

Guru Online (Holdings) Limited

超凡網絡(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8121

INTERIM REPORT 2018





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Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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*This report, for which the directors (collectively the “**Directors**” and each, the “**Director**”) of Guru Online (Holdings) Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”, “**we**”, “**our**” or “**us**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

The board of Directors (the “**Board**”) of the Company is pleased to present the unaudited condensed consolidated results of the Group for the six months ended 30 September 2018 (the “**Period**”), together with the unaudited consolidated comparative figures for the corresponding period in 2017 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and six months ended 30 September 2018

	NOTES	Three months ended 30 September		Six months ended 30 September	
		2018 (unaudited) HK\$'000	2017 (unaudited) HK\$'000	2018 (unaudited) HK\$'000	2017 (unaudited) HK\$'000
Revenue	4	50,163	43,731	97,865	87,580
Cost of services		(35,678)	(26,273)	(70,060)	(53,488)
Gross profit		14,485	17,458	27,805	34,092
Other income, gains or losses	6	896	578	1,694	1,156
Selling expenses		(6,513)	(5,705)	(14,588)	(12,185)
Administrative expenses		(18,270)	(16,932)	(33,735)	(28,386)
Share of loss of associates		(17)	(180)	(76)	(205)
Impairment loss on interests in associates		–	(273)	–	(273)
Change in fair value of held for trading investments		(312)	(108)	(667)	(95)
Loss before tax		(9,731)	(5,162)	(19,567)	(5,896)
Income tax expense	7	(370)	–	(370)	–
Loss for the period attributable to owners of the Company	9	(10,101)	(5,162)	(19,937)	(5,896)
Other comprehensive income (expenses)					
<i>Item that will be subsequently reclassified to profit or loss:</i>					
Release of available-for-sale investments reserve upon disposal		(112)	–	(49)	–
Change in fair value of available-for-sale investments		(588)	65	(1,034)	65
Exchange differences arising on translating foreign operations		158	340	1,091	531
Other comprehensive income (expenses) for the period		(542)	405	8	596
Total comprehensive expenses for the period attributable to owners of the Company		(10,643)	(4,757)	(19,929)	(5,300)
Loss per Share					
Basic and diluted (HK\$ cent)	10	(0.61)	(0.31)	(1.20)	(0.35)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2018 and 31 March 2018

	NOTES	30 September 2018 (unaudited) HK\$'000	31 March 2018 (audited) HK\$'000
Non-current assets			
Plant and equipment		9,202	10,060
Investment properties	11	31,012	21,318
Interests in associates		675	751
Held-to-maturity investments	12	–	–
Available-for-sale investments	13	14,742	27,651
Deposits		1,984	1,984
		57,615	61,764
Current assets			
Trade and bills receivables	14	36,942	32,748
Deposits, prepayments and other receivables		15,871	7,757
Amounts due from associates		393	367
Tax recoverable		196	379
Held-to-maturity investments	12	5,050	6,610
Held for trading investments		2,455	4,308
Restricted bank balance		–	–
Bank balances and cash		5,579	18,565
		66,486	70,734
Current liabilities			
Trade and other payables	15	24,129	13,641
Receipts in advance		12,147	14,558
Accrued expenses		10,330	6,777
Income tax payable		994	1,092
		47,600	36,068
Net current assets		18,886	34,666
Total assets less current liabilities		76,501	96,430
Non-current liabilities			
Deferred tax liability		–	–
		76,501	96,430
Capital and reserves			
Share capital		16,672	16,672
Reserves		59,829	79,758
Total equity		76,501	96,430

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2018

	Share capital HK\$'000	Share premium HK\$'000	Share options reserve HK\$'000	Available-for-sale investments reserve HK\$'000	Exchange reserve HK\$'000	Other reserve (Note) HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 April 2018 (audited)	16,672	78,559	5,045	195	(862)	46,657	(49,836)	96,430
Loss for the Period	-	-	-	-	-	-	(19,937)	(19,937)
Other comprehensive income (expenses) for the period								
- Change in fair value of available-for-sale investments	-	-	-	(1,034)	-	-	-	(1,034)
- Release of available-for-sale investments reserve upon disposal	-	-	-	(49)	-	-	-	(49)
- Exchange differences arising on translating foreign operations	-	-	-	-	1,091	-	-	1,091
Total comprehensive income (expenses) for the Period	-	-	-	(1,083)	1,091	-	(19,937)	(19,929)
Recognition of equity-settled share-based payment	-	-	-	-	-	-	-	-
Share options lapsed	-	-	(5,045)	-	-	-	5,045	-
At 30 September 2018 (unaudited)	16,672	78,559	-	(888)	229	46,657	(64,728)	76,501

Note:

Other reserve represented the difference between the nominal amount of the share capital and share premium of AdBeyond Holdings Limited and the nominal amount of the share capital issued by the Company pursuant to the group reorganisation on 16 May 2015.



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(Continued)*

For the six months ended 30 September 2017

	Share capital HK\$'000	Share premium HK\$'000	Share options reserve HK\$'000	Available-for-sale investments reserve HK\$'000	Exchange reserve HK\$'000	Other reserve (Note) HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 April 2017 (audited)	16,672	78,559	5,136	-	(2,316)	46,657	(21,570)	123,138
Loss for the Period	-	-	-	-	-	-	(5,896)	(5,896)
Other comprehensive income for the Period								
- Change in fair value of available-for-sale investments	-	-	-	65	-	-	-	65
- Exchange differences arising on translating foreign operations	-	-	-	-	531	-	-	531
Total comprehensive income (expense) for the Period	-	-	-	65	531	-	(5,896)	(5,300)
Recognition of equity-settled share-based payment	-	-	393	-	-	-	-	393
Share options lapsed	-	-	(613)	-	-	-	613	-
At 30 September 2017 (unaudited)	16,672	78,559	4,916	65	(1,785)	46,657	(26,853)	118,231

Note:

Other reserve represented the difference between the nominal amount of the share capital and share premium of AdBeyond Holdings Limited and the nominal amount of the share capital issued by the Company pursuant to the group reorganisation on 16 May 2015.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2018 and 2017

	Six months ended	
	30 September 2018 (unaudited) HK\$'000	30 September 2017 (unaudited) HK\$'000
Net cash (used in) from operating activities	(18,702)	3,947
Net cash from (used in) investing activities	4,625	(42,608)
Net decrease in cash and cash equivalents	(14,077)	(38,661)
Cash and cash equivalents at beginning of the period	18,565	66,509
Effect of foreign exchange rate changes	1,091	531
Cash and cash equivalents at the end of the period	5,579	28,379



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months and six months ended 30 September 2018

1. GENERAL

The Company was incorporated on 10 January 2014 in the Cayman Islands as an exempted company with limited liability under the Companies Law (as revised) of the Cayman Islands. Its shares (the “**Shares**”) have been listed on GEM of the Stock Exchange since 29 May 2015 (the “**Listing**”). The addresses of the registered office and principal place of business in Hong Kong of the Company are Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands and 4/F., KOHO, 73-75 Hung To Road, Kwun Tong, Hong Kong, respectively.

