创联教育

China Chuanglian Education Group Limited

中國創聯教育集團有限公司

(Incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立之有限公司)

Stock code: 2371

ANNUAL REPORT 2013

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CORPORATE INFORMATION

Executive Directors

Mr. LI Qing
Mr. LI Jia

Independent Non-executive Directors

Mr. LEUNG Siu Kee
Mr. HAN Bing
Ms. WANG Shuping

Company Secretary

Mr. TING Pong Ming

Audit Committee

Mr. LEUNG Siu Kee
(Chairman of the Audit Committee)
Mr. HAN Bing
Ms. WANG Shuping

Remuneration Committee

Ms. WANG Shuping
(Chairman of the Remuneration Committee)
Mr. LEUNG Siu Kee
Mr. HAN Bing

Nomination Committee

Mr. HAN Bing
(Chairman of the Nomination Committee)
Mr. LEUNG Siu Kee
Ms. WANG Shuping

Authorised Representatives

Mr. LI Qing
Mr. TING Pong Ming

Auditor

SHINEWING (HK) CPA Limited

Principal Bankers

Hang Seng Bank Limited
Citibank, N.A.

Registered Office

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal Place of Business in Hong Kong

Rooms 905-6,
9th Floor, Massmutual Tower
38 Gloucester Road
Wanchai, Hong Kong

Principal Share Registrar and Transfer Office

Royal Bank of Canada Trust Company
(Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Union Registrars Limited
18th Floor, Fook Lee Commercial Centre
Town Place, 33 Lockhart Road
Wanchai, Hong Kong

Website

www.chinahrt.com

Stock Code

2371

FINANCIAL SUMMARY

The following is a summary of the published results and assets and liabilities of the Group for the last five financial years:

Results

	2013	2012	2011	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Turnover	**98,350**	22,748	58,169	30,970	31,334
Gross profit/(loss)	**73,004**	(644,489)	(43,655)	(33,766)	424
Profit/(loss) for the year	**10,383**	(702,236)	(146,841)	(105,290)	(9,233)
Profit/(loss) for the year attributable to:					
Owners of the Company	**7,712**	(701,309)	(145,840)	(105,150)	(9,233)
Non-controlling interests	**2,671**	(927)	(1,001)	(140)	–
	10,383	(702,236)	(146,841)	(105,290)	(9,233)
Basic earnings/(loss) per share (RMB cent(s))	**0.33**	(35.34)	(8.30)	(8.50)	(2.24)

Assets and Liabilities

	2013	2012	2011	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	**498,528**	30,572	684,787	674,587	33,967
Current assets	**133,329**	62,599	66,850	110,075	149,586
Current liabilities	**70,110**	(59,174)	(40,316)	(25,601)	(13,903)
Net current assets	**63,219**	3,425	26,534	84,474	135,683
Non-current liabilities	**(26,655)**	(43,519)	(37,703)	(73,129)	–
Non-controlling interests	**(2,539)**	132	(795)	(816)	–
Equity	**532,553**	(9,390)	672,823	685,116	169,650

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the year ended 31 December 2013, the Group recorded a turnover of approximately RMB98,350,000 (2012: approximately RMB22,748,000), representing an increase of 332.3% as compared to that of last year. Of these, turnover derived from advertising media income and consultancy service income and TV programmes distribution services income and educational consultancy and online training were approximately RMB437,000, RMB30,690,000 and RMB67,223,000 respectively (2012: approximately RMB10,240,000, RMB12,508,000 and Nil respectively).

Administrative expenses for the year ended 31 December 2013 was approximately RMB35,204,000 (2012: approximately RMB42,425,000), representing a decrease of 17.02% as compared to that of last year. The decrease in expenses was mainly due to the saving in the staff cost.

The profit/(loss) for the year attributable to owners of the Company aggregated at approximately RMB7,712,000 (2012: approximately RMB(701,309,000)). The basic earnings/(loss) per share for the year ended 31 December 2013 was RMB0.33 cent (2012: RMB(35.34) cents).

Business Review

During the year under review, the Group was principally engaged in (i) the provision of advertising and consultancy services in respect of placing advertisements on the outdoor billboards and LED screens of the Group to advertisers and advertising agencies and (ii) the provision of the online training and education services.

The contributions from the advertising media business continued to decrease in the year of 2013 due to unfavourable operating environment of the advertising industry in the PRC. The Group ceased the investment of new outdoor media but maintained only part of the existing ones.

Meanwhile, the Group's TV programmes distribution business generated stable revenue in the year of 2013. The new 30 episodes of TV programme titled《捍衛者》was broadcasted by the CCTV-8 in April 2013 and several provincial TV stations thereafter.

On August 2013, the major acquisition in relation to the acquisition of the entire issued share capital of Housden Holdings Limited ("Housden") was completed. This provides the Group a unique opportunity to expand in the online education business and online advertising industry in the PRC. The online education business generated stable revenue in the second half of 2013 and the Directors expect that the online education business will further broaden the source of revenue of the Group in the near future.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Outlook

In August 2013, the Group successfully completed the acquisition of CL Education Limited (hereinafter as "CL Education"). Through the acquisition, the Group successfully established a cross-media platform, signifying the Group's entry into the promising online education business in the PRC. With the support from CL Education, the Group established an online education platform that facilitating online learning to public services, intelligent management of online education, and educational resources trading with the capacity of supporting large-scale online users using online education simultaneously. Currently, the platform mainly provides specific online education and training service to two types of users: 1) those who require further education due to career development, as demonstrated by providing online education for domestic civil servants who need on-the-job training as well as professional and technical personnel who need further education; 2) those who prepare for professional qualification examinations to obtain corresponding qualification certificates, as demonstrated by providing them with online education before relevant examinations. As at the end of 2013, our services have covered 44 provinces and cities and industries across the PRC with more than 2.09 million registered users and more than 1.69 million paid users and are expected to continue to grow in the future.

According to the forecast conducted by GSV Global Education Industry Report, it is expected that the global online education market scale will expand to a value of US$255.5 billion, representing a compound annual growth rate (CAGR) of 23%. Meanwhile, the online education in China will embrace an explosive growth. According to the Sohu White Paper on Education Industry of 2012, the scale of online education market in China has amounted to a value of RMB72.3 billion. It is expected that by 2017 the CAGR of the online education market in China will reach 31.7% with an overall market scale surpassing a value of RMB170 billion.

In respect of CL Education, it focuses on the on-the-job training of China's civil servants and continuing education market that serves professional and technical personnel. As at 2013, the PRC has over 7 million civil servants and 55 million professional and technical personnel, which grows at a CAGR of 4%. As stipulated by the 2013-2017 National Cadre Education and Training Planning announced by the Chinese government, civil servants and professional and technical personnel shall satisfy the annual minimum training requirements. As varied by different positions, the minimum training duration ranges from 90 hours per year to 110 hours per year, of which hours for online training course shall not surpass 40% of those for the whole training course. Therefore, it is obvious that the Group's effort in expanding the market is limited, and that a huge potential market is waiting to be explored. As the huge demand for online education in China, the Board is optimistic about the acquisition of the internet platform and the online education business which will drive the growth of the Group. The Board also intends to expand other online education businesses, so as to enhance the profitability of the Group and the Shareholders' interests in the long run.

MANAGEMENT DISCUSSION AND ANALYSIS

During the year 2014, collaborated with the provincial government authorities in Guangxi, the Group has a new investment in the 廣西北部灣人力資本投資服務有限公司 (Guangxi Beibuwan Human Resources Investment Company Limited*) ("Beibuwan Human Resources"). The business of Beibuwan Human Resources includes online education, degree education via the cooperation with universities in Guangxi and the provision of human resources consultancy services in Guangxi.

Besides, the Group has also plan to explore the online education business from B2B to B2C and this new strategy will increase the number of users rapidly. Meanwhile, the Group will continue to seek other investment opportunities on the internet platform with an aim to enhancing the Group's profitability and the shareholders' value in the long run.

Advance to an Entity

On 10 July 2009, Smart Century Investment Limited, a wholly-owned subsidiary of the Company, provided financial assistance in the sum of HK$20,000,000 to Apex One Enterprises Limited ("Apex One"), a 49%-owned and affiliated company of the Company. The principal activity of Apex One is securities trading. For more details, please refer to the Company's announcements dated 10 July 2009 and 13 July 2009.

