

Interim Report 2004



二零零四年中期報告



SEEC MEDIA GROUP LIMITED
財訊傳媒集團有限公司

The board of directors (the "Board") of SEEC Media Group Limited (the "Company") is pleased to present the interim report of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2004 as follows:

Condensed Consolidated Income Statement

For the six months ended 30 June 2004

		(Unaudited)	
		Six months	
		ended 30 June	
		2004	2003
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
Turnover	2	38,173	68,541
Cost of sales		(6,742)	(35,600)
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Gross profit		31,431	32,941
Other operating income		3,317	2,099
Selling and distribution costs		(8,187)	(9,608)
Administrative expenses		(4,581)	(10,863)
Other operating expenses		(4,168)	(2,153)
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Profit before tax	4	17,812	12,416
Tax	5	(5,291)	(2,083)
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Profit before minority interests		12,521	10,333
Minority interests		(2,758)	(3,309)
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Net profit for the period		9,763	7,024
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Earnings per share (<i>HK cents</i>)	6		
Basic		0.63	0.50
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Diluted		0.62	0.50
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Condensed Consolidated Balance Sheet

As at 30 June 2004

		(Unaudited) As at 30 June 2004 <i>HK\$'000</i>	(Audited) As at 31 December 2003 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		1,607	1,347
Intangible assets		37,438	30,056
Goodwill	7	62,731	34,984
		101,776	66,387
CURRENT ASSETS			
Investment in securities		21,270	16,555
Trade receivables	8	29,795	20,370
Other receivables and prepayments		1,216	806
Amounts due from related companies	9	14,327	6,651
Receivable from securities brokers		14,732	76,073
Bank balances and cash		62,320	47,437
		143,660	167,892
CURRENT LIABILITIES			
Trade payables	10	353	1,855
Payables and accruals		9,438	6,347
Amounts due to related companies	9	740	1,234
Tax payable		10,340	7,885
		20,871	17,321
NET CURRENT ASSETS		122,789	150,571
TOTAL ASSETS LESS CURRENT LIABILITIES		224,565	216,958
MINORITY INTERESTS		13,830	16,322
		210,735	200,636
CAPITAL AND RESERVES			
Share capital	11	154,712	154,577
Reserves		56,023	46,059
		210,735	200,636

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2004

	Share capital	Share premium	Capital reserves	Reserve funds	Exchange translation reserve	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2003	138,697	320,089	21,977	52	461	(341,185)	140,091
Issue of shares upon conversion of convertible notes	1,300	1,300	-	-	-	-	2,600
Reserves realised upon disposal of an associate	-	-	(21,977)	-	(476)	22,453	-
Exchange loss on translation of operations outside Hong Kong not recognised in the income statement	-	-	-	-	(5)	-	(5)
Net profit for the period	-	-	-	-	-	7,024	7,024
At 30 June 2003	139,997	321,389	-	52	(20)	(311,708)	149,710
Issue of shares upon conversion of convertible notes	500	500	-	-	-	-	1,000
Placement of shares	14,000	22,400	-	-	-	-	36,400
Share issue expenses	-	(1,342)	-	-	-	-	(1,342)
Issue of shares upon exercise of share options	80	88	-	-	-	-	168
Reserves realised upon disposal of an associate	-	-	-	-	-	(6,566)	(6,566)
Exchange loss on translation of operations outside Hong Kong not recognised in the income statement	-	-	-	-	31	-	31
Net profit for the period	-	-	-	-	-	21,235	21,235
Transfer to reserve funds	-	-	-	1,088	-	(1,088)	-
At 31 December 2003	154,577	343,035	-	1,140	11	(298,127)	200,636
Issue of shares upon exercise of share options	135	201	-	-	-	-	336
Net profit for the period	-	-	-	-	-	9,763	9,763
At 30 June 2004	154,712	343,236	-	1,140	11	(288,364)	210,735

Condensed Consolidated Cash Flow Statement*For the six months ended 30 June 2004*

