FORTUNET E-COMMERCE GROUP LIMITED
鑫網易商集團有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1039)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

FINANCIAL HIGHLIGHTS

- Revenue of the Group decreased by 95% to RMB5.6 million for the six months ended 30 June 2018 (30 June 2017: RMB122.9 million).
- The GMV of Changyou Alliance business amounted to approximately RMB54.9 million for the six months ended 30 June 2018 while the GMV of this business segment of approximately RMB3.4 million for the period since its launch in September 2017 to 31 December 2017.
- Gross profit for the six months ended 30 June 2018 amounted to approximately RMB1.3 million (30 June 2017: gross loss of RMB5.7 million).
- The Group recorded a loss of RMB126.6 million for the six months ended 30 June 2018 (30 June 2017: profit of RMB49.4 million).
- Net loss attributable to equity shareholders of the Company amounted to RMB29.7 million for the six months ended 30 June 2018 (30 June 2017: net profit of RMB86.2 million).
- Basic and diluted loss per share for the six months ended 30 June 2018 amounted to RMB1.64 cent and RMB2.37 cent respectively (30 June 2017: basic and diluted earnings per share of RMB4.74 cent and RMB3.33 cent respectively).
- The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2018.

The board (the "**Board**") of directors (the "**Directors**") of Fortunet e-Commerce Group Limited (the "**Company**") presents herewith the unaudited consolidated interim financial results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2018. The interim financial information have not been audited, but have been reviewed by the Company's auditors, KPMG, who conducted the review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants, and the audit committee of the Company (the "**Audit Committee**").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018-unaudited
(Expressed in Renminbi ("RMB"))

		Six months ended 30 June	
	Note	**2018**	2017
			(Note)
		RMB'000	*RMB'000*
Revenue	*4*	**5,603**	122,858
Cost of sales		**(4,283)**	(128,595)
Gross profit/(loss)	*4(b)*	**1,320**	(5,737)
Other income	*5*	**1,519**	225
Selling and distribution expenses		**(63,619)**	(7,302)
Administrative expenses		**(33,393)**	(56,205)
Research and development costs		**(24,862)**	(7,360)
Impairment losses	*6*	**(22,984)**	(9,129)
Loss from operations		**(142,019)**	(85,508)
Finance income	*7(a)*	**16,304**	9,361
Loss arising from changes in fair value on held-for-trading investments	*14*	**(866)**	–
Gain on disposal of subsidiaries		**–**	141,495
(Loss)/profit before taxation	*7*	**(126,581)**	65,348
Income tax	*8*	**–**	(15,904)
(Loss)/profit and total comprehensive income for the period		**(126,581)**	49,444
Attributable to:			
Equity shareholders of the Company		**(29,682)**	86,191
Non-controlling interests		**(96,899)**	(36,747)
(Loss)/profit and total comprehensive income for the period		**(126,581)**	49,444
(Loss)/earnings per share			
Basic (RMB cent)	*9(a)*	**(1.64)**	4.74
Diluted (RMB cent)	*9(b)*	**(2.37)**	3.33

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 3.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018-unaudited

(Expressed in RMB)

	Note	**At 30 June 2018**	At 31 December 2017 *(Note)*
		RMB'000	*RMB'000*
Non-current assets			
Property, plant and equipment		**10,396**	8,805
Intangible assets	*10*	**–**	–
Goodwill	*11*	**–**	–
		10,396	8,805
Current assets			
Inventories	*12*	**895**	94
Trade and other receivables	*13*	**45,265**	49,646
Held-for-trading investments	*14*	**3,229**	–
Pledged bank deposits		**–**	30
Cash and cash equivalents	*15*	**242,238**	392,994
		291,627	442,764
Current liabilities			
Trade and other payables	*16*	**32,011**	34,096
Convertible bonds	*17*	**66,119**	–
		98,130	34,096
Net current assets		**193,497**	408,668
Total assets less current liabilities		**203,893**	417,473
Non-current liabilities			
Convertible bonds	*17*	**–**	85,075
NET ASSETS		**203,893**	332,398
CAPITAL AND RESERVES	*18*		
Share capital		**117,978**	117,978
Reserves		**244,556**	276,162
Total equity attributable to equity shareholders of the Company		**362,534**	394,140
Non-controlling interests		**(158,641)**	(61,742)
TOTAL EQUITY		**203,893**	332,398

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 3.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018-unaudited

(Expressed in RMB)

	Attributable to equity shareholders of the Company								
	Share capital *RMB'000*	Share premium *RMB'000*	Capital reserve *RMB'000*	Surplus reserve *RMB'000*	Other reserve *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
Balance at 1 January 2017	108,209	1,021,270	238,055	149,020	(4,810)	(1,336,737)	175,007	(88,394)	86,613
Changes in equity for the six months ended 30 June 2017:									
Profit/(loss) and total comprehensive income for the period	–	–	–	–	–	86,191	86,191	(36,747)	49,444
Effect on equity arising from capital injections from non-controlling equity shareholders into subsidiaries	–	–	–	–	–	–	–	159,920	159,920
Issuance of shares	10,404	252,482	–	–	–	–	262,886	–	262,886
Effect on equity arising from disposal of subsidiaries	–	–	(226,982)	(149,020)	7,703	368,299	–	–	–
Equity-settled share-based transaction *(Note 18(d))*	–	–	20,421	–	–	–	20,421	–	20,421
Balance at 30 June 2017 and 1 July 2017	118,613	1,273,752	31,494	–	2,893	(882,247)	544,505	34,779	579,284
Changes in equity for the six months ended 31 December 2017:									
Loss and total comprehensive income for the period	–	–	–	–	–	(152,604)	(152,604)	(96,521)	(249,125)
Purchase of own shares									
– par value paid	(635)	–	–	–	–	–	(635)	–	(635)
– premium paid	–	(8,205)	–	–	–	–	(8,205)	–	(8,205)
Equity-settled share-based transaction *(Note 18(d))*	–	–	11,079	–	–	–	11,079	–	11,079
Balance at 31 December 2017 *(Note)*	117,978	1,265,547	42,573	–	2,893	(1,034,851)	394,140	(61,742)	332,398

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 3.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 June 2018-unaudited

(Expressed in RMB)

	Attributable to equity shareholders of the Company								
	Share capital *RMB'000*	Treasury shares *RMB'000*	Share premium *RMB'000*	Capital reserve *RMB'000*	Other reserve *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
Balance at 1 January 2018	**117,978**	**–**	**1,265,547**	**42,573**	**2,893**	**(1,034,851)**	**394,140**	**(61,742)**	**332,398**
Changes in equity for the six months ended 30 June 2018:									
Loss and total comprehensive income for the period	–	–	–	–	–	(29,682)	(29,682)	(96,899)	(126,581)
Purchase of own shares *(Note 18(c))*	–	(1,924)	–	–	–	–	(1,924)	–	(1,924)
Balance at 30 June 2018	**117,978**	**(1,924)**	**1,265,547**	**42,573**	**2,893**	**(1,064,533)**	**362,534**	**(158,641)**	**203,893**

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2018-unaudited

(Expressed in RMB)

	Note	Six months ended 30 June	
		2018	2017
			(Note)
		RMB'000	*RMB'000*
Operating activities			
Cash used in operations		**(121,040)**	(44,817)
Income tax paid		**–**	–
Net cash used in operating activities		**(121,040)**	(44,817)
Investing activities			
Payments for purchase of property, plant and equipment		**(3,099)**	(5,612)
Proceeds from disposal of property, plant and equipment		**2**	249
Payments for disposal of subsidiaries, net of cash disposal of		**–**	(401)
Payments for held-for-trading investments		**(4,095)**	–
Net increase in loans to third parties		**(17,554)**	(49,605)
Other cash flows arising from investing activities		**30**	96
Net cash used in investing activities		**(24,716)**	(55,273)
Financing activities			
Proceeds of new bank and other loans		**–**	60,429
Repayment of bank and other loans		**–**	(54,505)
Proceeds from the issuance of shares, net of transaction costs		**–**	503,864
Capital injection from non-controlling equity shareholders		**–**	159,920
Purchase of own shares	*18(c)*	**(1,924)**	–
Repayment of secured notes		**–**	(137,747)
Other cash flows arising from financing activities		**(4,168)**	(9,153)
Net cash (used in)/generated from financing activities		**(6,092)**	522,808
Net (decrease)/increase in cash and cash equivalents		**(151,848)**	422,718
Cash and cash equivalents at 1 January	*15*	**392,994**	90,002
Effect of foreign exchange rate changes		**1,092**	(6,266)
Cash and cash equivalents at 30 June	*15*	**242,238**	506,454

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 3.