At 31 December 2013, the amount due from Apex One was approximately RMB11,740,000.

Liquidity and Financial Resources

The Group generally finances its operations with internally generated cash flows and the bank balances.

As at 31 December 2013, the Group had bank balances and cash of approximately RMB50,917,000 as compared to the bank balances and cash of approximately RMB19,965,000 as at 31 December 2012.

The Group's net current assets totalled approximately RMB63,219,000 as at 31 December 2013, against approximately RMB3,425,000 as at 31 December 2012. The Group's current ratio was approximately 1.90 as at 31 December 2013 as compared with 1.06 as at 31 December 2012.

Gearing Ratio

The gearing ratio of the Group (measured as total liabilities to total assets) was approximately 15.3% as at 31 December 2013 (2012: approximately 110.2%).

* *For identification purpose only*

Capital Structure

As at 31 December 2013, the Company's issued share capital was approximately HK$236,902,000 (2012: approximately HK$202,194,000) and the number of its issued ordinary shares was 2,369,022,578 shares of HK$0.10 each.

During the year, the Company has issued and allotted 1,900,000 new ordinary shares at par value of HK$0.237, as a result of the exercise of share options to the share option holders of the Company. The Company has issued and allotted 100,000,000 new ordinary shares by means of conversion of preferred shares at the conversion rate of 1 preferred share to 1 ordinary share; 50,000,000, 10,662,756, 88,967,969 and 65,554,614 new ordinary shares at par value of HK$0.519, HK$0.29, HK$0.281 and HK$0.29 each, respectively, by means of conversion of convertible loan notes; and 30,000,000 ordinary shares at an issue price of HK$0.315 on pursuant to the placing agreements entered into between the Company and the placees.

During the year, the Company issued convertible bonds with the aggregate principal amount of RMB15,000,000 at an conversion price of HK$0.29 per share. The Company also issued an aggregate of 950,000,000 preferred shares at a subscription price of HK$0.21 each, being an amount of HK$199.5 million.

Material Transactions

Major Acquisition in relation to the Acquisition of the Entire Issued Share Capital of Housden Holdings Limited

On 7 September 2012, Talent Group Development Limited ("Talent Group"), a wholly-owned subsidiary of the Company, Headwind Holdings Limited ("Headwind") and Mr. Lu Xing ("Mr. Lu"), the beneficial owner of the entire issued share capital of Housden Holdings Limited ("Housden") and Headwind, entered into the acquisition agreement (the "Acquisition Agreement of Housden"), pursuant to which Talent Group has conditionally agreed to acquire and Headwind has conditionally agreed to dispose of the entire issued share capital of Housden at the initial consideration of HK$199.5 million which will be satisfied by the Company issuing 950,000,000 initial preferred shares at the issue price of HK$0.21 per preferred share upon completion of the Acquisition of Housden, and is subject to (i) the relevant valuation adjustment; and (ii) an upward adjustment by HK$199.5 million, to be satisfied by the Company issuing a total of 950,000,000 additional preferred shares to Headwind if Housden, CL Education Limited, 北京創聯中人技術服務有限公司 (Beijing Chuanglian Zhongren Technical Service Company Limited*), 北京創聯教育投資有限公司 (Beijing Chuanglian Education Investment Company Limited*) and 北京中人光華教育科技有限公司 (Beijing Zhongren Guanghua Education Technology Company Limited*) fulfilled the relevant profit warranty under the Acquisition Agreement of Housden. In aggregate, a maximum of 1,900,000,000 preferred shares shall be issued by the Company to Headwind if the relevant profit warranty is fulfilled.

The Acquisition contemplated under the Acquisition Agreement was completed on 8 August 2013 and has become a direct wholly-owned subsidiary of the Talent Group.

The Acquisition of Housden constitutes a major acquisition for the Company under Rule 14.06 of the Listing Rules and is subject to the reporting, announcement and shareholders' approval to be sought at the extraordinary general meeting of the Company.

Details of the Acquisition of Housden have been set out in the announcements dated 9 September 2012, 7 December 2012, 31 December 2012, 15 January 2013, 28 February 2013, 1 April 2013, 30 April 2013, 31 May 2013, 27 June 2013, 24 July 2013 and 8 August 2013 published by the Company.

Non-exempt Continuing Connected Transactions

The following continuing connected transactions constitute non-exempt continuing connected transactions for the Company under Chapter 14A of the Listing Rules:

A. Continuing Connected Transaction in relation to the Consultancy and Services Agreement between Beijing Chuanglian Zhongren and Beijing Chuanglian Education

On 25 March 2011, 北京創聯中人技術服務有限公司 (Beijing Chuanglian Zhongren Technical Service Company Limited* or "Beijing Chuanglian Zhongren") and 北京創聯教育投資有限公司 (Beijing Chuanglian Education Investment Company Limited* or "Beijing Chuanglian Education") entered into the exclusive consultancy and services agreement (the "Consultancy and Services Agreement") pursuant to which, among others, Beijing Chuanglian Education engages Beijing Chuanglian Zhongren on an exclusive basis to provide consultation and related services. Pursuant to the Consultancy and Services Agreement, Beijing Chuanglian Education engages Beijing Chuanglian Zhongren on an exclusive basis to provide consultation and related services to Beijing Chuanglian Education for a term of 20 years. Pursuant to the stipulations on consultancy and service fee in the Consultancy and Services Agreement, Beijing Chuanglian Education will have to transfer 90% of business revenue of Beijing Chuanglian Education to Beijing Chuanglian Zhongren. The Consultancy and Services Agreement also stipulates that 90% of the business revenue of Beijing Chuanglian Education shall be paid as consultancy and service fee.

Upon completion of the Acquisition of Housden in accordance with terms and conditions of the Acquisition Agreement of Housden, the Guarantor (namely Mr. Lu Xing) becomes a substantial shareholder of the Company and thus Beijing Chuanglian Education (a company wholly owned by the Guarantor) becomes connected persons of the Company. As such, the transactions contemplated under the Consultancy and Services Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules upon completion.

As mentioned in the Company's 2012 Annual Report, the Group is optimistic about expanding other media resources and will continue to seek other investment opportunities in media platform and to explore the feasibility of expansion into other advertising business with an aim to enhance the Group's profitability and the Shareholders' value in the long run. In pursuit of expansion to other media resources, the Group has conducted the Acquisition of Housden, which allows the Group to tap into the online training and education market in the PRC which is lucrative and of huge potential for development. As Beijing Chuanglian Education, being a domestic enterprise wholly-owned by the Guarantor, is currently holding an ICP License and other requisite licenses for the operation of the online training and education websites, the Consultancy and Services Agreement can provide an appropriate environment for Beijing Chuanglian Zhongren to survive in the online training and education industry in the PRC.

The estimated services fee caps and actual fees paid or payable in respect of the transactions contemplated under the Consultancy and Services Agreement for the year ended 31 December 2013 are set out below:

	Caps *RMB'000*	**Actual fees paid or payable** *RMB'000*
Service fee of Beijing Chuanglian Education pursuant to the Consultancy and Services Agreement	927	5

B. Continuing Connected Transaction in relation to the Services Framework Agreement between Beijing Chuanglian Zhongren and Zhongren Guanghua

As at 24 June 2013, Beijing Chuanglian Zhongren entered into an agreement (the "Services Framework Agreement") with 北京中人光華教育科技有限公司 (Beijing Zhongren Guanghua Education Technology Company Limited* or "Zhongren Guanghua"). Pursuant to the Services Framework Agreement, Zhongren Guanghua engages Beijing Chuanglian Zhongren on an exclusive basis to provide certain technical services to Zhongren Guanghua for a term of 20 years in consideration for a service fee. Such service fee shall be 60% of the revenue generated by projects conducted by Zhongren Guanghua in relation to the provision of educational services as determined by the parties to the Services Framework Agreement. The service fee received by Beijing Chuanglian Zhongren pursuant to the Service Framework Agreement will be treated as revenue of Beijing Chuanglian Zhongren.