The Company is principally engaged in investment holding. The principal activities of its subsidiaries are investment holding, provision of digital media services, provision of marketing services and engagement in an Internet marketing platform for the travel industry.

Other than the subsidiaries of the Company established in the People’s Republic of China (the “**PRC**”) whose functional currency is Renminbi (“**RMB**”), the functional currency of the remaining subsidiaries of the Company is Hong Kong dollars (“**HK\$**”).

The unaudited condensed consolidated financial statements of the Group are presented in HK\$, which is the same as the functional currency of the Company.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The Group's unaudited condensed consolidated financial statements for the Period have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable disclosure provisions of the GEM Listing Rules.

The unaudited condensed consolidated financial statements for the Period comprises the Company and its subsidiaries.

The accounting policies used in the preparation of this report are consistent with those used in the preparation of the annual report for the year ended 31 March 2018.

This report has been prepared on the historical cost basis except for certain financial instruments that are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The preparation of the unaudited condensed consolidated financial statements of the Group for the Period in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

During the Period, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting period beginning on 1 April 2018. The application of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current period and prior years. The Group has not early applied the new and revised HKFRSs that have been issued but are not yet effective. The Directors anticipate that the application of these new standards, amendments and interpretations will have no material impact on the unaudited condensed consolidated financial statements of the Group.

4. REVENUE

Revenue represents revenue generated from on the provision of social media management services, digital advertisement placement services and creative and technology services. The following is an analysis of the Group's revenue for the relevant periods:

	Three months ended 30 September		Six months ended 30 September	
	2018 (unaudited) HK\$'000	2017 (unaudited) HK\$'000	2018 (unaudited) HK\$'000	2017 (unaudited) HK\$'000
Social media management services	17,500	19,505	38,997	40,466
Digital advertisement placement services	7,233	9,252	14,161	19,809
Creative and technology services	25,430	14,974	44,707	27,305
	50,163	43,731	97,865	87,580

5. SEGMENT INFORMATION

Information reported to the Board, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of services provided. The Directors have chosen to organise the Group around differences in services. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

1. Digital Advertisement Placement Services – Provision of advertisement placement services through digital media;
2. Social Media Management Services – Provision of set-up, maintenance and monitor services on corporate profile pages through the social media platforms;
3. Creative and Technology Services – Provision of services involving design and copywriting of digital advertisements, production of corporate profile pages, website and apps, and related consultation; and
4. Internet Marketing Platform – Engagement in an internet marketing platform for the travel industry.

Segment results are reported to the CODM for the purposes of resource allocation and assessment of segment performance. Segment assets and liabilities are not reported to the Group's CODM regularly.

5. SEGMENT INFORMATION (Continued)

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segment.

For the six months ended 30 September 2018 (unaudited)

	Digital Advertisement Placement Services HK\$'000	Social Media Management Services HK\$'000	Creative and Technology Services HK\$'000	Internet Marketing Platform HK\$'000	Total HK\$'000
REVENUE					
External sales and segment revenue	14,161	38,997	44,707	-	97,865
Segment results	3,308	13,981	8,305	-	25,594
Unallocated other income, gains or losses					1,013
Unallocated selling expenses					(14,588)
Unallocated administrative expenses					(30,843)
Share of loss of associates					(76)
Change in fair value of held for trading investments					(667)
Loss before tax					(19,567)

5. SEGMENT INFORMATION *(Continued)*

Segment revenue and results *(Continued)*

For the six months ended 30 September 2017 (unaudited)

	Digital Advertisement Placement Services HK\$'000	Social Media Management Services HK\$'000	Creative and Technology Services HK\$'000	Internet Marketing Platform HK\$'000	Total HK\$'000
REVENUE					
External sales and segment revenue	19,809	40,466	27,305	–	87,580
Segment results	7,219	13,174	12,835	(46)	33,182
Unallocated other income, gains or losses					703
Unallocated selling expenses					(12,185)
Unallocated administrative expenses					(27,023)
Share of loss of associates					(205)
Impairment loss on interest in associates					(273)
Change in fair value of held for trading investments					(95)
Loss before tax					(5,896)

Segment results represent the profit earned or loss incurred by each segment without allocation of central administrative expenses, selling expenses, directors' and chief executive's emoluments, bank and bond interest income, gain or loss arising from disposal of financial assets held for trading investments, sundry income, change in fair value of financial assets held for trading investments and share of result of associates. This is the measure reported to the Board, being the CODM, for the purposes of resource allocation and performance assessment.

5. SEGMENT INFORMATION (Continued)

Geographic information

The Group's operations are located in Hong Kong and the PRC.

The Group's revenue from external customers based on location of customers and information about its non-current assets other than financial instruments by geographical location are detailed as below:

	Revenue from external customers		Non-current assets (excluding deposit paid, held-to-maturity investments and available-for-sale investments)	
	Six months ended	Six months ended	30 September	31 March
	30 September 2018	30 September 2017	30 September 2018	31 March 2018
	(unaudited)	(unaudited)	(unaudited)	(audited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The PRC	37,894	23,041	449	513
Hong Kong	59,971	64,539	40,440	31,616
	97,865	87,580	40,889	32,129

Information about major customers

The percentage of sales for the Period attributable to the Group's five largest customers constituting around 27.84% (31 March 2018: around 15.36%) of the Group's total revenue for the Period. The largest customer constituting around 13.30% (31 March 2018: around 3.63%) of the Group's total revenue for the Period.