NOTES

(Expressed in RMB unless otherwise indicated)

1 Corporate information

Fortunet e-Commerce Group Limited (the "Company") was incorporated in the Cayman Islands on 21 May 2008 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 24 September 2010. The condensed consolidated financial statements of the Company as at and for the six months ended 30 June 2018 comprise the Company and its subsidiaries (collectively referred to as the "Group").

Upon disposal of the manufacture and sale of axles business in 2017 and the cessation of the e-commerce business during the current period, the principal activities of the Group are the development and operation of an electronic trading platform to facilitate awards earned by customers of loyalty programmes of other companies to be exchanged globally in the form of virtual assets and credits for consumption of merchandises, games, services and other commercial transactions.

2 Basis of preparation

This interim financial information has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange, including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). It was authorised for issue on 28 August 2018.

The interim financial information has been prepared in accordance with the same accounting policies adopted in the 2017 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2018 annual financial statements. Details of any changes in accounting policies are set out in Note 3.

The preparation of an interim financial information in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial information contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2017 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The interim financial information is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA.

The financial information relating to the financial year ended 31 December 2017 that is included in the interim financial information as comparative information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2017 are available from the Company's registered office. The Company's auditors have expressed an unqualified opinion on those financial statements in their report dated 19 March 2018.

2 Basis of preparation (continued)

Notwithstanding the net loss of RMB126,581,000 incurred and net cash used in operating activities of RMB121,040,000 for the six months ended 30 June 2018, the directors of the Company consider that there are no material uncertainties related to events or conditions exist which, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern. This is because the directors of the Company are of the opinion that the Group will be successful in its current negotiation with potential investors in sourcing additional funding with a view to continuing to operate and grow its digital point business. Based on a cash flow forecast of the Group for twelve months ending 30 June 2019 prepared by the management, and after taking into account the potential additional funding as mentioned above, the Group would have adequate funds to meet its liabilities as and when they fall due for at least twelve months from the end of the reporting period. Accordingly, the directors of the Company consider it is appropriate to prepare the interim financial information on a going concern basis.

3 Changes in accounting policies

(a) Overview

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- HKFRS 9, *Financial instruments*
- HKFRS 15, *Revenue from contracts with customers*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period except for the amendments to HKFRS 9, *Prepayment features with negative compensation*, which have been adopted at the same time as HKFRS 9.

Details of the changes in accounting policies are discussed in Note 3(b) for HKFRS 9 and Note 3(c) for HKFRS 15.

Under the transition methods chosen, the Group should recognise cumulative effect of the initial application of HKFRS 9 and HKFRS 15 as an adjustment to the opening balance of equity at 1 January 2018. Comparative information is not restated. The adoption of HKFRS 9 and HKFRS 15 does not have a significant impact on the opening balance of equity at 1 January 2018 and there is no adjustment in this regard.

(b) HKFRS 9, *Financial instruments*

HKFRS 9 replaces HKAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. Comparative information is not restated. The adoption of HKFRS 9 does not have a significant impact on the opening balance of equity at 1 January 2018. And comparative information continues to be reported under HKAS 39.

3 **Changes in accounting policies (continued)**

(b) **HKFRS 9, *Financial instruments* (continued)**

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

(i) Classification of financial assets and financial liabilities

HKFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("FVOCI") and at fair value through profit or loss ("FVPL"). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

Non-equity investments held by the Group are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method;

– FVOCI-recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss; or

– FVPL, if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI (non-recycling), are recognised in profit or loss as other income.

Under HKFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

The measurement categories and carrying amounts for each class of the Group's financial assets under HKFRS 9 are same as that under HKAS 39 as at 1 January 2018.

3 Changes in accounting policies (continued)

(b) HKFRS 9, *Financial instruments* (continued)

(i) Classification of financial assets and financial liabilities (continued)

The measurement categories for all financial liabilities remain the same.

The carrying amounts for all financial liabilities at 1 January 2018 have not been impacted by the initial application of HKFRS 9.

The Group did not designate or de-designate any financial asset or financial liability at FVPL at 1 January 2018.

(ii) Credit losses

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the expected credit losses ("ECL") model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECL model to financial assets measured at amortised cost (including cash and cash equivalents, and trade and other receivables).

Financial assets measured at fair value, including equity securities measured at FVPL, are not subject to ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

3 Changes in accounting policies (continued)

(b) HKFRS 9, *Financial instruments* (continued)

(ii) Credit losses (continued)

Measurement of ECLs (continued)

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this assessment, the Group considers that a default event occurs when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held). The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

3 Changes in accounting policies (continued)

(b) HKFRS 9, *Financial instruments* (continued)

(ii) Credit losses (continued)

Significant increases in credit risk (continued)

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

Basis of calculation of interest income on credit-impaired financial assets

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– significant changes in the market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the customer does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

3 Changes in accounting policies (continued)

(b) HKFRS 9, *Financial instruments* (continued)

(ii) Credit losses (continued)

Opening balance adjustment

Based on the assessment, this change in accounting policy does not have a significant impact on the opening balance of equity at 1 January 2018 as compared with that recognised under HKAS 39 and no additional ECLs has been recognised by the Group at 1 January 2018.

(iii) Transition

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

– Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, if any, the information presented for 2017 continues to be reported under HKAS 39 and thus may not be comparable with the current period.

– The assessment of the determination of the business model within which a financial is held has been made on the basis of the facts and circumstances that existed at 1 January 2018 (the date of initial application of HKFRS 9 by the Group).

– If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

(c) HKFRS 15, *Revenue from contracts with customers*

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specified the accounting for construction contracts.

The Group has elected to use the cumulative effect transition method and there is no impact of transition to HKFRS 15 to the opening balance of equity at 1 January 2018 in this regard. And comparative information has not been restated and continues to be reported under HKAS 18. As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018.

3 Changes in accounting policies (continued)

(c) HKFRS 15, *Revenue from contracts with customers* (continued)

Further details of the nature and effect of the changes on previous accounting policies are set out below:

(i) Timing of revenue recognition

Previously, revenue arising from provision of services was recognised over time, whereas revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

A. When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

B. When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

C. When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The adoption of HKFRS 15 does not have a significant impact on when the Group recognises revenue from sales of goods or rendering of services.

(ii) Presentation of contract assets and liabilities

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

The adoption of HKFRS 15 does not have a significant impact on the presentation of assets and liabilities at 1 January 2018 and there is no adjustment in this regard.