Upon completion of the Acquisition of Housden in accordance with terms and conditions of the Acquisition Agreement of Housden, the Guarantor (namely Mr. Lu Xing) becomes a substantial shareholder of the Company and thus and Zhongren Guanghua (being a company indirectly owned by the Guarantor as to 51%) becomes connected persons of the Company. As such, the transactions contemplated under the Services Framework Agreement constitutes continuing connected transactions for the Company under Chapter 14A of the Listing Rules upon completion.

The Directors were of the view that (i) the Services Framework Agreement will facilitate the operation of Zhongren Guanghua so that extensive technical services can be provided to it by Beijing Chuanglian Zhongren; and (ii) the Services Framework Agreement was on normal commercial terms and are fair and reasonable. Accordingly, the Directors considered that the entering into of the Services Framework Agreement was to the advantage of the Group and were in the interests of the Shareholders as a whole.

The caps and actual fees paid or payable in respect of the transactions contemplated under the Services Framework Agreement for the year ended 31 December 2013 are set out below:

	Caps	**Actual fees paid or payable**
	RMB'000	*RMB'000*
Service fee payable to Beijing Chuanglian Zhongren pursuant to the Services Framework Agreement	94,082	14,147

Details of the Consultancy and Services Agreement and Services Framework Agreement were disclosed in the announcements of the Company dated 9 September 2012 and 29 March 2013 and in the circular dated 28 June 2013 published by the Company.

The independent non-executive Directors have reviewed the continuing connected transactions above, and confirmed that these transactions have been entered into in the ordinary and usual course of business of the Group on normal commercial terms which are fair and reasonable and in the interests of the shareholders of the Company as a whole, and in accordance with the relevant agreement governing them.

The auditor of the Company was engaged to report on the Group's continuing connected transactions in accordance with the applicable accounting standards. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions in accordance with paragraph 14A.38 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to The Stock Exchange of Hong Kong Limited.

Fund Raising Activities

On 20 June 2013, the Company and each of the subscribers, who are independent investors, entered into the subscription agreements in respect of the issue of the convertible notes at the conversion price of HK$0.29 per share in the aggregate principal amount of RMB15,000,000. The subscription of convertible notes was completed on 2 July 2013.

On 3 October 2013, the Company entered into a placing and subscription agreements with a vendor and a placing agent in relation to a placement of 30,000,000 new ordinary shares of HK$0.1 each in the share capital of the Company at a price of HK$0.315 per placing share to independent investors. The placing was completed on 15 October 2013.

Foreign Exchange Exposure

Substantially all of the business transactions of the Group are denominated in Renminbi and Hong Kong dollars. The Group adopts a conservative financial policy. As at 31 December 2013, the Group did not have any bank liabilities, interest or currency swaps or other financial derivatives for hedging purpose. Therefore, the Group is not exposed to any material interest and exchange risks.

Charges on Group Assets

As at 31 December 2013, the Group did not have any charges on its assets (2012: Nil).

Contingent Liabilities

On 12 June 2010, an indirectly-owned subsidiary of the Company has been brought to the first court hearing at 河北省廊坊經濟技術開發區人民法院 by 日本赤見電機株式會社 ("Japan Chijian"). Japan Chijian has brought a claim for alleged breach of contractual undertakings in relation to the construction of a LED display panel located in the PRC for an amount of approximately RMB12,378,000.

A hearing was held on 4 July 2012 at 河北省石家莊中級人民法院 (the "Court"). No decision had been concluded during the hearing, however, based on principal of equitable liability, the Court has revealed an arbitration of claim of RMB7,500,000 to be paid by the Group for the ownership of the LED display panel. On 12 December 2012, another hearing was brought but no decision had been recognised and concluded.

With reference to a legal opinion obtained from the PRC legal advisor, likelihood of an unfavorable outcome is probable and the amount of the loss of RMB7,500,000 can be reasonably estimated. As a result, a provision of RMB7,500,000 in respect of such claim was made as at 31 December 2012.

On 13 December 2013, a decision has been concluded by the Court which the indirectly-owned subsidiary of the Company is ordered to pay approximately RMB10,593,000 to 日本赤見電機株式會社 and borne the related court expenses of approximately RMB129,000. However, an appeal was applied by the Group on 30 December 2013.

With reference to the decision of the Court, an additional provision of RMB3,222,000 in respect of such claim was made as at 31 December 2013.

As at the date of approval of the consolidated financial statements, no final decision had been made in the court proceedings.

As at 31 December 2013, the Group did not have any material contingent liabilities.

Capital Commitment

As at 31 December 2013, the Group had no outstanding capital commitment.

As at 31 December 2012, the Group had outstanding capital commitment in respect of the acquisition of 100% of the issued and paid-up capital of Housden Holdings Limited of HK$399 million (equivalent to approximately RMB320 million).

Employee Information and Remuneration Policy

As at 31 December 2013, the Group has 122 employees (2012: 60 employees) in Hong Kong and the PRC. The total staff cost is approximately RMB12,639,000 for the year ended 31 December 2013 (2012: approximately RMB8,684,000).

We offer competitive remuneration package, including medical and retirement benefits, to eligible employees. Apart from basic salary, employees are eligible to receive a discretionary bonus taking into accounts factors such as market conditions as well as corporate and individual's performance during the year.

In order to attract, retain and motivate eligible employees, including the directors of the Company, the Company has adopted a share option scheme. The scheme enables eligible persons to obtain an ownership interest in the Company and thus motivates them to optimise their continuing contributions to the Group. As at 31 December 2013, there are 75,760,000 share options remained outstanding.

We are confident that our employees will continue to provide a firm foundation for the success of the Group and will maintain high standard of service to our clients.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. LI Qing ("Mr. Li"), aged 44, is an executive Director. Mr. Li graduated from 北京職業大學機電學院 (now integrated into Beijing Union University). Mr. Li has over 20 years of experience in computer banking system planning, design, implementation, integration and management in China and worked in several sizable enterprises in China, including China Construction Bank. He has been the marketing director of Visioncom Ltd. (北京華際信息系統有限公司) and vice general manager of Blue D Tech Ltd. (蘭迪科諾科技發展有限公司). Currently, Mr. Li is the general manager of ChuangZhi LiDe (Beijing) Technology Development Company Limited, an indirect non-wholly-owned subsidiary of the Company. Mr. Li is also a shareholder of a non-wholly-owned subsidiary of the Company.

Mr. Li Jia ("Mr. Li Jia"), aged 46, is an executive Director. Mr. Li Jia has 13 years of experience in media operation and advertising business in the People's Republic of China. He graduated from Capital Medical University with a bachelor degree. From 2009 to 2010, he held the position of deputy general manager at Beijing CRI Glory Advertising Co., Ltd. (北京國廣光榮廣告有限公司) where he was responsible for media promotion and advertising sales for the domestic channels of China Radio International (CRI). From 2006 to 2009, he worked at Beijing ChinaIP. TV Advertising Co., Ltd. (北京寬視神州廣告有限公司) as executive deputy general manager and Asia Media Group (a company listed on the Tokyo Stock Exchange of Japan) as director of the business development department respectively. From 2004 to 2006, Mr. Li Jia was the deputy general manager of Beijing Yunhong Advertising Co., Ltd. (北京韵洪廣告有限公司), a wholly-owned subsidiary of Hunan TV & Broadcasting Intermediary Co., Ltd. (TIK) and the media director and deputy general manager of Beijing Ai'erbeisi Broadcasting & Advertising Co., Ltd. (北京愛耳貝思廣播廣告有限公司) respectively.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Independent Non-executive Directors

Mr. LEUNG Siu Kee ("Mr. Leung"), aged 37, is an independent non-executive Director. Mr. Leung is also the chairman of the audit committee of the Company and a member of the remuneration committee and nomination committee of the Company. Mr. Leung obtained his bachelor degree of Business Administration majoring in Accounting at the Hong Kong University of Science and Technology with first honour. He has extensive accounting knowledge as he had worked in two international accounting firms for more than 8 years, mainly to provide auditing and business assurance services. Afterwards, Mr. Leung has devoted to develop his career in corporate finance and corporate restructuring businesses. Currently, Mr. Leung is an associate member of the Hong Kong Institute of Certified Public Accountants and has been qualified for practice.