To the best knowledge of the Directors, none of the Directors, their respective close associates nor any Shareholders (who or which, to the acknowledge of the Directors, owns more than 5% of the issued share capital of the Company), had any interest in any of the Group's top five customers.



6. OTHER INCOME, GAINS OR LOSSES

	Three months ended		Six months ended	
	30 September	2017	30 September	2017
	2018	(unaudited)	2018	(unaudited)
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank interest income	2	2	10	5
Dividends from held for trading investments	97	63	228	98
(Loss) Gain on disposal of held for trading investments	–	123	(141)	123
Gain on disposal of available-for-sales investments	96	–	711	–
Interest income on held-to-maturity investments	32	96	78	176
Impairment loss reversed in respect of trade receivables	601	55	682	453
Loss on disposal of plant and equipment	–	–	(12)	–
Rental income from investment properties	48	–	91	–
Sundry income	20	239	47	301
	896	578	1,694	1,156

7. INCOME TAX EXPENSE

	Three months ended		Six months ended	
	30 September	2017	30 September	2017
	2018	(unaudited)	2018	(unaudited)
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current tax:				
Hong Kong Profits Tax	–	–	–	–
PRC Enterprise Income Tax	370	–	370	–
	370	–	370	–
Over-provision in prior periods:				
Hong Kong	–	–	–	–
Deferred tax	–	–	–	–
	370	–	370	–

No provision for Hong Kong Profits Tax has been made for the Period as there was no assessable profits for the Period. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the six months ended 30 September 2018 and 2017, respectively.

Under the law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries of the Company is 25% for the six months ended 30 September 2018 and 2017, respectively.

Pursuant to the laws and regulations of the Cayman Islands and the British Virgin Islands (the "BVI"), the Group is not subject to any income tax in the Cayman Islands and the BVI.

8. DIVIDENDS

Dividend recognised as distribution during the relevant periods:

	Six months ended 30 September	
	2018	2017
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Interim dividend	–	–



9. LOSS FOR THE PERIOD

Loss for the Period has been arrived at after charging (crediting):

	Three months ended 30 September		Six months ended 30 September	
	2018 (unaudited) HK\$'000	2017 (unaudited) HK\$'000	2018 (unaudited) HK\$'000	2017 (unaudited) HK\$'000
Directors' and chief executive's emoluments	6,254	7,283	9,379	8,969
Other staff costs (excluding Directors' and chief executive's emoluments)	20,086	16,944	40,298	33,718
Retirement benefits scheme contributions (excluding Directors' and chief executive's emoluments)	660	622	1,292	1,224
Total staff costs	27,000	24,849	50,969	43,911
Gross rental income from investment properties	(48)	–	(91)	–
Less:				
Direct operating expenses incurred for investment properties that generated rental income during the period	6	–	12	–
Direct operating expenses incurred for investment properties that did not generate rental income during the period	24	–	36	–
	(18)	–	(43)	–
Depreciation of plant and equipment	853	734	1,653	1,353
Depreciation of investment properties	198	–	334	–
Share-based payment expenses (included in staff costs above)	–	198	–	393
Net foreign exchange (gain) loss	519	128	1,690	(93)
Operating lease rentals in respect of rented premises	1,966	1,663	4,035	4,401

10. LOSS PER SHARE

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

	Three months ended 30 September		Six months ended 30 September	
	2018 (unaudited) HK\$'000	2017 (unaudited) HK\$'000	2018 (unaudited) HK\$'000	2017 (unaudited) HK\$'000
Loss				
Loss for the period attributable to owners of the Company for the purpose of basic loss per Share	(10,101)	(5,162)	(19,937)	(5,896)
Number of Shares	'000	'000	'000	'000
Weighted average number of ordinary Shares for the purpose of basic and diluted loss per Share	1,667,200	1,667,200	1,667,200	1,667,200

The weighted average number of ordinary shares in issue during the six months ended 30 September 2018 and 2017, respectively, represented 1,667,200,000 ordinary shares in issue.

The computation of diluted loss per share does not assume the exercise of the Company's share options as the exercise price of those options was higher than the average market price of the Company's shares for the six months ended 30 September 2018 and 2017, respectively.

11. INVESTMENT PROPERTIES

	HK'000
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COST	
At 31 March 2018	21,721
Additions	10,028
At 30 September 2018	31,749
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ACCUMULATED DEPRECIATION	
At 31 March 2018	403
Provided for the year	334
At 30 September 2018	737
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CARRYING VALUES	
At 30 September 2018	31,012
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At 31 March 2018	21,318
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The above investment properties are depreciated on a straight-line basis over shorter of the term of the lease and 40 years.

The fair value of the Group's investment properties as at 30 September 2018 was approximately HK\$34,880,000 (31 March 2018: approximately HK\$26,650,000), which was determined by the Directors. The valuation performed by the Directors was made by reference to recent market prices for properties in the similar locations and conditions.

The following table gives information about how the fair value of the investment properties as at 30 September 2018 was determined.

	Fair value at 30 September 2018 HK\$'000	Valuation technique and key inputs
Investment properties	Level 2 34,880	Market comparison approach – By reference to recent sales price of comparable properties on a price per square foot basis using market data which is publicly available.

12. HELD-TO-MATURITY INVESTMENTS

	As at 30 September 2018 (unaudited) HK\$'000	As at 31 March 2018 (audited) HK\$'000
Debt securities, at amortised cost	5,050	6,610
Analysed for reporting purposes as:		
Non-current assets	—	—
Current assets	5,050	6,610
	5,050	6,610

Set out below are the particulars of the held-to-maturity investments as at 30 September 2018:

Name of the Bond Issuers	Name of the Bonds	Listed in	Stock code	At investment cost		At fair value		At amortised cost	
				30 September	31 March	30 September	31 March	30 September	31 March
				2018	2018	2018	2018	2018	2018
				HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank of Communications Co., Ltd. Hong Kong Branch	Bank of Communications Co., Ltd. HK Branch 2.25% Notes 2019	Hong Kong	5609	5,091	5,091	5,135	5,068	5,050	5,059
Wanda Properties Overseas Limited	DALWAN 4.875% Corp (USD)	Hong Kong	5997	-	1,548	-	1,570	-	1,551
				5,091	6,639	5,135	6,638	5,050	6,610

13. AVAILABLE-FOR-SALE INVESTMENTS

	As at 30 September 2018 (unaudited) HK\$'000	As at 31 March 2018 (audited) HK\$'000
Unlisted equity securities, at cost	2,250	2,250
Less: accumulated impairment loss	(750)	(750)
	1,500	1,500
Listed fund investments, at fair value	6,220	17,379
Unlisted fund investments, at fair value	7,022	8,772
	14,742	27,651
Analysed for reporting purposes as non-current assets	14,742	27,651

The above unlisted equity investments represent investment in unlisted equity securities issued by private entities incorporated in Hong Kong. They are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the Directors are of the opinion that their fair value cannot be measured reliably.