4 Segment reporting

The Group manages its businesses by lines of business. In view of the disposal of the manufacture and sale of axles business in 2017, and the cessation of the e-commerce business during the current period, the Group will focus on the development of an electronic trading platform to facilitate awards earned by customers of loyalty programmes of other companies to be exchanged globally in the form of virtual assets and credits for consumption of merchandises, games, services and other commercial transactions, i.e. the "Digital point business". In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following two operating segments for the six months ended 30 June 2018:

- Digital point business: this segment operates an electronic platform to facilitate awards earned by customers of loyalty programmes of other companies to be exchanged globally in the form of virtual assets and credits for consumption of merchandises, games, services and other commercial transactions.

- E-commerce business: this segment trades goods through electronic distribution platform, mobile applications and other related means. The Group ceased the operation of this segment during the six months ended 30 June 2018.

No operating segments have been aggregated to form the above reportable segments.

(a) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

	Six months ended 30 June	
	2018	2017
		(Note)
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products of service lines		
– Sales of goods and rendering of services	**5,603**	122,858

4 Segment reporting (continued)

(a) Disaggregation of revenue (continued)

Note: The Group has initially applied HKFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with HKAS 18 (see Note 3(c)).

Disaggregation of revenue from contracts with customers by the timing of revenue recognition is disclosed in Note 4(b).

(b) Segment results, assets and liabilities

For the purposes of disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and expenses incurred by those segments. No inter-segment sales have occurred for the six months ended 30 June 2018 and 2017. The Group's other operating expenses, such as selling and distribution expenses, administrative expenses, research and development costs, impairment losses and finance income/costs, are not measured under individual segments. The measure used for reporting segment result is gross profit/(loss).

Segment assets and liabilities include all assets and liabilities with the exception of convertible bonds and unallocated corporate assets and liabilities.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2018 and 2017 is set out below.

	Six months ended 30 June 2018		
	Digital point business *RMB'000*	**E-commerce business** *RMB'000*	**Total** *RMB'000*
Disaggregated by timing of revenue recognition			
Point in time	**4,965**	**638**	**5,603**
Revenue from external customers and reportable segment revenue	**4,965**	**638**	**5,603**
Reportable segment gross profit	**1,153**	**167**	**1,320**

4 Segment reporting (continued)

(b) Segment results, assets and liabilities (continued)

	At 30 June 2018		
	Digital point business *RMB'000*	**E-commerce business** *RMB'000*	**Total** *RMB'000*
Reportable segment assets	**69,523**	**–**	**69,523**
Reportable segment liabilities	**86,740**	**–**	**86,740**

	Six months ended 30 June 2017		
	E-commerce business *(Note)* *RMB'000*	Axle business *(Note)* *RMB'000*	Total *(Note)* *RMB'000*
Revenue recognised at point in time from external customers and reportable segment revenue	90,207	32,651	122,858
Reportable segment gross loss	(795)	(4,942)	(5,737)

	At 31 December 2017		
	Digital point business *RMB'000*	E-commerce business *RMB'000*	Total *RMB'000*
Reportable segment assets	163,768	45,314	209,082
Reportable segment liabilities	87,770	38,160	125,930

Note: The Group has initially applied HKFRS 15 using cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with HKAS 18 (see Note 3(c)).

4 Segment reporting (continued)

(c) Reconciliations of reports segment assets and liabilities

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Assets		
Reportable segment assets	**69,523**	209,082
Unallocated head office and corporate assets	**351,996**	335,373
Elimination of receivables between segments, and segments and head office	**(119,496)**	(92,886)
Consolidated total assets	**302,023**	451,569
Liabilities		
Reportable segment liabilities	**86,740**	125,930
Convertible bonds	**66,119**	85,075
Unallocated head office and corporate liabilities	**64,767**	1,052
Elimination of payables between segments, and segments and head office	**(119,496)**	(92,886)
Consolidated total liabilities	**98,130**	119,171

5 Other income

	Six months ended 30 June 2018 RMB'000	Six months ended 30 June 2017 RMB'000
Net loss on disposal of property, plant and equipment	**(9)**	(2,360)
Government grants	**138**	1,171
Others	**1,390**	1,414
	1,519	225

6 Impairment losses

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Impairment losses/(reversal of impairment losses) on trade and other receivables *(Note 13(b))*	**22,984**	(5,715)
Impairment losses on goodwill	**–**	14,844
	22,984	9,129

7 (Loss)/profit before taxation

(Loss)/profit before taxation is arrived at after charging/(crediting):

(a) Finance income:

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Interest on bank and other loans	**–**	5,324
Finance charges on secured notes	**–**	883
Finance charges on convertible bonds *(Note 17)*	**6,037**	5,824
	6,037	12,031
Net foreign exchange (gain)/loss	**(344)**	6,340
Gain on redemption of secured notes	**–**	(1,228)
Changes in fair value on the derivative components of convertible bonds *(Note 17)*	**(21,997)**	(26,504)
	(16,304)	(9,361)

7 (Loss)/profit before taxation (continued)

(b) Staff costs:

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Salaries, wages and other benefits	**47,759**	23,118
Contributions to defined contribution retirement plans	**5,604**	1,428
Equity-settled share-based payment expenses *(Note 18(d))*	**–**	20,421
	53,363	44,967

(c) Other items:

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Cost of inventories *(Note 12(b))*	**4,261**	128,514
Depreciation and amortisation	**1,497**	9,980
Operating lease charges in respect of properties	**5,848**	5,792

8 Income tax

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Current taxation	**–**	–
Deferred taxation	**–**	15,904
	–	15,904

The Company and the subsidiaries of the Group incorporated in Hong Kong are subject to Hong Kong Profits Tax rate of 16.5% for the six months ended 30 June 2018 (six months ended 30 June 2017: 16.5%).

The Company and the subsidiaries of the Group incorporated in the Cayman Islands and the British Virgin Islands, respectively, are not subject to any income tax pursuant to the rules and regulations of their respective countries of incorporation.

The subsidiaries of the Group established in the PRC (excluding Hong Kong) are subject to PRC Corporate Income Tax rate of 25% for the six months ended 30 June 2018 (six months ended 30 June 2017: 25%).

9 (Loss)/earnings per share

(a) Basic (loss)/earnings per share

The basic loss per share for the six months ended 30 June 2018 is calculated based on the loss attributable to the equity shareholders of the Company of RMB29,682,000 (six months ended 30 June 2017: profit attributable to the equity shareholders of the Company of RMB86,191,000) and the weighted average number of ordinary shares of 1,813,258,000 (six months ended 30 June 2017: 1,818,945,000 ordinary shares) in issue during the interim period, calculated as follows:

Weighted average number of ordinary shares:

	Six months ended 30 June	
	2018	2017
	'000	*'000*
Issued ordinary shares at 1 January	**1,813,509**	1,671,615
Effect of shares issued *(Note 18(b))*	**–**	147,330
Effect of shares repurchased *(Note 18(c))*	**(251)**	–
Weighted average number of ordinary shares at 30 June	**1,813,258**	1,818,945

(b) Diluted (loss)/earnings per share

The diluted loss per share for the six months ended 30 June 2018 is calculated based on the loss attributable to equity shareholders of the Company (diluted) of RMB44,470,000 (six months ended 30 June 2017: profit attributable to the equity shareholders of the Company (diluted) of RMB62,786,000) and the weighted average number of ordinary shares (diluted) of 1,877,793,000 (six months ended 30 June 2017: 1,883,521,000 ordinary shares (diluted)), calculated as follows:

(i) (Loss)/profit attributable to the equity shareholders of the Company (diluted)

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
(Loss)/profit attributable to the equity shareholders of the Company	**(29,682)**	86,191
After tax effect of interest and exchange differences on the liability components of convertible bonds	**6,881**	4,246
After tax effect of changes in fair value recognised and exchange differences on the derivative components of convertible bonds	**(21,669)**	(27,651)
(Loss)/profit attributable to the equity shareholders of the Company (diluted)	**(44,470)**	62,786

9 (Loss)/earnings per share (continued)

(b) Diluted (loss)/earnings per share (continued)

(ii) Weighted average number of ordinary shares (diluted)

	Six months ended 30 June	
	2018	2017
	'000	*'000*
Weighted average number of ordinary shares at 30 June	**1,813,258**	1,818,945
Effect of conversion of convertible bonds	**64,535**	64,576
Weighted average number of ordinary shares (diluted) at 30 June	**1,877,793**	1,883,521

The Group's share options granted could potentially dilute basic (loss)/earnings per share in the future, but were not included in the calculation of diluted (loss)/earnings per share because they are antidilutive during the six months ended 30 June 2018 and 2017.