Mr. HAN Bing ("Mr. Han"), aged 53, is an independent non-executive Director. Mr. Han is also the chairman of the nomination committee of the Company and a member of the audit committee and remuneration committee of the Company. Mr. Han is a director of Beijing H&J Law Firm, a post-graduate of Chinese Academy of Social Sciences majoring in Commercial Economics and a part-time PhD candidate of China University of Political Science and Law in Procedural Law. Mr. Han is also an International Certified Finance Manager (focusing on financial strategy). Mr. Han has long been involved in legal practices and accumulated abundant practical experiences in law. Mr. Han worked in People's Procuratorate of Haidian District, Beijing from 1980 to 1987. He has been a full-time practicing lawyer since 1987. He joined Beijing Economy Law Firm (北京市經濟律師事務所) as Director for Department of Legal Affairs on Finance and Investment (金融投資法律事務部) since 1992. In 1999, he initiated the establishment of Beijing H&J Law Firm. Mr. Han was invited to be a long-term legal advisor for almost 100 enterprises successively. Major employers include Air China Limited, The People's Political Consultative Daily (《人民政協報》), Xinhua Daily Telegraph, China Central Television's legal program She Hui Jing Wei (《社會經緯》) and Business service Centre (商業服務中心) of the State-owned Assets Supervision and Administration Commission of the State Council. Social honours awarded to Mr. Han include "2011 Top 100 Criminal Defense Lawyer in Beijing" ("二零一一年北京市百名優秀刑辯律師"), "2010 National Top Lawyer for Supporting the Development of SME" ("二零一零年護航中小企業發展全國優秀律師"), "Top 10 Outstanding Lawyer of 2010 China Entrepreneur Anniversary" ("二零一零年創業中國年度十大傑出律師"), "2008 Top 10 Quality-Service Lawyer in China's Modern Service Industry" ("二零零八年中國現代服務業十佳優質服務律師"), "National Outstanding Lawyer" ("全國優秀律師"), "2008 National Top Private Equity Finance Lawyer" ("二零零八年中國最佳私募股權金融律師"), etc.

Ms. WANG Shuping ("Ms. Wang"), aged 55, is an independent non-executive Director. Ms. Wang is also the chairman of the remuneration committee of the Company and a member of the audit committee and nomination committee of the Company. Ms. Wang graduated from the Politics & Law Department of Capital Normal University with a major in Politics and Law in 1992. She holds the qualification of Corporate Accountant in the PRC. Ms. Wang has been engaged in banking related businesses for many years and accumulated 34 years of extensive experience in banking management. Ms. Wang held various positions during her service with China Construction Bank, including the head of accounting department, chief auditor, deputy manager and deputy general manager. Ms. Wang served as the deputy manager of Beijing Xuanwu Sub-branch of China Construction Bank during 1999 to 2002. Ms. Wang held the position of the deputy manager of Beijing Railway Sub-branch of China Construction Bank during 2002 to 2010. And Ms. Wang was the deputy general manager of the Cash Operation Centre of the Beijing Branch of China Construction Bank during 2010 to 2011.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Senior Management

Mr. JIA Zhongjie ("Mr. Jia"), aged 64, is currently the Chief Operating Officer of the Company. He is also a research fellow professor, Vice Chairman of China Association for Continuing Engineering Education, Executive Vice President of China Auto Talents Society, Deputy Director of China Talents Research and President of Beijing Chuanglian Oriental Information Technology Institute Limited. In addition, Mr. Jia is also hired as Consultant and Adjunct Professors of School of Continuing Education of Tsinghua University, School of Government of Peking University and University of International Relations respectively.

Mr. Jia has worked for several departments of Ministry of Human Resources and Social Security since 1980, including Cadre Bureau, Policy Research Office, Policy and Law Office. He was the director and secretary of the party committee of China Senior Civil Servant Training Center; Prior to this, he served as senior positions such as Division Chief, Vice Director and Chief Editor of China Personnel.

His main academic works include The New Code of Conduct for Public Servants, China enterprise legal Encyclopedia, Guide for China's Civil Servant Hiring Examination, The Pingyao County and Shanxi Province Merchant Compound, etc.

Mr. LIU Zhonghua ("Mr. Liu"), aged 38, is currently the Chief Technology Officer of the Company. Mr. Liu obtained his bachelor degree at School of Electronics Engineering and Computer Science, Peking University. He has over 15 years work experience in Information Technology and Internet industry and 10 years technology management experience. Mr. Liu has worked for several well-known domestic software enterprises including Founder, Chinese higher education Academic Resources Network, DHC Software Co. Ltd.. Mr. Liu held various positions in his past work experience including project manager, technical director and vice general manager. He owns extensive experience in distributed computing, cloud computing, search engine, content management system as well as online education technology. In addition, Mr. Liu led the R&D project of the cloud platform which can support multi-million users study online at the same time.

Mr. Wu Xiaodong, aged 45, is currently the chief financial officer of the Company. He obtained his Master Degree in Accounting from Capital University of Economics and Business and has more than 19 years experiences in auditing, accounting and finance. He is a member of the Chinese Institute of Certified Public Accountants and had previously been the chief financial officer of Sound Environmental Resources Co., Ltd., a company listed on Shenzhen Stock Exchange. During 2009 to 2012, he was the executive director and chief financial officer of China Public Procurement Limited, a company listed on The Stock Exchange of Hong Kong Limited.

Mr. TING Pong Ming ("Mr. Ting"), aged 46, graduated from The University of Hong Kong with a bachelor degree of Science. He obtained a master degree of Business Administration at the University of Strathclyde in the United Kingdom and a second bachelor degree in Law at Tsing Hua University in the PRC. Mr. Ting is an associate member of the Hong Kong Institute of Certified Public Accountants and fellow member of the Association of Chartered Certified Accountants. Mr. Ting has more than 10 years of experience in accounting and finance. Mr. Ting is currently the company secretary of the Company.

REPORT OF THE DIRECTORS

The Directors hereby present the annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2013.

Principal Activities and Segment Information

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in note 43 to the consolidated financial statements. The Group is principally engaged in (i) the provision of advertising and consultancy services in respect of placing advertisements on the outdoor billboards and LED screens of the Group to advertisers and advertising agencies. and (ii) the provision of the online training and education services.

An analysis of the Group's performance for the year by business segments is set out in note 8 to the consolidated financial statements.

Results

The results of the Group for the year ended 31 December 2013 are set out in the consolidated statement of comprehensive income on page 38.

Dividend

The Directors did not recommend payment of final dividend for the year ended 31 December 2013.

Plant and Equipment

Details of the movements in the plant and equipment of the Group are set out in note 17 to the consolidated financial statements.

Share Capital

Details of the movements in share capital of the Company are set out in note 33 to the consolidated financial statements.

Distributable Reserves

Movements in reserves of the Group during the year are set out in the consolidated statement of changes in equity on pages 41 and 42.

Pre-emptive Rights

There is no provision for pre-emptive rights under the articles of association of the Company (the "Articles of Association") requiring the Company to offer new shares to its existing shareholders in proportion to their share holdings and there is no restriction against such rights under the laws of the Cayman Islands.

REPORT OF THE DIRECTORS

Directors

The Directors during the year and up to the date of this report are:

Executive Directors

Mr. Li Qing	
Mr. Li Jia	(appointed on 1 August 2013)
Mr. Yan Dake	(resigned on 31 December 2013)
Mr. Chen Fu Ju	(resigned on 1 March 2013)

Non-executive Director

Ms. Ng Siu Lai	(resigned on 1 August 2013)

Independent Non-executive Directors

Mr. Leung Siu Kee	
Mr. Han Bing	
Ms. Wang Shuping	(appointed on 11 January 2013)

The Company has received from each of its independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company considers all its independent non-executive Directors independent.

Directors' Service Contracts

Each of Mr. Li Qing, Mr Li Jia, Mr. Leung Siu Kee, Mr. Han Bing, Ms. Wang Shuping, Mr. Yan Dake (resigned on 31 December 2013) and Ms. Ng Siu Lai (resigned on 1 August 2013) has entered into a service agreement with the Company for a term of three years.