As at 30 September 2018, the Group's listed funds investments comprised 9 investment funds domiciled in Luxembourg, the United States, the United Kingdom, the Cayman Islands and Hong Kong with a fair value of approximately HK\$6,220,000 with an aggregate initial investment cost of approximately HK\$7,232,000. The fair value of listed fund investments were determined based on the quoted market closing prices.

As at 30 September 2018, the Group's unlisted funds investments comprised 3 investment funds domiciled in Luxembourg and Hong Kong with a fair value of approximately HK\$7,022,000 with an aggregate initial investment cost of approximately HK\$6,899,000. The investments are measured at fair value derived from observable market values of underlying assets at the end of the reporting period.

The fair value of fund investments were determined based on the quoted market closing prices. The fund investments are measured at fair value derived from observable (quoted) prices of underlying investment portfolio at the end of the reporting period.

14. TRADE AND BILLS RECEIVABLES

	As at 30 September 2018 (unaudited) HK\$'000	As at 31 March 2018 (audited) HK\$'000
Trade receivables	47,656	45,009
Less: allowance for impairment of trade receivables	(11,307)	(12,586)
	36,349	32,423
Bills receivables	593	325
	36,942	32,748

As at 30 September 2018, included in the Group's trade receivables balances was an aggregate amount of approximately HK\$11,366,000 (31 March 2018: approximately HK\$13,619,000) which has not yet been due according to the contract terms as at the end of the reporting period. Trade receivables that were neither past due nor impaired related to a wide range of customers who did not have any recent history of default.

As at 30 September 2018, included in the Group's trade receivables balances was an aggregate carrying amount of approximately HK\$25,576,000 (31 March 2018: approximately HK\$19,129,000) which was related to debts that were past due as at the reporting date but for which the Group has not provided for impairment loss. Trade receivables that were past due but not impaired related to a number of customers that have good track records with the Group. Based on past experience, the management of the Group believes that no impairment loss is necessary in respect of these balances as there has not been a significant change in credit quality of these customers and the balances are still considered fully recoverable.



14. TRADE AND BILLS RECEIVABLES (Continued)

The following is an aged analysis of trade and bills receivables, net of allowance for impairment of trade receivables presented based on the due date at the end of the reporting period.

	As at 30 September 2018 (unaudited) HK\$'000	As at 31 March 2018 (audited) HK\$'000
Current	11,366	13,619
Overdue:		
– Within 60 days	10,722	13,770
– 61-90 days	5,077	1,639
– 91-120 days	4,342	836
– Over 120 days	5,435	2,884
	25,576	19,129
	36,942	32,748

15. TRADE AND OTHER PAYABLES

	As at 30 September 2018 (unaudited) HK\$'000	As at 31 March 2018 (audited) HK\$'000
Trade payables	20,518	11,308
Other payables	3,611	2,333
	24,129	13,641

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period.

	As at 30 September 2018 (unaudited) HK\$'000	As at 31 March 2018 (audited) HK\$'000
Within 30 days	3,763	4,495
31-60 days	–	1,943
Over 60 days	16,755	4,870
	20,518	11,308

The trade payables were due according to the terms stated in the relevant contracts. The average credit period on purchase of services is 30 – 60 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

The Group offers a range of integrated digital marketing services including (i) social media management services; (ii) digital advertisement placement services; and (iii) creative and technology services.

The Group's integrated digital marketing business has continued to grow steadily. Customers' demand for digital marketing had risen as they generally recognised that marketing via digital platforms is a major trend, mainly due to the rising utilisation rate of the Internet. Hence, it is necessary to include digital platforms in the marketing solutions mix in order to effectively target customer groups. Furthermore, through digital marketing supported by Big Data*, customers not only can estimate the exposure based on their budget, but also can obtain other important information such as the shifts in sales amount and the preference of target customers. Close communications with customers enabled the Group to tailor our integrated digital marketing services that better address the needs of our customers and meet customers' marketing goals.

Customers showed a greater interest in innovative digital marketing solutions. This trend enabled the Group's creative and technology services to achieve an outstanding performance. The Group has incorporated innovative technologies such as facial expression and lip recognition and online "chatbot" functions in recent projects. In the future, the Group believes that artificial intelligence will become another potential new technology to be harnessed in marketing activities. In light of this, the Group intends to accelerate its pace of development to capture early opportunities in the market and tailor more creative marketing activities for our customers.

Looking ahead, drivers of growth are readily apparent in the digital marketing market. With the emergence of new media and platforms, companies are changing their strategies of conveying messages to target customers. The Group sees the trend that digital advertising spending will surpass that of traditional advertising in the coming few years. Hence, the Group believes that the success of technology-driven marketing projects will further promote the overall development of digital marketing market, and thus it will allocate greater resources to drive the development of the business in a bid to boost the Group's total revenue.

* Big Data: the information assets characterised by such a high volume, velocity and variety to require specific technology and analytical methods for its transformation into value.



FINANCIAL REVIEW

Revenue

The Group's revenue was generated from the integrated digital marketing business which divided from the provision of (i) social media management services; (ii) digital advertisement placement services; and (iii) creative and technology services.

Total revenue of the Group grew by around 11.75% from approximately HK\$87.58 million for the six months ended 30 September 2017 to approximately HK\$97.87 million for the Period, which represented a stable growth on the revenue.