10 Intangible assets

	Domain name	**Exclusive income right**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
	(Note (i))	*(Note (ii))*	
Cost:			
At 1 January 2017, 31 December 2017, 1 January 2018 and 30 June 2018	21,917	13,824	35,741
Accumulated amortisation and impairment:			
At 1 January 2017	(8,850)	(4,224)	(13,074)
Charge for the year	(5,059)	(4,608)	(9,667)
Impairment losses	(8,008)	(4,992)	(13,000)
At 31 December 2017, 1 January 2018 and 30 June 2018	(21,917)	(13,824)	(35,741)
Carrying amount:			
At 31 December 2017 and 30 June 2018	–	–	–

(i) This intangible asset represents the Group's electronic distribution platform, www.CCIGMALL.com, which the Group acquired through the acquisition of an e-commerce business in 2015. In view of the increasing competition within the e-commerce sector, and the slower than expected growth and uncertainties surrounding the future of the Group's own e-commerce business, the Group assessed the recoverable amount of the domain name and as a result the carrying amount of the domain name was written down to RMBNil. The Group ceased the e-commerce business during the six months ended 30 June 2018.

10 Intangible assets (continued)

(ii) This intangible asset represents an exclusive income right obtained in 2016 from the development of a tailor-made e-commerce platform for a property developer in order to earn revenue from this property developer by assisting its property sales through the platform. In view of the slower than expected progress of the property projects under development by the above property developer, the management of the Group considered such projects may not be developed as planned. Accordingly, the management of the Group assessed the recoverable amount of the exclusive income right and as a result the carrying amount of the exclusive income right was written down to RMBNil. The directors of the Company confirm that the Group is taking the necessary actions to recover all or part of the consideration paid to the above property developer.

11 Goodwill

	RMB'000
Cost:	
At 1 January 2017, 31 December 2017,1 January 2018 and 30 June 2018	61,013
Accumulated impairment losses:	
At 1 January 2017	–
Impairment losses	(61,013)
At 31 December 2017, 1 January 2018 and 30 June 2018	(61,013)
Carrying amount:	
At 31 December 2017 and 30 June 2018	–

On 25 March 2015, the Group acquired the 51% equity interests in Century Network Holding Limited ("Century Network") for a consideration of RMB76,392,000. The excess of the cost of the purchase over the net fair value of the identifiable net assets acquired of RMB61,013,000 was recorded as goodwill and allocated to the Century Network's e-commerce business (the "e-commerce CGU").

As mentioned in Note 10, in view of the slower than expected growth of the e-commerce business, the management of the Group assessed the recoverable amount of the e-commerce CGU and as a result the carrying amount of the goodwill was written down to RMBNil. The Group ceased the e-commerce business during the six months ended 30 June 2018.

12 Inventories

(a) Inventories in the consolidated statement of financial position comprise:

	At 30 June 2018	At 31 December 2017
	RMB'000	*RMB'000*
Merchandises for trading	**1,819**	1,343
Less: write-down of inventories	**(924)**	(1,249)
	895	94

12 Inventories (continued)

(b) The analysis of the amount of inventories recognised as an expense and included in the consolidated statement of profit or loss and other comprehensive income is as follows:

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Carrying amount of inventories sold	**4,261**	120,774
Write-down of inventories	**–**	7,740
	4,261	128,514

13 Trade and other receivables

	At 30 June	At 31 December
	2018	2017
	RMB'000	*RMB'000*
Trade receivables	**5,847**	4,296
Less: loss allowance	**(3,399)**	(3,399)
	2,448	897
Prepayments, deposits and other receivables:		
– Advances to suppliers	**232**	2,149
– Value added tax refundable	**9,076**	6,265
– Loans to third parties	**51,035**	31,765
– Others	**45,498**	48,700
	105,841	88,879
Less: loss allowance	**(63,024)**	(40,130)
	42,817	48,749
	45,265	49,646

Trade receivables arising from the Group's digital point business are generally due within three months from the date of billing. All of the trade and other receivables, net of loss allowance, are expected to be recovered or recognised as expenses within one year.

13 Trade and other receivables (continued)

(a) Ageing analysis

As of the end of the reporting period, the ageing analysis of trade receivables (net of loss allowance), included in trade and other receivables, based on the invoice date, is as follows:

	At 30 June 2018 *RMB'000*	At 31 December 2017 *RMB'000*
Within 3 months	**2,298**	897
Over 3 months but within 6 months	**150**	–
	2,448	897

(b) Impairment of trade and other receivables

The movements in the loss allowance during the period/year are as follows:

	Six months ended 30 June 2018 *RMB'000*	Year ended 31 December 2017 *RMB'000*
At 1 January	**43,529**	408,310
Impairment losses/(reversal of impairment losses) *(Note 6)*	**22,984**	(5,684)
Uncollectible amounts written off	**(90)**	(108)
Decrease from disposal of subsidiaries	**–**	(358,989)
At 30 June/31 December	**66,423**	43,529

14 Held-for-trading investments

	At 30 June 2018 *RMB'000*
Held-for-trading investments:	
– Equity securities listed in Hong Kong	3,128
– Investment funds	101
	3,229

14 Held-for-trading investments (continued)

Held-for-trading investments are stated at fair value which have been determined by reference to published price quotations in active markets. Loss on fair value changes of the held-for-trading investments of approximately RMB866,000 has been recognised in profit or loss during the six months ended 30 June 2018.

15 Cash and cash equivalents

	At 30 June 2018 *RMB'000*	At 31 December 2017 *RMB'000*
Cash at bank and on hand	**242,238**	392,994

The Group's operations in the PRC (excluding Hong Kong) conduct their businesses in RMB. RMB is not a freely convertible currency and the remittance of funds out of the PRC (excluding Hong Kong) is subject to the exchange restrictions imposed by the PRC government.

16 Trade and other payables

	At 30 June 2018 *RMB'000*	At 31 December 2017 *RMB'000*
Trade payables	**7,006**	1,120
Payables for staff related costs	**7,703**	8,787
Payables for miscellaneous taxes	**807**	614
Payables for selling expenses incurred for digital point business	**8,552**	14,705
Others	**4,083**	2,460
	21,145	26,566
Financial liabilities measured at amortised cost	**28,151**	27,686
Deposits received from business partner in connection with the Group's digital point business	**1,000**	1,000
Advances received from customers	**105**	154
Others	**2,755**	5,256
	32,011	34,096

16 Trade and other payables (continued)

All of the trade and other payables are expected to be settled or recognised as revenue within one year or are repayable on demand.