None of the Directors being proposed for re-election at the forthcoming annual general meeting (the "AGM") has service agreement with the Company or any of its subsidiaries which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

Directors' Interests in Contracts

No contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Share Options

Share Option Scheme

The Group operated an equity-settled share option scheme (the "Share Option Scheme") for the purpose of enabling the Company to grant options to Participants (as defined below) as incentives and rewards for their contribution to the Company or its subsidiaries. Under the Share Option Scheme, the Board might, at its discretion, offer options to any employees (whether full time or part time), executives or officers of the Company or any of its subsidiaries (including any executive Director), business consultants, agents or legal and financial advisers to the Company or its subsidiaries (the "Participants") whom the Board considered, in its sole discretion, as having contributed to the Company or any of its subsidiaries.

The principal terms of the Share Option Scheme are summarised as follows:

The Share Option Scheme was adopted for a period of 10 years commencing from 31 October 2004 and will remain in force until 30 October 2014. The remaining life of the Share Option Scheme is 1 year. The Company may by resolution in general meeting or the Board may resolve to terminate the Share Option Scheme at any time without prejudice to the exercise of options granted prior to such termination.

The consideration for the grant of option is HK$1.00. The subscription price shall be determined by the Board in its absolute discretion but in any event shall not be less than the highest of:

(i) the nominal value of the shares;

(ii) the closing price per share as stated in the Stock Exchange's daily quotations sheet on the date of the grant of the option; and

(iii) the average closing price per share as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of the grant of the option.

Under the Share Option Scheme, the total number of shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme shall not in aggregate exceed 10% of the number of shares in issue at the date of approval of the Share Option Scheme (the "Scheme Limit") provided that, *inter alia*, the Company may seek approval of the shareholders at a general meeting to refresh the Scheme Limit. The maximum number of shares in respect of which options may be allotted and issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme may not exceed 30% of the share capital of the Company in issue from time to time.

During the year ended 31 December 2013, a total of 36,400,000 share options have been granted under the Share Option Scheme. As at 31 December 2013, 75,760,000 share options entitling the holders of which to subscribe for the Company's securities were outstanding, representing approximately 3.20% of the issued share capital of the Company.

The maximum number of shares issued upon exercise of the options granted to each grantee or of shares to be issued upon the exercise of outstanding options under the Share Option Scheme in any 12-month period shall not exceed 1% of the shares of the Company in issue. Any further grant of options in excess of this 1% limit shall be subject to issuance of a circular by the Company and the approval of its shareholders in accordance with the Share Option Scheme. The period within which the Company's securities must be taken up shall be in any event not later than 10 years from the offer date, subject to the provisions for early termination of the Share Option Scheme and there is no general requirement that an option must be held for any minimum period before it can be exercised but the Board is empowered to impose at its discretion any such minimum period at the time of grant of any particular option.

Movements of share options during the year ended 31 December 2013 under the Share Option Scheme is summarised as follows and details of which are set out in note 38 to the consolidated financial statements:

Movements of Share Option Scheme during the year

List of Grantees	Balance as at 1 January 2013	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Balance as at 31 December 2013	Exercise Price HK$	Date of Grant	Exercise Period
Directors									
Li Qing	3,000,000	–	–	(3,000,000)	–	–	0.96	08/10/2010	08/10/2010-07/10/2013
	980,000	–	–	–	–	980,000	0.58	02/06/2010	02/06/2011-01/06/2014
	5,000,000	–	–	–	–	5,000,000	0.55	05/09/2011	05/09/2011-04/09/2014
Li Jia	5,000,000	–	–	(5,000,000)	–	–	0.96	08/10/2010	08/10/2010-07/10/2013
	2,000,000	–	–	–	–	2,000,000	0.56	29/07/2011	29/07/2011-28/07/2014
Leung Siu Kee	500,000	–	–	(500,000)	–	–	0.96	08/10/2010	08/10/2010-07/10/2013
	460,000	–	–	–	–	460,000	0.58	02/06/2010	02/06/2011-01/06/2014
Han Bing	1,900,000	–	(1,900,000) *(Note 3)*		–	–	0.237	03/10/2012	03/10/2012-02/10/2015
Wang Shuping (appointed on 11 January 2013)	–	500,000 *(Note 2)*	–	–	–	500,000	0.37	11/09/2013	11/09/2013-10/09/2016
Yan Dake (resigned on 31 December 2013	5,000,000	–	–	–	–	5,000,000	0.58	02/06/2011	02/06/2011-01/06/2014
Chen Fu Ju (resigned on 1 March 2013)	17,300,000	–	–	(17,300,000)	–	–	0.58	02/06/2011	02/06/2011-01/06/2014
Mr. Zhao Yong (resigned on 31 October 2012) *(Note 1)*	1,500,000	–	–	(1,500,000)	–	–	0.96	08/10/2010	08/10/2010-07/10/2013
Mr. Li Zhong (resigned on 30 July 2012) *(Note 1)*	1,500,000	–	–	(1,500,000)	–	–	0.58	02/06/2011	02/06/2011-01/06/2014
Subtotal	44,140,000	500,000	(1,900,000)	(28,800,000)	–	13,940,000			

Movements of Share Option Scheme during the year (continued)

List of Grantees	Balance as at 1 January 2013	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Balance as at 31 December 2013	Exercise Price HK$	Date of Grant	Exercise Period
Employees									
In aggregate	19,200,000	–	–	(19,200,000)	–	–	0.96	08/10/2010	08/10/2010-07/10/2013
	4,360,000	–	–	(1,200,000)	–	3,160,000	0.85	06/01/2011	06/01/2011-05/01/2014
	6,960,000	–	–	–	–	6,960,000	0.58	02/06/2011	02/06/2011-01/06/2014
	3,000,000	–	–	–	–	3,000,000	0.53	06/07/2011	06/07/2011-05/07/2014
	4,800,000	–	–	–	–	4,800,000	0.55	05/09/2011	05/09/2011-04/09/2014
	8,000,000	–	–	(8,000,000)	–	–	0.366	03/11/2011	03/11/2011-02/11/2014
	–	32,900,000 *(Note 2)*	–	–	–	32,900,000	0.37	11/09/2013	11/09/2013–10/09/2016
Subtotal	46,320,000	32,900,000	–	(28,400,000)	–	50,820,000			
Consultants									
In aggregate	5,000,000	–	–	–	–	5,000,000	0.53	06/07/2011	06/07/2011–05/07/2014
	45,000,000	–	–	(42,000,000)	–	3,000,000	0.56	29/07/2011	29/07/2011–28/07/2014
	2,000,000	–	–	(2,000,000)	–	–	0.366	03/11/2011	03/11/2011–02/11/2014
	–	3,000,000 *(Note 2)*	–	–	–	3,000,000	0.37	11/09/2013	11/09/2013–10/09/2016
Subtotal	52,000,000	3,000,000	–	(42,000,000)	–	13,000,000			
Total	142,460,000	36,400,000	(1,900,000)	(99,200,000)	–	75,760,000			

Notes:

1. Share Option will automatically lapsed after the period of 6 months following the date of such cessation or termination

2. The closing price of the shares of the Company immediately before the date on which the options were granted was HK$0.3400.

3. The closing price of the shares of the Company immediately before the date on which the options were exercised was HK$0.5100.

Directors' and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company or its Associated Corporations

As at 31 December 2013, the following Directors or chief executive of the Company had held the following interests or short positions in the shares, underlying shares (as defined in the Securities and Futures Ordinance (the "SFO")) and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules:

Long positions in the Company:

Name of Directors	Nature of interests	Number of issued ordinary shares held	Number of underlying shares held pursuant to share options	Aggregate number of shares held	Approximate aggregate percentage of the issued share capital
Li Qing	Beneficial owner	2,432,000	8,980,000	11,412,000	0.56%
Li Jia (appointed on 1 August 2013)	Beneficial owner	–	2,000,000	2,000,000	0.09%
Leung Siu Kee	Beneficial owner	–	960,000	960,000	0.04%
Han Bing	Beneficial owner	1,900,000	–	1,900,000	0.09%
Wang Shuping	Beneficial owner	–	500,000	500,000	0.00%
Yan Dake (resigned on 31 December 2013)	Beneficial owner	–	5,000,000	5,000,000	0.24%

Save as disclosed above, as at 31 December 2013, none of the Directors or chief executive of the Company held any interests or short positions in the shares, underlying shares (as defined in the SFO) or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange, pursuant to the Model Code.