For the Period, revenue generated from (i) social media management services amounted to approximately HK\$39.00 million (six months ended 30 September 2017: approximately HK\$40.47 million), constituting around 39.85% of our total revenue (six months ended 30 September 2017: around 46.21%); (ii) digital advertisement placement services amounted to approximately HK\$14.16 million (six months ended 30 September 2017: approximately HK\$19.81 million), constituting around 14.47% of our total revenue (six months ended 30 September 2017: around 22.62%); (iii) creative and technology services amounted to approximately HK\$44.71 million (six months ended 30 September 2017: approximately HK\$27.31 million), constituting around 45.68% of our total revenue (six months ended 30 September 2017: around 31.17%).

Overall, the increase in revenue generated from creative and technology services outweighed the decrease in revenue generated from social media management services and digital advertisement placement services. The revenue generated from creative and technology services has significantly increased by around 63.71% for the Period because of higher demands on the integrated digital marketing consultancy services in the PRC market.

Other income, gains or losses

Other income, gains or losses of the Group increased by around 45.69% from approximately HK\$1.16 million for the six months ended 30 September 2017 to approximately HK\$1.69 million for the Period, which was mainly attributable to the increase in reversal of impairment loss on trade receivables and gain on disposal of available-for-sales investments during the Period.



Selling expenses

The Group's selling expenses increased by around 19.69% from approximately HK\$12.19 million for the six months ended 30 September 2017 to approximately HK\$14.59 million for the Period. The selling expenses mainly comprised selling staff costs, sales commission and marketing-related expenses. The increase in selling expenses was mainly due to the increase of marketing-related expenses and staff costs.

Administrative expenses

The Group's administrative expenses increased by around 18.84% from approximately HK\$28.39 million for the six months ended 30 September 2017 to approximately HK\$33.74 million for the Period. The administrative expenses mainly comprised rental expenses, utility expenses, building management fees, recruitment-related expenses, legal and professional fees and listing-related expenses. The increase in administrative expenses for the Period was mainly due to the increase in (i) administrative staff costs; (ii) depreciation; and (iii) exchange loss.

Income tax expenses

The income tax expense increased from nil for the six months ended 30 September 2017 to approximately HK\$0.37 million for the Period, which was mainly attributable to the increase in PRC Enterprise Income Tax for the Period.

Loss for the period attributable to owners of the Company

For the Period, loss attributable to owner of the Company was approximately HK\$19.94 million (six months ended 30 September 2017: approximately HK\$5.90 million). The Group targets to continue implementing the expenses control policy and to show reduction in loss.



● **EVENT AFTER THE REPORTING PERIOD**

No significant events occurred subsequent to 30 September 2018 and up to the date of this report.

INTERIM DIVIDEND

The Board resolved not to declare an interim dividend for the Period (six months ended 30 September 2017: Nil).

LIQUIDITY AND CAPITAL RESOURCES

As at 30 September 2018, the Group's current ratio was 1.40, compared to 1.96 as at 31 March 2018. As at 30 September 2018, the Group's bank balances and cash amounted to approximately HK\$5.58 million (31 March 2018: approximately HK\$18.57 million). The decrease in current ratio was mainly due to the decrease in bank balances and cash following the acquisition of investment properties during the Period.

The total interest-bearing loans and borrowings (interest-bearing bank borrowings and bank overdrafts) of the Group as at 30 September 2018 were nil (31 March 2018: nil).

During the Period, the Group did not experience any withdrawal of facilities, default in payment of trade and other payables, bank borrowing or breach of financial covenants. As at 30 September 2018, there was no amount due to related parties (31 March 2018: Nil). The Group does not have a foreign currency hedging policy. However, we monitor our exposure to foreign currency risk on an ongoing basis and would consider hedging against significant foreign currency exposure should it be necessary. The Group's financial position remained solid and we have sufficient bank balances and cash denominated in RMB to meet our foreign exchange liabilities as they become due.

Our contractual commitments mainly involve leases of office properties. As at 30 September 2018, the total commitment for future minimum lease payments under non-cancellable operating lease was approximately HK\$12.20 million (31 March 2018: approximately HK\$14.83 million).



CAPITAL STRUCTURE

Since the Listing, the Group's capital structure has not changed. Our equity consists only of ordinary shares. On the date of this interim report, the Company's issued share capital amounted to HK\$16,672,000 and the number of issued ordinary shares is 1,667,200,000 with a par value of HK\$0.01. Our contract commitments mainly involve leases of office properties.

SIGNIFICANT INVESTMENT HELD

As at 30 September 2018, the Group had the following significant investments: (i) held-to-maturity investments amounted to approximately HK\$5.05 million (31 March 2018: approximately HK\$6.61 million), which consist of 1 corporate bond (31 March 2018: 2); (ii) held for trading investments amounted to approximately HK\$2.46 million (31 March 2018: approximately HK\$4.31 million), which consist of 6 equity securities (31 March 2018: 6); (iii) available-for-sale investments amounted to approximately HK\$14.74 million (31 March 2018: approximately HK\$27.65 million), which consist of 12 investment funds (31 March 2018: 30) and 2 unlisted equity securities (31 March 2018: 2); and (iv) investment properties amounted to approximately HK\$31.01 million (31 March 2018: approximately HK\$21.32 million), which consist of 10 car parks and 3 premises located in Hong Kong (31 March 2018: 10 car parks and a premises located in Hong Kong).

Save as disclosed above and the investment in subsidiaries and associates by the Company, the Group did not hold any significant investments during the Period.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

As at 30 September 2018, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.



EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2018, the Group employed 269 full-time employees (31 March 2018: 262). For the Period, staff costs of the Group (including Directors' emoluments) were approximately HK\$49.46 million (six months ended 30 September 2017: approximately HK\$43.91 million). Remuneration is determined with reference to market terms and the performance, qualification and experience of the employees aiming at attracting and retaining eligible employees to contribute to the Group. Apart from basic remuneration, share options may be granted under the share option scheme of the Company to eligible employees by reference to the Group's performance as well as individual's contribution.

CHARGE OF ASSETS

The Group did not have any charges on its assets as at 30 September 2018.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 30 September 2018, the Group did not have any significant capital commitments (31 March 2018: Nil). Save for the business plan disclosed in the prospectus of the Company dated 22 May 2015 (the "Prospectus") or otherwise disclosed in this report, the Group did not have any future plans for material investments or capital assets as at 30 September 2018.