As of the end of the reporting period, the ageing analysis of trade payables included in trade and other payables, based on the invoice date, is as follows:

	At 30 June 2018 *RMB'000*	At 31 December 2017 *RMB'000*
Within 3 months	**6,443**	1,034
3 to 6 months	**386**	26
Over 6 months	**177**	60
	7,006	1,120

17 Convertible bonds

The Group's convertible bonds are analysed as follows:

	Liability components *RMB'000*	**Derivative components** *RMB'000*	**Total** *RMB'000*
At 1 January 2017	67,035	48,941	115,976
Convertible bond issued	59,321	27,449	86,770
Accrued finance charges for the year	13,126	–	13,126
Interest paid	(9,184)	–	(9,184)
Exchange adjustments	(3,895)	(1,625)	(5,520)
Fair value changes on the derivative components	–	(32,401)	(32,401)
Extinguishment of convertible bonds	(67,372)	(16,320)	(83,692)
At 31 December 2017 and 1 January 2018	59,031	26,044	85,075
Accrued finance charges for the period *(Note 7(a))*	6,037	–	6,037
Interest paid	(4,168)	–	(4,168)
Exchange adjustments	844	328	1,172
Fair value changes on the derivative components *(Note 7(a))*	–	(21,997)	(21,997)
At 30 June 2018	61,744	4,375	66,119

17 Convertible bonds (continued)

On 3 June 2015, the Company issued two secured convertible bonds with face value of USD6,000,000 (equivalent to approximately RMB36,706,000) ("CB1") and USD4,000,000 (equivalent to approximately RMB24,470,000) ("CB2") to Chance Talent Management Limited ("Chance Talent"), a third party. Upon issuance, both convertible bonds bear interest at 13% per annum and will mature on 3 June 2018. CB1 and CB2 are secured by ordinary shares in the Company owned by Century Investment (Holding) Limited ("Century Investment").

Upon issuance of these convertible bonds, Chance Talent can convert CB1 into the Company's ordinary shares at HK$1.06 per share (i.e. the conversion option) and CB2 into the Company's ordinary shares at HK$1.50 per share (i.e. the conversion option) at any time from 3 June 2016 till 3 June 2018. The conversion options are classified as derivative financial instruments and have been included in the balance of the convertible bonds in the consolidated statement of financial position.

On 20 December 2017, the Company has extinguished CB1 and CB2 and issued new secured convertible bonds with face value of USD10,000,000 (equivalent to approximately RMB66,066,000) ("CB3") to Chance Talent. Upon issuance, CB3 bears interest at 13% per annum and will mature on 3 June 2019. CB3 are secured by 109,343,662 ordinary shares in the Company owned by Century Investment. Chance Talent can convert CB3 into the Company's ordinary shares at HK$1.209 per share (i.e. the conversion option) at any time from 20 December 2018 till 3 June 2019. The conversion options are classified as derivative financial instruments and have been included in the balance of the convertible bonds in the consolidated statement of financial position.

18 Capital, reserves and dividends

(a) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the interim period

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: RMBNil).

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved during the interim period

The directors of the Company did not recommend the payment of a dividend for the year ended 31 December 2017 (2016: RMBNil).

18 Capital, reserves and dividends (continued)

(b) Share capital

	Six months ended 30 June 2018		Year ended 31 December 2017	
	No. of shares		No. of shares	
	'000	***RMB'000***	*'000*	*RMB'000*
Ordinary shares of USD0.01 each, issued and fully paid:				
At 1 January	**1,813,509**	**117,978**	1,671,615	108,209
Shares issued	–	–	151,515	10,404
Shares repurchased and cancelled	–	–	(9,621)	(635)
At 30 June/31 December	**1,813,509**	**117,978**	1,813,509	117,978

(c) Treasury shares

During the period, the Company repurchased its own ordinary shares on the Stock Exchange as follows:

Month/year	**Number of shares repurchased**	**Highest price paid per share**	**Lowest price paid per share**	**Aggregate price paid**
		HK$	*HK$*	*HK$*
May 2018	715,000	1.02	0.98	718,000
June 2018	1,841,000	1.07	0.71	1,616,000
	2,556,000			2,334,000

None of the repurchased shares was cancelled during the six months ended 30 June 2018. 715,000 and 1,841,000 repurchased shares were cancelled by the Company on 5 July 2018 and 1 August 2018 respectively.

(d) Equity-settled share-based transactions

The Company has a share option scheme which was adopted on 28 June 2010 whereby the directors of the Company are authorised, at their discretion, to invite any full-time or part-time employees, executives, officers or directors (including independent non-executive directors) of the Group and any advisors, consultants, agents, suppliers, customers, distributors and such other persons who, in the sole opinion of the directors of the Company, will contribute or have contributed to the Group, to take up share options at HK$1 to subscribe for ordinary shares in the Company.

On 3 October 2016, 80,000,000 share options were granted to directors of the Company and employees of the Group under the above share option scheme. All the share options granted will vest after one year from the date of grant and will mature on 2 October 2019. Each share option gives the holder the right to subscribe for one ordinary share in the Company at HK$1.41 and is settled gross in shares.

18 Capital, reserves and dividends (continued)

(d) Equity-settled share-based transactions (continued)

(i) The term and condition of the share options granted is as follow:

	Number of instruments	Vesting condition	Contractual life of share options
Share options granted to directors:			
– On 3 October 2016	45,000,000	One year from the date of grant	3 years
Share options granted to employees:			
– On 3 October 2016	35,000,000	One year from the date of grant	3 years
Total share options granted	80,000,000		

(ii) The number and weighted average exercise price of share options are as follows:

	Six months ended 30 June 2018	
	Weighted average exercise price HK$	Number of share options
Outstanding at the beginning and the end of the period	**1.41**	75,000,000
Exercisable at the end of the period	**1.41**	75,000,000

The share options outstanding at 30 June 2018 had a weighted average exercise price of HK$1.41 and a weighted average remaining contractual life of 1.3 years.

19 Fair value measurement of financial instruments

(a) Financial assets and liabilities measured at fair value

(i) Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

– Level 1 valuations: Fair value measured using only Level 1 inputs, i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

– Level 2 valuations: Fair value measured using Level 2 inputs, i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

– Level 3 valuations: Fair value measured using significant unobservable inputs.

19 Fair value measurement of financial instruments (continued)

(a) Financial assets and liabilities measured at fair value (continued)

(i) Fair value hierarchy (continued)

	Fair value at 30 June 2018	Fair value measurements at 30 June 2018 categorised into	
		Level 1	Level 3
	RMB'000	*RMB'000*	*RMB'000*
Recurring fair value measurement			
Financial assets			
– Held-for-trading investments *(Note 14)*	**3,229**	**3,229**	**–**
Financial liabilities			
– Derivative components of convertible bonds *(Note 17)*	**4,375**	**–**	**4,375**

	Fair value at 31 December 2017	Fair value measurements at 31 December 2017 categorised into Level 3
	RMB'000	*RMB'000*
Recurring fair value measurement		
Financial liabilities		
– Derivative components of convertible bonds *(Note 17)*	26,044	26,044

During the six months ended 30 June 2018, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (year ended 31 December 2017: none). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(ii) Information about Level 3 fair value measurements

	Valuation technique	Significant unobservable input	Weighted average
Derivative components of convertible bonds	Binomial lattice model	Expected volatility	49.4%

The fair values of the conversion options embedded in the convertible bonds are determined using binomial lattice model and the significant unobservable input used in the fair value measurement is expected volatility. The fair value measurement is positively correlated to the expected volatility. As at 30 June 2018, it is estimated that with all other variables held constant, an increase in the expected volatility by 5% would have increased the Group's net loss by RMB625,000, whereas a decrease in the expected volatility by 5% would have decreased the Group's net loss by RMB628,000.

The movements in the derivative components of convertible bonds are set out in Note 17.