Substantial Shareholders' Interests and Short Positions in the Shares and Underlying Shares of the Company

As at 31 December 2013, the following persons (other than Directors or chief executives of the Company) had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Long positions in the Company

Name of substantial shareholders of the Company	Nature of interests	Number of issued ordinary shares/ underlying shares held	Aggregate number of shares held	Approximate aggregate percentage of the issued share capital
Ho Wai Kong ("Mr. Ho")	Held by controlled corporation *(Note 1)*	356,639,306	406,859,306	17.17%
	Held by spouse *(Note 2)*	50,220,000		
Guo Binni	Beneficial owner *(Note 2)*	50,220,000	406,859,306	17.17%
	Held by controlled corporation *(Note 1)*	356,639,306		
Rotaland Limited	Beneficial owner *(Note 1)*	355,139,306	355,139,306	14.99%
Lu Xing	Held by controlled corporation *(Note 3)*	2,031,728,323	2,031,728,323	85.76%
Ascher Group Limited	Beneficial owner *(Note 3)*	131,728,323	131,728,323	5.56%
Headwind Holdings Limited	Beneficial owner *(Note 3)*	1,900,000,000	1,900,000,000	80.20%

Notes:

1. Of these 356,639,306 shares, 355,139,306 shares are held by Rotaland Limited; and 1,500,000 shares are held by Similan Limited. Rotaland Limited and Similan Limited are companies incorporated in the British Virgin Islands with limited liability and wholly owned by Mr. Ho.

2. These 50,220,000 shares are held by Ms. Guo Binni who is the spouse of Mr. Ho.

3. Of these 2,031,728,323 shares, 1,900,000,000 shares are held by Headwind Holdings Limited upon conversion of the preferred shares in full and 131,728,323 shares are held by Ascher Group Limited. Headwind Holdings Limited and Ascher Group Limited are companies incorporated in the British Virgin Islands with limited liability and wholly owned by Mr. Lu Xing.

Save as disclosed above, as at 31 December 2013, the Company had not been notified of any interest or short position being held by any substantial shareholder of the Company in the shares or underlying shares in the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

Contracts with Controlling Shareholders

Save as disclosed in this report, no contract of significance has been entered into between the Company or any of its subsidiaries and the controlling shareholders of the Company or any of their subsidiaries, at any time during the year. No contract of significance for the provision of services to the Company or any of its subsidiaries by the controlling shareholders of the Company or any of their subsidiaries.

Competing Interests

As at 31 December 2013, none of the Directors, the management shareholders or substantial shareholders of the Company or any of their respective associates has engaged in any business that competes or may compete with the business of the Group, or has any other conflict of interests with the Group.

Major Suppliers and Customers

The percentage of purchases for the year ended 31 December 2013 attributable to the Group's major suppliers is as follows:

	Percentage of purchases
The largest supplier	38%
Five largest suppliers combined	98%

The percentage of sales for the year ended 31 December 2013 attributable to the Group's major customers is as follows:

	Percentage of sales
The largest customer	23%
Five largest customers combined	63%

None of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

Related Party Transactions

Related party transactions during the year are disclosed in note 41 to the consolidated financial statements.

Events after the Reporting Period

Except as those disclosed elsewhere in the consolidated financial statements, the Group has the following significant event which took place subsequent to the end of the reporting period:

On 11 November 2013, the name of the Company has been proposed to change the English name of the Company from "China Oriental Culture Group Limited" to "China Chuanglian Education Group Limited" and the Chinese name of the Company from "中國東方文化集團有限公司" to "中國創聯教育集團有限公司". Pursuant to a resolution passed on 27 December 2013, the proposed change of Company name has been approved by the Company's shareholders. The Register of Companies in the Cayman Islands and the Companies Registry in Hong Kong had granted approval on 2 January 2014 and 23 January 2014, respectively. The Shares on the Stock Exchange has been traded under the new name. The English and Chinese stock short names of the Company has been changed from "C ORI CULTURE" to "C CHUANGLIAN ED" and from "中國東方文化" to "中國創聯教育" respectively with effect from 9:00 a.m. on 4 February 2014. Details and capitalised terms used in this section were set out in the Announcement and Circular dated 11 November 2013, 2 December 2013 and 28 January 2014.

Closure of Register of Members

The register of members of the Company will be closed from Friday, 23 May 2014 to Wednesday, 28 May 2014, both days inclusive, during which period no transfers of shares shall be registered. In order to qualify for attending and voting at the forthcoming AGM of the Company, all transfers of shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited, 18th Floor, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong for registration not later than 4:00 p.m. on Thursday, 22 May 2014.

Annual General Meeting

The AGM of the Company will be held on Wednesday, 28 May 2014 and the notice of AGM will be published and despatched to shareholders of the Company in due course.

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

During the year, the Company has issued and allotted 1,900,000 new ordinary shares at par value of HK$0.237, as a result of the exercise of share options to the share option holders of the Company. The Company has issued and allotted 100,000,000 new ordinary shares by means of conversion of preferred shares at the conversion rate of 1 preferred share to 1 ordinary share; 50,000,000, 10,662,756, 88,967,969 and 65,554,614 new ordinary shares at par value of HK$0.519, HK$0.29, HK$0.281 and HK$0.29 each, respectively, by means of conversion of convertible loan notes; and 30,000,000 ordinary shares at an issue price of HK$0.315 on pursuant to the placing agreements entered into between the Company and the placees. During the year, the Company issued convertible bonds with the aggregate principal amount of RMB15,000,000 at an conversion price of HK$0.29 per share. The Company also issued an aggregate of 950,000,000 preferred shares at a subscription price of HK$0.21 each, being an amount of HK$199.5 million.

Save as disclosed herein, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of any listed securities of the Company during the year.

Disclosure of Information on Directors

Pursuant to rule 13.51B(1) of the Listing Rules, the change of information on the Directors are as follows:

- Each of the executive Directors has entered into a service agreement with the Company for a fixed term of three years, which can be terminated by either party giving not less than three months' notice in writing. The service agreement of Mr. Li Qing has been renewed for a term of three years commencing from 20 September 2013 to 19 September 2016.

Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained sufficient public float as required under the Listing Rules as at the date of this report.

Corporate Governance

Please see the "Corporate Governance Report" set out on pages 26 to 35 of this annual report for details of its compliance with the Corporate Governance Code.

Auditor

A resolution to re-appoint SHINEWING (HK) CPA Limited as auditor of the Company will be proposed at the forthcoming AGM.

On behalf of the Board
LI Qing
Executive Director

Hong Kong, 28 March 2014

CORPORATE GOVERNANCE REPORT

Introduction

Maintaining high standards of business ethics and corporate governance practices have always been one of the Company's goals. This report describes its corporate governance practices, explains the applications of the principles of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules and the deviations, if any.

Corporate Governance Practices

During the year, the Company has complied with the code provisions of the CG Code except the deviation stated in the following paragraphs. The Company believes that by achieving high standard of corporate governance, the corporate value and accountability of the Company can be enhanced and the shareholders' interests can be maximised. The Board has continued to monitor and review the Company's progress in respect of corporate governance practices to ensure compliance. Meetings were held throughout the year and where appropriate, circulars and other guidance notes were issued to Directors and senior management of the Company to ensure awareness to issues regarding corporate governance practices.

Directors' Securities Transactions

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exactly than the required standard in the Model Code as set out in Appendix 10 of the Listing Rules. The Company had also made specific enquiry of all Directors and the Company was not aware of any non-compliance with the required standard in the Model Code and its code of conduct regarding Directors' securities transactions.

The Board of Directors

During the year and as at the date of this report, the Board comprises the following Directors:

Executive Directors

Mr. Li Qing	
Mr. Li Jia	(appointed on 1 August 2013)
Mr. Yan Dake	(resigned on 31 December 2013)

Non-executive Director

Ms. Ng Siu Lai	(resigned on 1 August 2013)

Independent Non-executive Directors

Mr. Leung Siu Kee
Mr. Han Bing
Ms. Wang Shuping (appointed on 11 January 2013)

Pursuant to Rules 3.10(1) and 3.10A of the Listing Rules, there are three independent non-executive directors representing one-third of the Board.