	(Unaudited)	
	Six months	
	ended 30 June	
	2004	2003
	HK\$'000	HK\$'000
NET CASH USED IN OPERATING ACTIVITIES	(4,542)	(8,560)
NET CASH FROM INVESTING ACTIVITIES	19,089	40,090
NET CASH FROM (USED IN) FINANCING ACTIVITIES	336	(85)
NET INCREASE IN CASH AND CASH EQUIVALENTS	14,883	31,445
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	47,437	45,915
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	-	(4)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	62,320	77,356

Notes to Condensed Financial Statements

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared in accordance with Statement of Standard Accounting Practice 25 (Revised) "Interim Financial Reporting" issued by the Hong Kong Society of Accountants and the applicable disclosure requirements set out in Appendix 16 of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange").

The accounting policies adopted in the condensed financial statements are consistent with those set out in the Group's financial statements for the year ended 31 December 2003.

2. TURNOVER

Turnover represents the net invoiced value of goods sold or services rendered, after allowances for returns and trade discounts.

Revenue from the following activities has been included in turnover:

	For the six months ended 30 June	
	2004	2003
	HK\$'000	HK\$'000
Provision of advertising agency services	38,173	22,652
Design, manufacture and marketing of electronic consumer products (discontinued operation)	–	45,889
	38,173	68,541

3. SEGMENT INFORMATION

The Group is currently engaged in provision of advertising agency services in the People's Republic of China (the "PRC").

In prior periods, the Group was also involved in design, manufacture and marketing of electronic consumer products operations, which was discontinued from 30 June 2003.

Segment information about these businesses is presented below.

The following table presents revenue and profit information of the Group's business segments.

(Unaudited)						
For the six months ended 30 June						
	Design, manufacture and marketing of electronic consumer products (Discontinued operation)		Provision of advertising agency services		Consolidated	
	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:						
Sales to external customers	–	45,889	38,173	22,652	38,173	68,541
Segment results	–	4,611	23,484	10,291	23,484	14,902
Unallocated revenue					985	2,099
Unallocated expenses					(6,657)	(4,585)
Profit before tax					17,812	12,416
Tax					(5,291)	(2,083)
Profit before minority interests					12,521	10,333
Minority interests					(2,758)	(3,309)
Net profit for the period					9,763	7,024

4. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2004	2003
	HK\$'000	HK\$'000
Depreciation	194	2,100
Loss on disposal of subsidiaries	–	1,820
Gain on disposal of an associate	–	(755)
Allowances for (written back of) bad and doubtful debts	1,198	(4)
Net unrealised holding loss (gain) on short term investments	2,177	(146)
Gain on disposal of short term investments	(653)	–
Amortisation of goodwill*	1,803	1,261
Amortisation of intangible assets*	1,108	1,004
Interest income	(2,232)	(1,338)

* The amortisation of goodwill and intangible assets for the period are included in "Other operating expenses" and "Cost of sales" on the face of the condensed consolidated income statement, respectively.

5. TAX

No provision for Hong Kong Profits Tax has been made for the current period (2003: Nil) because the Group did not have any assessable profits arising in Hong Kong.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

No provision for deferred taxation has been recognized in the financial statements as the amount involved is insignificant.

6. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	For the six months ended 30 June	
	2004	2003
	HK\$'000	HK\$'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share	9,763	7,024
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,546,866,922	1,392,444,227
Effect of dilutive share options	21,379,740	1,015,664
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,568,246,662	1,393,459,891

7. GOODWILL

During the six months ended 30 June 2004, the Group acquired 60% interest in Beijing Caixun Century InfoTech Co., Ltd. for a cash consideration of approximately HK\$36.7 million, resulting in goodwill arising on acquisition of a subsidiary of approximately HK\$29.6 million.

8. TRADE RECEIVABLES

The average credit period granted by the Group is within three months from the date of the recognition of the sales.

The aging analysis of the Group's trade receivables is as follows:

	As at 30 June 2004		As at 31 December 2003	
	HK\$'000	Percentage	HK\$'000	Percentage
Within three months	22,326	66	11,069	48
Four to six months	3,696	11	5,561	24
Seven months to one year	3,773	11	3,740	16
Over one year	3,919	12	2,721	12
	33,714	100	23,091	100
Less: Allowances for bad and doubtful debts	(3,919)		(2,721)	
	29,795		20,370	

9. AMOUNT DUE FROM AND TO RELATED COMPANIES

The amounts represent advances from and to related companies which are under common directorship of the Group. The amounts are unsecured, non-interest bearing and repayable on demand.