19 Fair value measurement of financial instruments (continued)

(b) Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values at 30 June 2018 and 31 December 2017 except for the following financial instruments, for which their carrying amounts and fair value and the level of fair value hierarchy are disclosed below:

	At 30 June 2018		At 31 December 2017	
	Carrying amount at 30 June	**Fair value measurements at 30 June categorised into Level 3**	Carrying amount at 31 December	Fair value measurements at 31 December categorised into Level 3
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Liabilities				
Convertible bonds-liability components *(Note (i))*	**61,744**	**60,898**	59,031	58,758

Note (i): Valuation techniques and inputs used in Level 3 fair value measurements

Convertible bonds-liability components

The fair values are estimated as being the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

The Group used the risk free interest rates with reference to the Hong Kong government bonds and treasury bills as of 30 June 2018 and 31 December 2017 plus credit spread of comparable notes with similar credit rating, coupons and maturities to discount the liability components of the convertible bonds as of 30 June 2018 and 31 December 2017. The interest rates used are as follows:

	At 30 June 2018	At 31 December 2017
	RMB'000	*RMB'000*
Convertible bonds-liability components	**22.44%**	22.79%

20 Commitments

(a) Operating lease commitments

At 30 June 2018, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 30 June 2018 *RMB'000*	At 31 December 2017 *RMB'000*
Within 1 year	**9,083**	15,685
After 1 year but within 5 years	**5,478**	17,266
	14,561	32,951

The Group leases certain office premises under operating leases. None of the leases includes contingent rentals.

21 Material related party transactions

In addition to the balances disclosed elsewhere in this interim financial information, the material related party transactions entered into by the Group during the period are set out below.

(a) Transactions with the equity shareholders of the Company

Details of guarantees provided by the equity shareholder of the Company for the Group's convertible bonds are set out in Note 17.

(b) Key management personnel remuneration

Remuneration for key management personnel is as follows:

	Six months ended 30 June	
	2018 *RMB'000*	2017 *RMB'000*
Short-term employee benefits	**2,213**	2,439
Contributions to defined contribution retirement plans	**29**	39
Equity-settled share-based payment expenses	**–**	11,172
	2,242	13,650

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is engaged in electronic commerce ("**e-Commerce**") business through electronic distribution platforms and mobile applications in the People's Republic of China (the "**PRC**"), and other general trading businesses. However, although the e-commerce business segment generated revenue for the Group, this business segment had been reporting a gross loss for at least the three financial years ended 31 December 2017. The Group began to scale down the e-commerce business segment since the first quarter of 2017, and the business segment had ceased operations as at 30 June 2018, which allows the Group to focus its resources on the development of the "Changyou" platform.

The Group has developed an electronic trading platform, "Changyou" which aims to integrate the digital membership points, resources and strategic advantages of business partners in the "Changyou" digital point business ecosystem alliance ("**Changyou Alliance**"). The points earned by customers through various channels can be exchanged globally in the form of virtual assets and credit for the consumption of merchandise, games and entertainment, financial services and other commercial transactions.

Changyou Digital Point Business Ecosystem Alliance

The Group, together with other well-known and leading enterprises from various industries (the "**Business Partners**"), have formed the Changyou Alliance, and has since developed an electronic trading platform, "Changyou", which aims to integrate the digital membership points, resources and strategic advantages of the Business Partners in the Changyou Alliance. The digital membership points from Business Partners are interchangeable and redeemable globally as virtual assets through the Changyou platform and can be purchased, earned and used by customers for the purchase and consumption of merchandise, games and entertainment, financial services and other commercial transactions. The Changyou platform was officially launched in September 2017 and has received recognition from the majority of the users and the market. The Changyou Alliance is currently increasing its number of users and expanding the scope and variety of products and services and business scenarios and continuously improving its business model in order to achieve ultimate success.

The launch of the Changyou platform marks the smooth integration between the user system, the point settlement system and the technical infrastructure of the Business Partners. Changyou can rely on the Business Partners, which have enormous user base, to promote and provide various products and services on the Changyou platform.

As at the end of June 2018, Changyou platform has approximately 20 million registered users, and up to 3,200 million points were exchanged. The Changyou platform has more than 6,300 stock keeping units and more than 20 types of entertainment and services. The Changyou platform has partnered with more than 70 service providers to provide its users with a wide range of entertainment related, travel, financial related and other products and services. The revenue from the Changyou Alliance business amounted to approximately RMB5.0 million for the six months ended 30 June 2018 as compared with the total revenue from this business segment of RMB0.94 million for the period since its launch in September 2017 to 31 December 2017, which represents a significant improvement in the development of "Changyou".

The gross merchandise volume ("**GMV**") of Changyou Alliance business amounted to approximately RMB54.9 million for the six months ended 30 June 2018 while the GMV of this business segment of approximately RMB3.4 million for the period since its launch in September 2017 to 31 December 2017.

The Group is currently in negotiations with certain potential business partners, which are the industry leaders in the petrochemical, travel and insurance industries, to further enhance and expand the scope of the "Changyou" platform across other industries.

e-Commerce Business

The Group has started the e-Commerce business since March 2015, initially through the operations of a business-to-business platform which set up a direct path between overseas suppliers, distributors and domestic retailers in the PRC. However, although the e-commerce business segment generated revenue for the Group, this business segment had been reporting a gross loss for at least the three financial years ended 31 December 2017. The e-commerce industry has become increasingly competitive in recent years, resulting in a negative profit margin for the Group due to strong competitors who dominate the market in the e-commerce industry. In light of the above, the Group decided to focus on business opportunities with potential growth. The Group began to scale down the e-commerce business segment since the first quarter of 2017, and the business segment had ceased operations as at 30 June 2018, which allows the Group to focus its resources on the development of the "Changyou" platform. However, the Group will continue to maintain the electronic distribution platform, www.ccigmall.com, of the e-commerce business segment and will explore other future business prospects if and when suitable opportunities arise. In addition to the electronic distribution platform, the operational office, electronic hardware and technical infrastructure used for the e-commerce business segment, such as computer units, servers, data storage and other hardware devices, are also suitable and appropriate for the "Changyou" platform, and as such will be integrated and utilised for the "Changyou" business. Further, the Group had arranged for those staff with the relevant expertise and experience and previously engaged in the e-commerce business segment to be internally transferred to the "Changyou" business.

For the six months ended 30 June 2018, revenue from the Group's e-Commerce business segment amounted to approximately RMB0.6 million, represents a decrease of 99% as compared with the corresponding period in 2017.

FINANCIAL REVIEW

Revenue

The Group recorded a consolidated revenue of approximately RMB5.6 million (30 June 2017: approximately RMB122.9 million), decrease by approximately 95% as compared with the corresponding period in 2017.

Revenue from the Changyou Alliance business was RMB5.0 million for the six months ended 30 June 2018, representing approximately 89% of the Group's total revenue. No revenue is generated from this business segment in the corresponding period in 2017 as the "Changyou" platform was launched in September 2017.

Revenue from the Group's electronic commerce segment was RMB0.6 million for the six months ended 30 June 2018 (30 June 2017: RMB90.2 million), representing approximately 11% (30 June 2017: approximately 73%) of the Group's total revenue. The decrease of revenue from the e-Commerce business mainly due to the intensive competition from competitors who dominate the market in the e-commerce industry, and the Group decided to focus on business opportunities with potential growth and further scale down the e-commerce business segment in the first half of 2018.

Gross profit/(loss)

Gross profit for the six months ended 30 June 2018 amounted to approximately RMB1.3 million, as compared with the gross loss of approximately RMB5.7 million for the corresponding period in 2017. The gross profit ratio for the six months ended 30 June 2018 was 24%.