GEARING RATIO

As at 30 September 2018 and 31 March 2018, the Group did not have any interest-bearing debt and hence gearing ratio was not applicable.

FOREIGN EXCHANGE EXPOSURE

As at 30 September 2018, the Group had a portion of its bank deposits denominated in RMB. The Group does not have a foreign currency hedging policy but the management of the Group monitors the Group's exposure to foreign currency risk and would consider taking appropriate actions when necessary. The above-mentioned bank deposits denominated in RMB amounted to approximately HK\$0.37 million (31 March 2018: approximately HK\$2.77 million).



CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 September 2018 (31 March 2018: Nil).

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's key risks and uncertainties are summarised as follows:

- (i) The Group's ongoing operations and growth could be affected if it fails to attract, recruit or retain key personnel including the executive Directors, senior management and key employees;
- (ii) The Group relies on a sole supplier, Viral Digital Studio Limited ("VDS"), for the provision of online monitoring services, and any disruption in the provision of services from VDS or the Group's inability to identify alternative service providers may affect the Group's business operations and financial results;
- (iii) The Group's clients may delay in settlement of its bills, which may result in material adverse impact on the Group's business, financial conditions and results of operations;
- (iv) The Group's reputation, brand name and business could be adversely affected by misconducts of third parties, including the Group's partner websites, apps, mobile sites, service providers and advertising agencies, all of whom being independent entities and hence the Group does not have direct control over those third parties in relation to the contents shown on their websites, app and mobile sites and/or their activities; and
- (v) The Group's business and financial performance may be adversely affected and the business sustainability may also be adversely affected if the Group are unable to secure engagements from clients through the tendering process.

For other risks and uncertainties facing the Group, please refer to the section headed "Risk Factors" in the Prospectus.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2018, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Long positions in the Shares and the underlying Shares of the Company

Name	Nature of interest	Total number of Shares held	Total number of underlying Shares held	Total interests	Percentage of shareholding
Mr. Yip Shek Lun ("Mr. Alan Yip") (Chief executive officer and chairman of the Board)	Interests held jointly with another person (Note 1)	349,460,000	5,990,000	355,450,000	21.32%
	Interest in controlled corporation (Note 2)/Interest of spouse (Note 3)	249,120,000	5,490,000	254,610,000	15.27%
	Beneficial owner	-	30,690,000	30,690,000	1.84%
Ms. Wan Wai Ting ("Ms. Karin Wan")	Interests held jointly with another person (Note 1)	349,460,000	5,990,000	355,450,000	21.32%
	Interest in controlled corporation (Note 2)/Interest of spouse (Note 3)	249,120,000	30,690,000	279,810,000	16.78%
	Beneficial owner	-	5,490,000	5,490,000	0.33%
Mr. Ng Chi Fung ("Mr. Jeff Ng")	Interests held jointly with another person (Note 1)	415,700,000	36,680,000	452,380,000	27.13%
	Beneficial owner	182,880,000	5,490,000	188,370,000	11.30%
Mr. Wang Zhong Lei	Beneficial owner	-	1,000,000	1,000,000	0.06%



Notes:

1. Mr. Alan Yip, Ms. Karin Wan, Mr. Jeff Ng and Ms. Wang Lai Man, Liza (“**Ms. Liza Wang**”) are persons acting in concert and accordingly each of them is deemed to be interested in the Shares held by the others. By a deed of confirmation and undertaking entered into among Mr. Alan Yip, Mr. Jeff Ng, Ms. Karin Wan and Ms. Liza Wang dated 2 January 2014 (the “**Acting in Concert Confirmation and Undertaking**”), each of Mr. Alan Yip, Ms. Karin Wan, Mr. Jeff Ng and Ms. Liza Wang confirmed that, inter alia, they had exercised their voting rights at the meetings of the shareholders and/or directors of members of the Group in unanimity since 1 April 2011 and had undertaken to continue to do so upon the execution of the Acting in Concert Confirmation and Undertaking and during the period they (by themselves or together with their associates) remain in control of the Group until the Acting in Concert Confirmation and Undertaking is terminated by them in writing.
2. These Shares are held by Cooper Global Capital Limited (“**Cooper Global**”), which is owned as to 50.00% by Mr. Alan Yip and 50.00% by Ms. Karin Wan. By virtue of the SFO, Mr. Alan Yip and Ms. Karin Wan are deemed to be interested in the Shares held by Cooper Global.
3. Mr. Alan Yip is the spouse of Ms. Karin Wan. Under the SFO, Mr. Alan Yip is deemed to be interested in all the Shares in which Ms. Karin Wan is interested. Ms. Karin Wan is the spouse of Mr. Alan Yip. Under the SFO, Ms. Karin Wan is deemed to be interested in all the Shares in which Mr. Alan Yip is interested.

Save as disclosed above, as at 30 September 2018, none of the Directors nor chief executive of the Company has registered any interests and short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

So far as the Directors are aware, as at 30 September 2018, the following persons (other than the Directors or chief executive of the Company) had or deemed or taken to have an interest and/or short position in the Shares or underlying Shares or debentures of the Company which were required to be recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, or to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the GEM Listing Rules:

Long positions in the Shares and the underlying Shares of the Company

Name	Nature of interest	Total number of Shares held	Total number of underlying Shares held	Total interests	Percentage of shareholding
Cooper Global	Beneficial owner	249,120,000	–	249,120,000	14.94%
Ms. Liza Wang	Interests held jointly with another person (Note 1)	432,000,000	41,670,000	473,670,000	28.41%
	Beneficial owner	166,580,000	500,000	167,080,000	10.02%
Mr. Luk Ting Kwan, Jerry	Interest of spouse (Note 2)	598,580,000	42,170,000	640,750,000	38.43%
Huayi Brothers International Investment Ltd. ("Huayi Brothers")	Beneficial owner	248,970,000	–	248,970,000	14.93%
HUAYI BROTHERS INTERNATIONAL LIMITED ("Huayi Brothers International")	Interest in controlled corporation (Note 3)	248,970,000	–	248,970,000	14.93%