10. TRADE PAYABLES

The aging analysis of the Group's trade payables is as follows:

	As at 30 June 2004		As at 31 December 2003	
	HK\$'000	Percentage	HK\$'000	Percentage
Within two months	263	75	1,855	100
Three to four months	90	25	–	–
	353	100	1,855	100

11. SHARE CAPITAL

	As at 30 June 2004 HK'000	As at 31 December 2003 HK'000
Authorised:		
3,000,000,000 ordinary shares of HK\$0.10 each	300,000	300,000
Issued and fully paid:		
1,547,124,614 (2003: 1,545,774,614) ordinary shares of HK\$0.10 each	154,712	154,577

During the six months ended 30 June 2004, 1,350,000 share options were exercised for 1,350,000 shares of HK\$0.1 each for a total cash consideration of HK\$336,000.

12. ACQUISITION OF A SUBSIDIARY

On 24 November 2003, the Company entered into a conditional agreement to purchase a 60% interest in the registered capital of Beijing Caixun Century InfoTech Co., Ltd. for a cash consideration of approximately HK\$36.7 million. This transaction has been accounted for by the acquisition method of accounting and was completed in March 2004.

The effect of the acquisition is summarised as follows:

	HK\$'000
Net assets acquired	7,173
Goodwill on acquisition	29,550
	36,723
Satisfied by:	
Cash	36,723

13. SHARE OPTIONS

Details of the share options granted under the Company's share options scheme during the period and the movements in the number of share options outstanding were as follows:

Grantee	Date of grant	Exercise price HK\$	Exercisable period	Number of share options			Balance in issue at 30 June 2004
				Balance in issue at 1 January 2004	Granted during the period <i>(note ii)</i>	Exercised during the period <i>(note i)</i>	
<i>Executive director</i>							
LI Shijie	25 July 2003	0.21	25 July 2004 to 24 July 2009	6,900,000	–	–	6,900,000
<i>Other employees in aggregate</i>							
	25 July 2003	0.21	25 July 2003 to 24 July 2008	1,000,000	–	(1,000,000)	–
	25 July 2003	0.21	25 July 2004 to 24 July 2009	29,200,000	–	–	29,200,000
	22 October 2003	0.35	22 October 2003 to 21 October 2008	1,000,000	–	–	1,000,000
	2 January 2004	0.36	2 January 2004 to 1 January 2009	–	350,000	(350,000)	–
	25 February 2004	0.566	25 February 2005 to 24 February 2010	–	2,500,000	–	2,500,000
				38,100,000	2,850,000	(1,350,000)	39,600,000

Notes:

- (i) The weighted average closing price of the Company's shares immediately before the dates on which the share options were exercised was HK\$0.418.
- (ii) The closing price of the Company's shares immediately before the dates of grant of 2 January 2004 and 25 February 2004 were HK\$0.355 and HK\$0.62 per share respectively.

The directors consider that it is not appropriate to disclose the value of share options granted during the period since any valuation of the share options would be subject to a number of assumptions that would be subjective and uncertain. The directors believe that the evaluation of share options based upon speculative assumptions would not be meaningful and would be misleading.

The financial impact of share options granted is not recorded in the Group's balance sheet until such time as the share options are exercised, and no charge is recognised in the income statement in respect of the value of share options granted in the period. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Share options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding share options.

Interim Dividend

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2004 (2003: Nil).

Business Review and Prospects

During the period under review, the Group reported revenue of HK\$38.2 million, compared to revenue of HK\$68.5 million in the same period of 2003. The results of the first six months of 2004 comprised only of the operating results from the print media advertising business whereas the results of the same period of 2003 included the electronic consumer products business. As an important step to transform itself into a major PRC print media advertising operator, the Group disposed of the electronic consumer products business in June 2003. The Group's revenue from provision of advertising agency services and related brand extension grew 68.5% over the same period last year, primarily due to strong demand for advertising space in our quality business and financial publications, and high-impact conferences and events leveraged on the strong brand name of those publications.

