended 30 June 2017 was approximately HK\$54.6 million, decreased by approximately 10.7% from approximately HK\$61.1 million for the six months ended 30 June 2016. The decrease was mainly due to the decrease in selling and promotional effort for the advertising business in the first half of 2017.

The administrative expenses increased by approximately 81.5% from approximately HK\$22.4 million for the six months ended 30 June 2016 to approximately HK\$40.6 million for the six months ended 30 June 2017. The significant increase was mainly due to (i) the additional administrative expenses incurred for the development and operation of the new businesses commenced during the second half of 2016, namely the money lending business and the e-commerce business; (ii) the additional marketing expenses incurred for the development of securities broking business during the six months ended 30 June 2017; and (iii) the amortization of other intangible assets of approximately HK\$6.1 million charged over the period.

For the six months ended 30 June 2017, 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 2016: approximately HK\$7.0 million) was recognised. The share of profit of the joint venture during the current period decreased mainly due to the decrease in profitability of the joint venture company arising from a decrease in customers' spending in print media advertising in response to the slow demand for luxury lifestyle and fashionable items in China over the period.

For the six months ended 30 June 2017, a share of loss from GreaterChina Professional Services Limited, an associate of the Group, of approximately HK\$51.3 million (six months ended 30 June 2016: approximately HK\$6.4 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 2017 attributable to owners of the Company amounted to approximately HK\$201.0 million (six months ended 30 June 2016: approximately HK\$18.9 million), representing an increase of approximately 9.6 times. The increase was mainly due to the (i) significant realised and unrealised fair value losses recognised in current period, and (ii) increase in share of loss of an associate from approximately HK\$6.4 million in last period to approximately HK\$51.3 million in current.

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 2017 (six months ended 30 June 2016: 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 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, the Type 1 Company had only acted as the underwriter/sub-underwriter for two of its clients. 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	118,000	6,000	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>483,000</u>	<u>36,000</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.

SIGNIFICANT INVESTMENTS

As at 30 June 2017, the Group had held-for-trading investments, representing equity securities listed in Hong Kong, of approximately HK\$37.6 million (31 December 2016: HK\$207.6 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 2017			For the six months ended 30 June 2017		
	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%	16,145	1.64%	15,801	–
China e-Wallet Payment Group Limited (“CEPG”)	74,000,000	2.96%	10,360	1.05%	37,740	–
			26,505		53,541	–

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 2017, the Group recognised unrealised fair value losses on held-for-trading investments of approximately HK\$73.0 million (six months ended 30 June 2016: gains of approximately HK\$28.8 million), which was mainly attributable to the fair value losses on investments in QIH and CEPG of approximately HK\$15.8 million and HK\$37.7 million respectively. For the six months ended 30 June 2017, the Group recognised realised losses on held-for-trading investments of approximately HK\$96.0 million (six months ended 30 June 2016: nil), which was mainly attributable to the realised loss on disposal of investment in Luen Wong Group Holdings Limited of approximately HK\$74.9 million.

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 2017, the Group's total equity was approximately HK\$732.4 million (31 December 2016: approximately HK\$935.5 million). The decrease was mainly due to the loss for the current period attributable to owners of the Company of approximately HK\$201.0 million.

The Group had non-current liabilities of approximately HK\$6.8 million as at 30 June 2017 (31 December 2016: approximately HK\$8.5 million). The non-current liabilities as at 30 June 2017 consisted of deferred tax liabilities. As at 30 June 2017, the Group's gearing ratio was approximately 25.4% representing a percentage of total liabilities over total assets (31 December 2016: approximately 22.7%).

As at 30 June 2017, the Group had borrowings of approximately HK\$21.0 million (31 December 2016: approximately HK\$23.3 million). The borrowings carried a fixed interest rate of 8% per annum and was repayable on demand (31 December 2016: fixed interest rate of 8% per annum; repayable on demand).

As at 30 June 2017, the Group had bank and cash balances (other than those in trust and segregated accounts) amounted to approximately HK\$240.8 million (31 December 2016: approximately HK\$339.2 million).

CHARGE ON ASSETS

As at 30 June 2017, the Group had pledged held-for-trading investments of approximately HK\$19.9 million (31 December 2016: HK\$52.8 million) to secure the margin payables of approximately HK\$21.0 million (31 December 2016: HK\$23.3 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 2017, the Group had 426 (31 December 2016: 456) 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 2017, 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 ordinary shares of HK\$0.10 each 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 2017 ^(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 2017.

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

Save as disclosed above, as at 30 June 2017, 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.

Code Provision A.6.7

Code A.6.7 stipulates that independent non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders.

On 31 May 2017, Ms. Wensy Ip, an independent non-executive director, did not attend the Company’s annual general meeting due to her other business engagements.

REMUNERATION COMMITTEE

The Remuneration Committee comprises three independent non-executive directors, namely Mr. Law Chi Hung being the chairman of the committee, Ms. Wensy Ip 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 Ms. Wensy Ip.

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 Ms. Wensy Ip 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 2017.

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 2017.

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
Ms. Wensy Ip
Mr. Wong Ching Cheung

By order of the Board

Li Leong
Director

Hong Kong, 31 August 2017