Among the three independent non-executive Directors, Mr. Leung Siu Kee has appropriate professional qualifications in accounting or relevant financial management expertise as required by Rule 3.10(2) of the Listing Rules.

The Company has received from each of its independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company considers all its independent non-executive Directors independent.

The Company has set out the respective functions and responsibilities reserved to the Board and those delegated to management. The Board delegates day-to-day operations of the Group to executive Directors and senior management of the Company while reserving certain key matters for its approval. The Board is responsible for the approval and monitoring of the Company's overall strategies and policies, approval of business plans, evaluating the performance of the Company and oversight of management. Decisions of the Board are communicated to the management through executive Directors who have attended the Board meetings.

To the best knowledge of the Company, there is no financial, business, family or other material/relevant relationship among the Directors.

For the year ended 31 December 2013, 37 Board meetings were held. The details of the attendance record of the Directors are as follows:

		Attendance
Executive Directors		
Mr. Li Qing		37/37
Mr. Li Jia	(appointed on 1 August 2013)	4/18
Mr. Yan Dake	(resigned on 31 December 2013)	5/37
Mr. Chen Fu Ju	(resigned on 1 March 2013)	1/3
Non-executive Director		
Ms. Ng Siu Lai	(resigned on 1 August 2013)	4/18
Independent Non-executive Directors		
Mr. Leung Siu Kee		5/37
Mr. Han Bing		26/37
Ms. Wang Shuping	(appointed on 11 January 2013)	32/37

For the year ended 31 December 2013, 3 general meeting was held. The details of the attendance record of the Directors are as follows:

		Attendance
Executive Directors		
Mr. Li Qing		3/3
Mr. Li Jia	(appointed on 1 August 2013)	0/1
Mr. Yan Dake	(resigned on 31 December 2013)	1/3
Mr. Chen Fu Ju	(resigned on 1 March 2013)	N/A
Non-executive Director		
Ms. Ng Siu Lai	(resigned on 1 August 2013)	0/2
Independent Non-executive Directors		
Mr. Leung Siu Kee		2/3
Mr. Han Bing		0/3
Ms. Wang Shuping	(appointed on 11 January 2013)	0/3

Apart from the regular Board meetings, the Board meets on other occasions when a board-level decision on a particular matter is required. Sufficient notice is given for regular Board meetings to all Directors enabling them to attend and reasonable notice will be given in case of special Board meetings. The Directors will receive details of agenda items for decision and minutes of the committee meetings in advance of each Board meeting.

According to the code provision A.6.5 of the CG Code, all Directors should participate in a programme of continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. The Company should be responsible for arranging and funding training, placing an appropriate emphasis on the roles, functions and duties of the Directors.

For the year ended 31 December 2013, the Company had arranged to provide to all Directors with the “Guidelines for Directors” and the “Guide for Independent Non-executive Directors” issued by the Hong Kong Institute of Directors. Each of the Directors had noted and studied the above mentioned documents and that the Company had received from each of the Directors the confirmations on taking continuous professional training.

Chairman and Chief Executive

According to the code provision A.2.1 of the CG Code, the roles of the chairman and the chief executive should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

During the year ended 31 December 2013, the Company did not have a chairman or a chief executive. The Board will keep reviewing the current structure of the Board from time to time and should candidates with suitable knowledge, skill and experience be identified, the Company will make appointments to fill the posts as appropriate.

Non-executive Directors

According to the code provision A.4.1 of the CG Code, all non-executive Directors should be appointed for a specific term of service.

Each of the non-executive Directors (including the independent non-executive Directors) entered into a service agreement with the Company for a three-year term of service.

Mr. Han Bing and Ms. Wang Shuping, the independent non-executive Directors, were appointed on 28 August 2012 and 11 January 2013, respectively, for a three-year term of service, which can be terminated by either party giving not less than three months’ notice in writing.

The service agreement of Mr. Leung Siu Kee has been renewed for a three-year term of service commencing from 22 December 2012 to 21 December 2015, which can be terminated by either party giving not less than three months’ notice in writing.

All the non-executive Directors (including the independent non-executive Directors) are appointed and subject to retirement by rotation and re-election at the annual general meeting in accordance with the Articles of Association.

Directors' and Senior Management's Remuneration

The remuneration of Directors is determined with reference to their duties and responsibilities in the Company as well as the prevailing market conditions. Details of emoluments of Directors for the year ended 31 December 2013 are set out in note 13 to the consolidated financial statements. The emoluments paid to senior management of the Group for the year ended 31 December 2013 falls within the following bands:

	Number of senior management
Nil to HK$1,000,000 (equivalent to approximately RMB802,000)	4
HK$1,500,001 to HK$2,000,000 (equivalent to approximately RMB1,203,000 to RMB1,604,000)	–

Remuneration Committee

The remuneration committee of the Company (the "Remuneration Committee") was established in 2005 with written terms of reference which complies with the Listing Rules. It is responsible for formulating and recommending the Board in relation to the remuneration policy, recommending the remunerations of Directors and the senior management of the Company, and reviewing and making recommendations on the Company's share option scheme and other compensation related issues. The Remuneration Committee consults with the Board on its proposals and recommendations.

During the year and as at the date of this report, the Remuneration Committee comprises three independent non-executive Directors including Ms. Wang Shuping (appointed as the chairman of the Remuneration Committee on 11 January 2013), Mr. Leung Siu Kee, Mr. Han Bing. Ms. Wang Shuping is the current chairman of the Remuneration Committee.

During the year, the Remuneration Committee held 1 meeting to review and make recommendation on the remuneration package of Directors and senior management of the Company.

Details of the attendance record of the Remuneration Committee members are as follows:

Members		Attendance
Ms. Wang Shuping (Chairman)	(appointed on 11 January 2013)	1/1
Mr. Leung Siu Kee		1/1
Mr. Han Bing		1/1

Nomination Committee

The Board is empowered under the Articles of Association to appoint any person as a Director either to fill a casual vacancy on or, as an additional member of the Board. Qualified candidates will be proposed to the Board for consideration and the selection criteria are mainly based on the assessment of their professional qualifications and experience. The Board selects and recommends candidates for directorship having regards to the balance of skills and experience appropriate to the Group's business.

The nomination committee of the Company (the "Nomination Committee") was established in 2008 with written terms of reference which complies with the Listing Rules. It is responsible for the following duties:

– review the structure, size, composition and diversity (including the skills, knowledge and experience) of the Board on a regular basis and make recommendations to the Board regarding any proposed changes;

– identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

– assess the independence of independent non-executive Directors; and

– make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors in particular the chairman and the chief executive.

During the year and as at the date of this report, the Nomination Committee comprises three independent non-executive Directors including Mr. Han Bing, Mr. Leung Siu Kee and Ms. Wang Shuping (appointed as member on 11 January 2013). Mr. Han Bing is the current chairman of the Nomination Committee.

Ms. Wang Shuping was appointed as a member of the Nomination Committee with effect from 11 January 2013.

During the year, the Nomination Committee held 1 meeting to review the structure, size, composition and diversity of the Board and senior management of the Company, including the balance of skills, knowledge and experience, and independence of the independent non-executive Directors and make recommendation to the Board accordingly.

Details of the attendance record of the Nomination Committee members are as follows:

Members		Attendance
Mr. Han Bing (Chairman)		1/1
Mr. Leung Siu Kee		1/1
Ms. Wang Shuping	(appointed on 11 January 2013)	1/1

Board Diversity Policy

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

Audit Committee

The audit committee of the Company (the "Audit Committee") was established in 2004 with written terms of reference which complies with the Listing Rules. The primary duties of the Audit Committee include overseeing the relationship with the Company's external auditor, review of financial information of the Group, and oversight of the Group's financial reporting system, internal control procedures and risk management.

During the year and as at the date of this report, the Audit Committee comprises three independent non-executive Directors including Mr. Leung Siu Kee, Mr. Han Bing and Ms. Wang Shuping (appointed as member on 11 January 2013). Mr. Leung Siu Kee is the current chairman of the Audit Committee.