Revenues from advertising sales for the first six months of 2004 were approximately HK\$34.1 million, representing an increase of 53.3% from the same period in 2003. Related conferences and events revenues for the first six months of 2004 were approximately HK\$4.1 million, registering over 7.5 times growth over the same period in 2003.

Profit attributable to shareholders amounted to approximately HK\$9.8 million, representing an increase of 39.0% from approximately HK\$7.0 million during the corresponding period in 2003. During the first six months of 2003, profit attributable to shareholders included a net profit of HK\$5.2 million from the electronic consumer products business and a loss of HK\$1.8 million on the disposal of the electronic consumer products business.

Despite the macro-economic control measures adopted by the PRC government targeted at certain overheated sectors, GDP growth in the first half of this year reached 9.7%. According to CTR Market Research, the overall media advertising spending (based on rate cards) in China for the first half of this year was RMB102.9 billion, an increase of 35% from the same period of 2003. Against the backdrop of the maintained fast growing economy and in turn the upgrading of consumption, our print media advertising business delivered solid growth in the first half of 2004 over the same period of 2003. The strong performance also reflects our strengthened efforts in marketing and promotion, including display of our publication titles at the first class lounges of over thirty major international airports in China, further collaboration with international media buying companies, and increased direct sales to key advertising sectors such as financial services and real estate.

To better leverage its well established brand name and expand its product portfolio, New Real Estate has been serialized and split up into four monthly magazines, namely New Real Estate (新地產), New House (別墅), Housing (公寓), Office (寫字樓) (together, "New Real Estate Series"), starting from the second quarter of 2004. In doing so, New Real

Estate Series would be able to facilitate increasing demand for the advertising space, diversify advertiser mix and hence further solidify its leading position in real estate and interior design magazine publishing.

On 12 March 2004, to further broaden its print media advertising base, the Group entered into an agreement to acquire an exclusive, long-term advertising management right to the magazine "Successful Marketing" (成功營銷). Successful Marketing is a growing and recognized publication in the domain of selling and marketing industry in China.

The Group's acquisition of 60% interest in the registered capital of Beijing Caixun Century InfoTech Co. Ltd., representing an additional 18% attributable interest in its existing advertising agency business, was completed in March 2004. The acquisition provided the Group with a larger share in the advertising revenue and contribution from the prominent business and financial media portfolio including Caijing Magazine, New Real Estate Series, Securities Market Weekly (The Integrated Edition and The Market Edition), and China Business Post.

As an important part of the Group's strategy to diversify its advertising agency business, the Group has strengthened its efforts in brand extension by producing high-impact conferences and events. During the first half of 2004, the Group has, through the publications within its media portfolio, successfully hosted eleven conferences and events, including "China Leadership Forum: The World in 2004" by Caijing Magazine in collaboration with The Economist, "Jim Rogers Investment Forum" by Securities Market Weekly, and "China Real Estate Summit" by New Real Estate Series, etc.

Prospects

We believe that the macro-economic control measures policy would benefit China economy's sustainable growth and thus the overall media advertising market in China. The Group will continue to drive for revenue growth and increased return so as to maintain our leadership position in the China media advertising industry.

For the second half of the year, the Group will continue to focus on marketing and promoting the publications within our existing portfolio, particularly in Shanghai and Guangdong, to boost the advertising sales in these markets. While we are actively exploring acquisition opportunities for long-term exclusive advertising right to more quality magazine titles, various options of cooperation with internationally renowned media companies are being evaluated. We will also continue to devote our efforts in brand extension to organize more conferences and events.

Liquidity and Financial Resources

The Group's daily operation activities were financed by internal resources.

The Group's equity as at 30 June 2004 was approximately HK\$210.7 million as compared to approximately HK\$200.6 million as at 31 December 2003. The Group had no long-term debt as at 30 June 2004 and 31 December 2003. The gearing ratio, which was computed by current liabilities over shareholders' fund, was increased to 9.9% as compared to 8.6% as at 31 December 2003.