Name	Nature of interest	Total number of Shares held	Total number of underlying Shares held	Total interests	Percentage of shareholding
Huayi Brothers Media Corporation (" Huayi Brothers Media ")	Interest in controlled corporation (Note 3)	248,970,000	–	248,970,000	14.93%
HGI GROWTH CAPITAL LIMITED (" HGI Growth ")	Beneficial owner	132,720,000	–	132,720,000	7.96%
Mr. Cheung Wing Hon (" Mr. Patrick Cheung ")	Interest in controlled corporation (Note 4)	132,720,000	–	132,720,000	7.96%
	Beneficial owner	–	4,440,000	4,440,000	0.27%
Ms. Lo Wai Kei	Interest of spouse (Note 5)	132,720,000	4,440,000	137,160,000	8.23%
PURE FORCE INVESTMENTS LIMITED (" Pure Force ")	Beneficial owner	109,930,000	–	109,930,000	6.59%
Mr. Wong Yuet Yeung Harry (" Mr. Harry Wong ")	Interest in controlled corporation (Note 6)	109,930,000	–	109,930,000	6.59%



Notes:

1. Mr. Alan Yip, Ms. Karin Wan, Mr. Jeff Ng and Ms. Liza Wang are persons acting in concert and accordingly each of them is deemed to be interested in the Shares held by the others. By the Acting in Concert Confirmation and Undertaking, each of Mr. Alan Yip, Ms. Karin Wan, Mr. Jeff Ng and Ms. Liza Wang confirmed that, inter alia, they had exercised their voting rights at the meetings of the shareholders and/or directors of members of the Group in unanimity since 1 April 2011 and had undertaken to continue to do so upon the execution of the Acting in Concert Confirmation and Undertaking and during the period they (by themselves or together with their associates) remain in control of the Group until the Acting in Concert Confirmation and Undertaking is terminated by them in writing.
2. Mr. Luk Ting Kwan, Jerry is the spouse of Ms. Liza Wang. Under the SFO, Mr. Luk Ting Kwan, Jerry is deemed to be interested in all the Shares in which Ms. Liza Wang is interested.
3. These Shares are held by Huayi Brothers, which is wholly owned by Huayi Brothers International, which is in turn wholly owned by Huayi Brothers Media. By virtue of the SFO, Huayi Brothers International and Huayi Brothers Media are deemed to be interested in all the Shares held by Huayi Brothers.
4. These Shares are held by HGI Growth, which is wholly owned by Mr. Patrick Cheung. By virtue of the SFO, Mr. Patrick Cheung is deemed to be interested in all the Shares held by HGI Growth.
5. Ms. Lo Wai Kei is the spouse of Mr. Patrick Cheung. Under the SFO, Ms. Lo Wai Kei is deemed to be interested in all the Shares in which Mr. Patrick Cheung is interested.
6. These Share are held by Pure Force, which is wholly owned by Mr. Harry Wong. By virtue of the SFO, Mr. Harry Wong is deemed to be interested in all the Shares held by Pure Force.

Save as disclosed above, as at 30 September 2018, the Directors were not aware of any other persons (other than the Directors or chief executive of the Company) who had or deemed or taken to have any interests or short positions in the Shares, underlying Shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEME

The Company's share option scheme (the "Share Option Scheme") was conditionally approved by the Company pursuant to the written resolutions of all the then shareholders of the Company dated 20 May 2015. The terms of the Share Option Scheme are in accordance with Chapter 23 of the GEM Listing Rules.

Details of the share options granted and accepted under the Share Option Scheme during the Period and their movements during the Period are as follow:

Grantee	Position	Date of grant	Exercise period	Exercise price per Share HK\$	Outstanding		Granted during the Period	Lapsed during the Period	Exercised during the Period	Outstanding
					as at 1 April 2018	as at 30 September 2018				
Mr. Alan Yip	Executive Director, chief executive officer	9 Dec 2015 (Note 1)	1 Jul 2016 to 30 June 2018	0.315	30,690,000	-	(30,690,000)	-	-	-
Ms. Karin Wan	Executive Director	9 Dec 2015 (Note 1)	1 Jul 2016 to 30 June 2018	0.315	5,490,000	-	(5,490,000)	-	-	-
Mr. Jeff Ng	Executive Director	9 Dec 2015 (Note 1)	1 Jul 2016 to 30 June 2018	0.315	5,490,000	-	(5,490,000)	-	-	-
Mr. Wang Zhong Lei	Non-executive Director	9 Dec 2015 (Note 1)	1 Jul 2016 to 30 June 2018	0.315	1,000,000	-	(1,000,000)	-	-	-
Mr. Patrick Cheung	Former Non-executive Director	9 Dec 2015 (Note 1)	1 Jul 2016 to 30 June 2018	0.315	4,440,000	-	(4,440,000)	-	-	-
Ms. Liza Wang	Former Non-executive Director	13 Jul 2015 (Note 2)	12 Oct 2015 to 11 Apr 2018	0.63	500,000	-	(500,000)	-	-	-
Employees and consultants		13 Jul 2015 (Note 2)	12 Oct 2015 to 11 Apr 2018	0.63	13,277,600	-	(13,277,600)	-	-	-
		9 Dec 2015 (Note 1)	1 Jul 2016 to 30 June 2018	0.315	7,880,000	-	(7,880,000)	-	-	-
Total					68,767,600	-	(68,767,600)	-	-	-



Notes:

1. The closing price of the Shares immediately before the date on which these share options were granted, that is 8 December 2015, was HK\$0.315 per Share.
2. The closing price of the Shares immediately before the date on which these share options were granted, that is 10 July 2015, was HK\$0.55 per Share.

18,787,600 share options granted on 13 July 2015 shall be exercisable in three tranches and subject to the following vesting periods: (i) one third of the Shares shall be vested and exercisable from 12 October 2015; (ii) another one third of the Shares shall be vested and exercisable from 12 October 2016; and (iii) the remaining of the Shares shall be vested and exercisable from 12 October 2017.

5,500,000 share options granted on 13 July 2015 shall be exercisable in two tranches and subject to the following vesting periods: (i) one half of the Shares shall be vested and exercisable from 12 October 2015; and (ii) the remaining of the Shares shall be vested and exercisable from 12 October 2016. During the Period, these 5,500,000 share options lapsed in accordance with the terms of the Share Option Scheme.