Other income

Other income of the Group for the six months ended 30 June 2018 amounted to approximately RMB1.5 million, which mainly consists of interest income (30 June 2017: approximately RMB225,000). Detail breakdown are disclosed in the note 5 of the interim financial information as disclosed in this announcement.

Impairment losses

Impairment losses of the Group for the six months ended 30 June 2018 amounted to approximately RMB23.0 million, mainly represents the impairment losses on a loan to a third party and impairment losses on the value added tax refundable on e-commerce business segment.

Selling and distribution expenses

Selling and distribution expenses of the Group for the six months ended 30 June 2018 increased to approximately RMB63.6 million (30 June 2017: approximately RMB7.3 million). The increase was mainly attributable to the increase in sales and promotion activities for the "Changyou" platform. The marketing expenses of RMB43.3 million was incurred during the six months ended 30 June 2018 in order to attract and maintain customers' loyalty and their participation and consumption of the products and services provided on the "Changyou" platform.

Administrative expenses

The Group's administrative expenses for the six months ended 30 June 2018 decreased to approximately RMB33.4 million, as compared to RMB56.2 million for the corresponding period in 2017. The decrease was mainly attributable to the equity-settled share-based payment expenses of approximately RMB20.4 million included in 2017, while no such expenses incurred in current period.

Finance income

The Group incurred finance income of approximately RMB16.3 million for the six months ended 30 June 2018. It mainly consists of the net effect of changes in the fair value on the derivative components of convertible bonds, finance charges on convertible bonds and exchange gain or loss, the details of which are disclosed in note 7(a) of the interim financial information as disclosed in this announcement.

Taxation

No income tax is provided for the six months ended 30 June 2018 (30 June 2017: income tax charge of approximately RMB15.9 million).

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2018, cash and cash equivalents of the Group amounted to approximately RMB242.2 million (31 December 2017: approximately RMB393.0 million).

As compared with the position as at 31 December 2017, cash and cash equivalents decreased by approximately RMB150.8 million, resulting from the net cash outflow from operating activities of approximately RMB121.0 million for the six months ended 30 June 2018 (year ended 31 December 2017: approximately RMB150.7 million), the net cash outflow from investing activities of approximately RMB24.7 million for the six months ended 30 June 2018 (year ended 31 December 2017: approximately RMB38.4 million) and the net cash outflow from financing activities of approximately RMB6.1 million for the six months ended 30 June 2018 (year ended 31 December 2017: net cash inflow of approximately RMB512.1 million).

As at 30 June 2018, net current assets of the Group amounted to approximately RMB193.5 million (31 December 2017: approximately RMB408.7 million). As at 30 June 2018, the current ratio (representing total current assets divided by total current liabilities) of the Group was approximately 2.97 (31 December 2017: approximately 12.99).

As at 30 June 2018, total assets of the Group were approximately RMB302.0 million (31 December 2017: approximately RMB451.6 million) and total liabilities were approximately RMB98.1 million (31 December 2017: approximately RMB119.2 million). The debt ratio (representing total liabilities divided by total assets) as at 30 June 2018 was 0.32 as compared to 0.26 as at 31 December 2017.

As at 30 June 2018, the Group had total borrowings which represents the convertible bonds issued in December 2017 of approximately RMB66.1 million (31 December 2017: approximately RMB85.1 million). The gearing ratio as at 30 June 2018 (i.e. total borrowing/total equity) was approximately 0.32 (31 December 2017: approximately 0.26).

On 12 December 2016, the Company entered into a placing agreement with a placing agent, pursuant to which the Company agreed to place, through the placing agent, a maximum of 291,218,000 shares of the Company to independent placees at a price of HK$1.98 per share. As as 30 June 2018, the actual use of the proceeds from such placing of shares, which was completed on 6 January 2017, was as follows:

Usage	**Revised use of the proceeds (as previously disclosed in the annual report of the Company for the year ended 31 December 2017)** *RMB (million)*	**Actual use of the proceeds** *RMB (million)*
To fund the general working capital of the Company other than the Changyou Digital Point Business Ecosystem Alliance business for the year ended 31 December 2017	53	53
To fund the Company's subscription of 50.1% in the issued share capital of Treasure Ease Holdings Limited	40	40
To partially fund the working capital requirement for operating the Changyou Digital Point Business Ecosystem Alliance business for the year ending 31 December 2017, which includes (a) capital expenditure (such as acquisition of information system hardware, software, establishment of technological platform, and construction of engine rooms); and (b) operating expense requirement (such as marketing expenses, human resources expenses, and office rent)	76	76
To fund (a) the capital expenditure for the year ending 31 December 2018; and (b) the operating expense, for developing and operating the Changyou Digital Point Business Ecosystem Alliance business *(Note)*	229	107
For interest-bearing instrument to allow flexibility in the Company's financial and treasury management	47	47
To fund the repurchase of shares of the Company	9	9
For the repayment of secured loan	47	47
Total	**501**	**379**

Note:

The detail breakdown for the capital expenditure for the six months ended 30 June 2018; and the operating expense, for developing and operating the Changyou Digital Point Business Ecosystem Alliance business are as follows:

Usage	**Revised use of the proceeds (as previously disclosed in the announcement of the Company dated 22 August 2018)** *RMB (million)*	**Actual use of the proceeds** *RMB (million)*
To fund the fixed expenses (comprising salaries and other administrative expenses) for the recruitment and retention of personnel and management and for the development of the "Changyou" platform for the year ending 31 December 2018	120	55
To fund promotional and marketing activities to attract and maintain customers' loyalty and their participation and consumption of the products and services provided on the "Changyou" platform for the year ending 31 December 2018	104	50
To fund the capital expenditure of the Changyou Digital Point Business Ecosystem Alliance business for the year ending 31 December 2018	5	2
	229	107

UPDATE ON THE USE OF PROCEEDS FROM THE PLACING

The total balance of the unutilised proceeds from the placing was approximately RMB122 million as at 30 June 2018 ("**Unutilised Proceeds**"). The Group intends that the Unutilised Proceeds will be substantially used to fund the continued development and operations of the Changyou Digital Point Business Ecosystem Alliance business of the Group for the year ending 31 December 2018 as follows:

Intended Use and Expected Timeline	**Amount of the Unutilised Proceeds as at 30 June 2018** *RMB (million)*
To fund the fixed expenses (comprising salaries and other administrative expenses) for the recruitment and retention of personnel and management and for the development of the "Changyou" platform for the year ending 31 December 2018	65
To fund promotional and marketing activities to attract and maintain customers' loyalty and their participation and consumption of the products and services provided on the "Changyou" platform for the year ending 31 December 2018	54
To fund the capital expenditure of the Changyou Digital Point Business Ecosystem Alliance business of the Group for the year ending 31 December 2018	3
Total	**122**

Property, plant and equipment

As at 30 June 2018, property, plant and equipment were approximately RMB10.4 million (31 December 2017: approximately RMB8.8 million). The increase was mainly attributable to the expansion of Changyou business segment.

Trade and other receivables

Trade and other receivables of the Group as at 30 June 2018 were approximately RMB45.3 million (31 December 2017: approximately RMB49.6 million). Detail breakdown are disclosed in the note 13 of the interim financial information as disclosed in this announcement.

Inventories

The inventory balance of the Group as at 30 June 2018 was approximately RMB895,000 (31 December 2017: approximately RMB94,000). The increase was mainly attributable to increase in the inventory level of Changyou business segment.

Trade and other payables

Trade and other payables of the Group as at 30 June 2018 were approximately RMB32.0 million (31 December 2017: approximately RMB34.1 million). Detail breakdown are disclosed in the note 16 of the interim financial information as disclosed in this announcement.