As at 30 June 2004, the Group had investments in securities of value approximately HK\$21.3 million.

Charge on Assets

The Group did not charge any of its assets as at 30 June 2004.

Foreign Currencies and Treasury Policy

Most of the Group's business transactions, assets and liabilities are denominated in Hong Kong Dollars, United States Dollars and Renminbi. During the period, the Group did not have any fixed interest rate borrowings and did not engaged in any financial instruments for hedging or speculative activities.

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 30 June 2004,

Employees

At as 30 June 2004, the Group had approximately 120 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 Securities

1. Interests in shares

As at 30 June 2004, the interests of the directors and their associates in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO") or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Companies were as follows:

Long position in the ordinary shares of HK\$0.10 each of the Company

Name of director	Nature of interest	Number of shares	Percentage of the issued share capital of the Company
XU Xiaolu	Personal	3,300,000	0.21%
	Family (<i>Note</i>)	3,250,000	0.21%
		6,550,000	0.42%

Note: Ms. Kin Sun, the spouse of Mr. Xu Xiaolu is beneficially interested in 3,250,000 shares. Accordingly, Mr Xu Xiaolu also has a family interest in 3,250,000 shares.

Save as disclosed above, as at 30 June 2004, none of the directors nor their associates had any long or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations.

2. *Rights to acquire shares*

Pursuant to the Company's share option schemes, the directors may, at their discretion, invite participants to take up options at a consideration of HK\$10 per grant to subscribe for ordinary shares of the Company.

As at 30 June 2004, the share options to subscribe for shares of HK\$0.10 each in the Company granted to a director were as follows:

Name of Director	Date of grant	Exercise price HK\$	Exercisable period	Number of share options outstanding at 1 January 2004 and 30 June 2004
LI Shijie	25.7.2003	0.21	25.7.2004 to 24.7.2009	6,900,000

There was no movements in the share options granted to the director during the period.

Save as disclosed above, at no time during the period was the Company or any of its subsidiaries a party to any arrangement to enable the directors of the Company or the spouse or children under the age of 18 to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, or had any right to subscribe for the securities or had exercised any such rights.

Substantial Shareholders

As at 30 June 2004, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders had notified the Company of the relevant interest in the issued share capital of the Company:

Name	Number of shares beneficially held	Percentage of holding
United Home Limited (<i>Note</i>)	677,843,824	43.81%
Carlet Investments Ltd.	172,644,210	11.16%

Note: The 172,644,210 shares held by Carlet Investments Ltd. were indirectly owned by United Home Limited by virtue of its 100% interest in Carlet Investments Ltd. In addition to the 172,644,210 shares held by Carlet Investment Ltd., 505,199,614 shares which represents approximately 32.65% of the issued share capital of the Company, were directly owned by United Home Limited.

Save as disclosed above, the Company has not been notified of any other relevant long or short positions in the issued share capital of the Company as at 30 June 2004.

Purchase, Sale or Redemption of the Company's Listed Securities

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

Code of Best Practice

None of the directors is aware of any information that would reasonably indicate that the Company or any of its directors is not or was not in compliance with the Code of Best Practice, as set out in Appendix 14 of the Listing Rules, for any part of the six months ended 30 June 2004, except that independent non-executive directors are not appointed for specific terms of office but are subject to retirement by rotation in accordance with the articles of association of the Company.

Audit Committee

The Company established an audit committee in accordance with paragraph 14 of the Code of Best Practice. The audit committee comprises two independent non-executive directors, Mr. FU Fengxiang and Mr. WANG Xiangfei. 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 2004.

Members of the Board of Directors

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

Executive Directors:

Mr. WANG Boming
Mr. ZHANG Zhifang
Mr. DAI Xiaojing
Mr. LI Shijie
Mr. XU Xiaolu
Mr. YEH Shuen Ji
Ms. KAM Anais

Independent Non-Executive Directors:

Mr. FU Fengxiang
Mr. WANG Xiangfei

By Order of the Board
WANG Boming
Chairman

Hong Kong, 26 August 2004