56,000,000 share options granted on 9 December 2015 shall be exercisable in three tranches and subject to the following vesting periods: (i) one third of the Shares shall be vested and exercisable from 1 July 2016; (ii) another one third of the Shares shall be vested and exercisable from 1 January 2017; and (iii) the remaining of the Shares shall be vested and exercisable from 1 January 2018.

During the Period, a total number of 68,767,600 share options lapsed in accordance with the terms of the Share Option Scheme. As at 30 September 2018, the outstanding number of share options available for grant under the Share Option Scheme was nil.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Other than the Share Option Scheme disclosed above, at no time during the Period was the Company, or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.



CHANGES IN INFORMATION OF DIRECTORS

The changes in Directors' information subsequent to the date of the half-year report for the six months ended 30 September 2017, as required to be disclosed pursuant to Rule 17.50A(1) of the GEM listing Rules, are set out below:

Mr. Tso Ping Cheong, Brian resigned as an independent non-executive director of GreaterChina Professional Services Limited (a company listed on the Stock Exchange, stock code: 8193) on 8 January 2018.

Mr. David Tsoi was appointed as an independent non-executive director of Everbright Grand Assets Limited (a company listed on the Stock Exchange, stock code: 3699) on 16 January 2018.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

The Directors are not aware of any business or interest of the Directors nor the controlling shareholders of the Company nor any of their respective close associates that competes or may compete, directly or indirectly, with the Group's business and any other conflicts of interest which any such person has or may have with the Group during the Period.

DEED OF NON-COMPETITION

A deed of non-competition dated 20 May 2015 was entered into by Mr. Alan Yip, Mr. Jeff Ng, Ms. Karin Wan, Ms. Liza Wang and Cooper Global, all being the Company's controlling shareholders, in favour of the Company regarding certain non-competition undertakings. The details of the deed of non-competition have been disclosed in the section headed "Relationship with Our Controlling Shareholders" in the Prospectus.

INTERESTS OF COMPLIANCE ADVISER

The compliance adviser agreement entered into between the Company and CLC International Limited on 22 May 2015 has been expired on 30 June 2018.



● **CODE OF CONDUCT FOR DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings concerning securities transactions by the Directors as set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the “**Model Code**”) as its own code governing securities transactions of the Directors. Having made specific enquiry of all the Directors, all of them confirmed that they had fully complied with the required standard of dealings as set out in the Model Code during the Period and up to the date of this report.

Pursuant to Rule 5.66 of the Model Code, the Directors have also requested any employee of the Company or director or employee of a subsidiary of the Company who, because of his or her office or employment in the Company or a subsidiary, is likely to possess inside information in relation to the securities of the Company, not to deal in securities of the Company when he or she would be prohibited from dealing by the Model Code as if he or she were a Director.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the Period, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any securities of the Company.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board strives to uphold the principles of corporate governance as set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix 15 to the GEM Listing Rules, and has adopted various measures to enhance the internal control system, the Directors' continuous professional development and other areas of practice of the Company. While the Board strives to maintain a high level of corporate governance, it also works hard to create values and achieve maximum return for its shareholders. The Board will continue to conduct review and improve the quality of corporate governance practices with reference to local and international standards.

During the Period, the Company has complied with the code provisions, other than Provisions A.2.1, A.6.7 and E.1.2 of the CG Code.



Provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Alan Yip is the chairman of the Board and the chief executive officer of the Company and has been managing the Group's business and overall strategic planning since its establishment. The Directors believe that the vesting of the roles of chairman of the Board and chief executive officer in Mr. Alan Yip is beneficial to the business operations and management of the Group as it provides a strong and consistent leadership to the Group and that the current management has been effective in the development of the Group and the implementation of business strategies under the leadership of Mr. Alan Yip. In allowing the two roles to be vested in the same person, the Group believes that both positions require in-depth knowledge and considerable experience of the Group's business and Mr. Alan Yip is the most suitable person to occupy both positions for effective management of the Group. Accordingly, the Company has not segregated the roles of its chairman of the Board and chief executive officer of the Company as required by Provision A.2.1 of the CG Code.

Provision A.6.7 of the CG Code requires that independent non-executive directors and other non-executive directors shall attend general meetings and develop a balanced understanding of the views of shareholders. Ms. Cheung Laam, Mr. Wang Zhong Lei, being the non-executive Directors and Mr. Hong Ming Sang, being the independent non-executive Director, did not attend the Company's annual general meeting ("**AGM**") held on 7 August 2018 due to their other unexpected business engagements.

Under Provision E.1.2 of the CG Code, the chairman of the Board should attend the annual general meeting of the Company, and the chairman of the board committees and failing whom, another member of the relevant committee should be available to answer questions thereat. Due to prior business engagements, the chairman of the remuneration committee was not able to attend the AGM held on 7 August 2018 in person, but he has already delegated to one of the executive Directors to answer questions on his behalf.



AUDIT COMMITTEE

The Company established an audit committee (the “**Audit Committee**”) pursuant to a resolution of the Directors passed on 20 May 2015 with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules. The Audit Committee comprises three members, namely, Mr. Tso Ping Cheong, Brian, Mr. David Tsoi and Mr. Hong Ming Sang, who are independent non-executive Directors. Mr. Tso Ping Cheong, Brian, who has appropriate professional qualifications and experience in accounting matters, is the chairman of the Audit Committee. The primary duties of the Audit Committee are, among other things, to make recommendations to the Board on the appointment, reappointment and removal of external auditor, review financial information, oversee our financial reporting process, internal control, risk management systems and audit process and perform other duties and responsibilities assigned by the Board.

The Audit Committee has reviewed the unaudited condensed consolidated results of the Group for the Period and is of the opinion that such results complied with HKFRSs, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures had been made.

By order of the Board

Guru Online (Holdings) Limited

Yip Shek Lun

Chief Executive Officer, Chairman of the Board and Executive Director

Hong Kong, 13 November 2018

As at the date of this report, the executive Directors are Mr. Yip Shek Lun, Mr. Ng Chi Fung and Ms. Wan Wai Ting; the non-executive Directors are Ms. Cheung Laam and Mr. Wang Zhong Lei and the independent non-executive Directors are Mr. Tso Ping Cheong, Brian, Mr. David Tsoi, Mr. Hong Ming Sang and Mr. Lam Tung Leung.