Contingent liabilities and event after the reporting period

As at 30 June 2018, the Group had no significant contingent liabilities (31 December 2017: RMB Nil).

Capital commitment

As at 30 June 2018, the Group had no contracted capital commitments which were not provided in the interim financial information (31 December 2017: RMB Nil).

Employees

As at 30 June 2018, the Group had 358 employees which are located in Beijing, Shanghai and Hong Kong. For the six months ended 30 June 2018, total staff costs were approximately RMB53.4 million. During the period, the Group also provided internal training, external training and correspondence courses for its staff in order to promote self-improvement and enhancement of skills relevant to work.

Foreign exchange risk

The business of the Group is mainly located in the PRC and most of the transactions are denominated in Renminbi. Most of the assets and liabilities of the Group except for some cash and cash equivalents, other receivables, convertible bonds and other payables, are computed in Renminbi. As at 30 June 2018, the Group's net foreign currencies assets amounted to approximately RMB161.0 million (31 December 2017: approximately RMB183.3 million). During the six months ended 30 June 2018, the Group did not utilize any future contracts, currency borrowings and otherwise to hedge against its foreign exchange risk. However, the Group will continue to monitor the risk exposures and will consider to hedge against material currency risk if required.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

There were no significant investments held nor material acquisitions or disposals of subsidiaries during the reporting period and there was no plan authorised by the Board for other material investments or additions of capital assets as at the date of this announcement.

PLEDGE OF SHARES BY CONTROLLING SHAREHOLDER

On 20 December 2017, the Company issued a secured convertible bonds with face value of US$10 million to Chance Talent. The convertible bonds bear interest at 13% per annum and will mature on 3 June 2019. As at the date of this announcement, Century Investment (Holding) Limited pledged its 109,343,662 ordinary shares in the Company (the "**Charged Shares**") to secure the obligation of the Company under the secured convertible bonds. The Charged Shares represent approximately 6.03% of the issued share capital of the Company. For further details of this transaction, please refer to the announcement of the Company dated 7 December 2017.

DIVIDEND

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

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), the changes in information of Directors of the Company subsequent to the date of the annual report of the company for the year ended 31 December 2017 are set out below:

Mr. Wong Chi Keung	ceased to be an independent non-executive director and a member of the audit committee, nomination committee, remuneration committee and investigation committee of China Shanshui Cement Group Limited (stock code: 691) with effect from 23 May 2018
Mr. Chan Chi Keung, Alan	appointed as an independent non-executive director, a member of the audit committee and the chairman of the remuneration committee of BOSA Technology Holdings Limited (stock code: 8140) with effect from 19 June 2018

PROSPECTS

The Changyou Alliance business is the core business of the Group.

The Changyou Alliance aims to develop a global financial platform for the issuance, circulation, storage and payment settlement of blockchains tokens. Changyou aims to rely on the abundant digital points and operating assets of the six founding Business Partners, and use advanced technology such as big data and blockchain to realize the securitization of the operating assets of the Business Partners and other business partners by means of the digital tokens, thereby realizing the value of physical products and services in the form of digital tokens, and allowing such products and services to be exchanged and increase in value on the digital point business ecosystem.

Blockchain is a highly suitable technology for the Changyou platform. Digital points are marketing tools with small denomination and high trading volume which can be easily tailored to blockchain applications. The Business Partners have opened up a new, non-replicable application model through the blockchain tokenization, which allows efficient pre-sale and circulation of operational assets of commercial products and services in the Changyou business ecosystem with high efficiency and high security, thus creating a business-forward commercial financial platform for the Group.

The Changyou Alliance business is a capital intensive sector, as large amount of capital is required (i) to attract and retain talented and experienced personnel and management team for the development of the "Changyou" platform; (ii) for promotional and marketing activities to attract and maintain customer loyalty and their participation and consumption of the products and services provided on the "Changyou" platform; and (iii) to develop its technology infrastructure and feature new financial technologies such as blockchain into the "Changyou" platform to enable effective extraction and development of big data samples, creating a precise and extensive database of consumer transactions and consumption behaviour in the future. As such, it is important to maintain a sufficient level of liquidity and financial flexibility in order to main the current level of performance and user network of the "Changyou" platform.

Given the nature of the business and the operations, the Changyou Alliance business is an asset light business which requires liquid assets to develop and expand its business. The Group is always exploring certain financing opportunities in order to meet its financing needs. The Changyou Alliance intends to separately engage in alternative fundraising activities for the development of the "Changyou" business of the Group and will issue further announcement(s) in relation to such fundraising activities as and when appropriate.

The Group expects that several new business partners will join the Changyou Alliance in 2018 in order to expand the source and variety of digital membership points which can be interchanged and redeemed through the "Changyou" platform and to offer more diversified products and services to its users.

CORPORATE GOVERNANCE

The Company is committed to maintain high standards of corporate governance practices and procedures with a view to being a transparent and responsible organization which is open and accountable to the shareholders of the Company. These can be achieved by an effective Board, segregation of duties with clear accountability, sound internal control, appropriate risk assessment procedures and transparency of the Company. The Board will continue to review and improve the corporate governance practices from time to time to ensure the Group is led by an effective Board in order to optimize returns for the shareholders of the Company. During the six months ended 30 June 2018, the Company has applied the principles of and has complied with all code provisions as set forth in the Corporate Governance Code (the "**CG Code**") as contained in Appendix 14 of the Listing Rules, save for the deviation as set forth below:

Code Provision A.6.7

Code Provision A.6.7 of the CG Code provides that independent non-executive directors and non-executive directors should attend general meetings of the Company. Mrs. Guo Yan, Mr. Liu Jialin and Mr. Chan Chi Keung, Alan were not able to attend the annual general meeting of the Company held on 29 May 2018 due to their other engagement in other commitments.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the six months ended 30 June 2018, the Company bought back a total of 2,556,000 shares of the Company in May and June 2018 under the general mandate granted to the Directors in the annual general meeting of the Company held on 29 May 2017 and 29 May 2018. As at the date of this announcement, all the repurchased shares had been cancelled. The total consideration paid to buy back these shares was approximately HK$2.3 million. Details of those transactions are as follows:

Month of buy-back	Number of shares bought back	Price per shares Highest	Price per shares Lowest	Aggregate price
		HK$	*HK$*	*HK$*
May	715,000	1.02	0.98	717,980
June	1,841,000	1.07	0.71	1,615,800

Save for the share repurchases as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed shares of the Company during the six months ended 30 June 2018.

COMPLIANCE WITH THE MODEL CODE FOR DIRECTOR'S SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules as its own code of conduct for securities transactions. Specific enquiries have been made with all Directors, who have confirmed and declared that they have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2018.

REVIEW ON INTERIM RESULTS

The Audit Committee has reviewed the accounting principles, practices and treatments adopted by the Group and the unaudited interim results of the Group for the six months ended 30 June 2018 with the management of the Company.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of the Company at www.fortunetecomm.com and the Stock Exchange at www.hkexnews.hk. The interim report of the Company for the six months ended 30 June 2018 containing all the information required by the Listing Rules will be despatched to shareholders of the Company and made available on the same websites in due course.

By order of the Board
Fortunet e-Commerce Group Limited
Mr. Cheng Jerome
Chairman

Hong Kong, 28 August 2018

As at the date of this announcement, the executive Directors are Mr. Cheng Jerome and Mr. Yuan Weitao; the non-executive Director is Mrs. Guo Yan; and the independent non-executive Directors are Mr. Wong Chi Keung, Mr. Liu Jialin and Mr. Chan Chi Keung Alan.