Following the resignations of Mr. Li Zhong and Mr. Zhao Yong as the members of the Audit Committee on 30 July 2012 and 31 October 2012, the Company was not compliant with Rule 3.21 of the Listing Rules. The Company appointed Mr. Han Bing and Ms. Wang Shuping as members of the Audit Committee with effect from 28 August 2012 and 11 January 2013, respectively, to fill in the vacancies so as to meet the requirements as set out in Rule 3.21 of the Listing Rules.

The Audit Committee formally meets two times during the year and other informal meetings were conducted as and when necessary. These meetings were held together with senior management and external auditor as and when necessary. During the year, the Audit Committee held 3 meetings to consider the external auditor's proposed audit fees, their independence and scope of the audit; review the internal control and risk management systems; review the interim and annual financial statements, particularly judgemental areas, accounting principles and practice adopted by the Group; review the external auditor's management letter and management's response; and review the Group's adherence to the CG Code. The Group's unaudited interim results and audited annual results for the year ended 31 December 2013 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

Details of the attendance record of the Audit Committee members are as follows:

Members		**Attendance**
Mr. Leung Siu Kee (Chairman)		3/3
Mr. Han Bing		3/3
Ms. Wang Shuping	(appointed on 11 January 2013)	3/3

Corporate Governance Functions

The Company's corporate governance functions are carried out by the Board pursuant to a set of written terms of reference adopted by the Board in compliance with code provision D.3.1 of the CG Code, which include (a) to develop and review the policies and practices on corporate governance of the Group and make recommendations to the Board; (b) to review and monitor the training and continuous professional development of the Directors and senior management of the Company; (c) to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements; (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and the Directors; and (e) to review the Group's compliance with the CG Code and disclosure in the Corporate Governance Report of the Company.

For the year ended 31 December 2013 and as at the date of this report, the Board had reviewed the corporate governance matters of the Company. Saved for the deviation disclosed under the "Chairman and Chief Executive", the Company had complied with the principles and applicable code provisions of the CG Code and was not aware of any non-compliance to relevant applicable legal and regulatory requirements.

Auditor's Remuneration

During the year, the remuneration in respect of audit services paid/payable to the Company's external auditor, SHINEWING (HK) CPA Limited, is amounted to HK$1,000,000.

Type of Services	HK$
Non-audit services	1,000,000
Statutory audit services	1,000,000
Total	2,000,000

Directors' Responsibility for Financial Statements

Annual Report and Financial Statements

The Directors acknowledge their responsibilities to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and in presenting the interim and annual financial statements, and announcements to the shareholders of the Company, the Directors aim to present a balanced and understandable assessment of the Group's position and prospects.

The statement of the auditor of the Company about their reporting responsibilities on the financial statements of the Company is set out in the section headed "Independent Auditor's Report" in this report.

Accounting Period

The Directors consider that in preparing the financial statements, the Group uses appropriate accounting policies that are consistently applied, and that all applicable accounting standards are followed.

Accounting Records

The Directors are responsible for ensuring that the Group had kept the accounting records, which disclose with reasonable accuracy of the financial position of the Group, and also enable the preparation of the financial statements in accordance with the applicable accounting standards.

Going Concern

The Directors, having made appropriate enquiries, consider that the Group has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the financial statements.

Internal Controls

The Board is responsible for maintaining a sound and effective internal control system for the Company. The system aims at providing reasonable (but not absolute) guarantees for the prevention of material untrue statements or losses, as well as management on the interruption of the Company's management system and risks existing in the course of arriving at the Company's objectives.

The Directors have conducted an annual review of the effectiveness of the internal control system of the Company and its subsidiaries for the year ended 31 December 2013. The review covers all material controls including financial, operational and compliance controls and risk management functions. The Audit Committee and the Board have discussed the relevant results of review, and agreed that internal control procedures and risk management systems have been implemented in the various major operation sectors.

Company Secretary

Mr. Ting Pong Ming ("Mr. Ting") was appointed as the company secretary of the Company. According to Rule 3.29 of the Listing Rules, Mr. Ting took no less than 15 hours of relevant professional training for the year ended 31 December 2013.

Shareholders' Rights

Convening an extraordinary general meeting and putting forward proposals at shareholders' meeting

Pursuant to article 58 of the Articles of Association, any one or more members of the Company holding at the date of deposit of the requisition not less than one-fifth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Putting enquiries to the Board

Shareholders may put forward their proposals or enquiries to the Board by sending their written request to the Company's Registrar.

Investor Relations

To foster effective communications, the Company provided all necessary information to the shareholders in its annual report and interim report. The Directors host the AGM each year to meet the shareholders and answer to their enquiries. Directors make efforts to attend the AGM so that they may answer any questions from the Company's shareholders.

The Directors, the company secretary or other appropriate members of senior management of the Company will also respond to inquiries from shareholders and investors promptly.

For the year ended 31 December 2013, certain amendments to the existing Memorandum and Articles of Association of the Company as the increase of the authorised share capital of the Company and the respective rights, privileges and restrictions of the preferred shares were incorporated into the Memorandum and Articles of Association of the Company. Details of the amendments are set out in the circular of the Company dated 28 June 2013.

INDEPENDENT AUDITOR'S REPORT

信永中和 ShineWing

SHINEWING (HK) CPA Limited
43/F., The Lee Gardens
33 Hysan Avenue
Causeway Bay, Hong Kong

TO THE SHAREHOLDERS OF CHINA CHUANGLIAN EDUCATION GROUP LIMITED
(FORMERLY KNOWN AS CHINA ORIENTAL CULTURE GROUP LIMITED)
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Chuanglian Education Group Limited (formerly known as China Oriental Culture Group Limited) (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 38 to 138, which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2013, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Wong Chuen Fai
Practising Certificate Number: P05589

Hong Kong
31 March 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

	NOTES	2013 RMB'000	2012 RMB'000
Revenue	7	**98,350**	22,748
Cost of sales and services		**(25,346)**	(667,237)
Gross profit (loss)		**73,004**	(644,489)
Other income	9	**4,162**	4,031
Selling and marketing expenses		**(3,936)**	(805)
Administrative expenses		**(35,204)**	(42,425)
Provision for a claim	29	**(3,222)**	(7,500)
Reversal of impairment loss on amount due from an associate		**7,520**	–
(Increase) decrease in fair value of derivative financial liabilities	32	**(15,263)**	1,384
Finance costs	10	**(5,534)**	(8,810)
Profit (loss) before tax		**21,527**	(698,614)
Income tax expense	11	**(11,144)**	(3,622)
Profit (loss) for the year	12	**10,383**	(702,236)
Other comprehensive expense			
Item that may be reclassified to profit or loss:			
Exchange differences arising on translation and other comprehensive expense for the year		**(4,711)**	(702)
Total comprehensive income (expense) for the year		**5,672**	(702,938)
Profit (loss) for the year attributable to:			
Owners of the Company		**7,712**	(701,309)
Non-controlling interests		**2,671**	(927)
		10,383	(702,236)
Total comprehensive income (expense) attributable to:			
Owners of the Company		**3,001**	(702,011)
Non-controlling interests		**2,671**	(927)
		5,672	(702,938)
Earnings (loss) per share	16		
Basic and diluted (RMB cent(s))		**0.33**	(35.34)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	NOTES	2013 RMB'000	2012 RMB'000
Non-current assets			
Plant and equipment	17	**10,730**	6,909
Intangible assets	18	**111,925**	3,395
Goodwill	19	**373,920**	18,262
Interest in an associate	20	**–**	–
Deposit paid for acquisition of an intangible asset	21	**–**	–
Prepayment for a mobile media project	22	**–**	–
Available-for-sale investments	23	**1,953**	2,006
		498,528	30,572
Current assets			
Trade and other receivables	24	**70,320**	35,336
Amount due from an associate	25	**11,740**	7,095
Amount due from a director	25	**352**	–
Amount due from non-controlling interest holder	25	**–**	203
Bank balances and cash	26	**50,917**	19,965
		133,329	62,599
Current liabilities			
Trade and other payables	27	**27,969**	16,208
Amount due to a director	28	**–**	240
Amount due to a shareholder	28	**1,563**	–
Provision for a claim	29	**10,722**	7,500
Income tax payable		**11,856**	3,559
Other borrowing	30	**18,000**	18,000
Convertible loan notes	31	**–**	6,413
Derivative financial liabilities	32	**–**	7,254
		70,110	59,174
Net current assets		**63,219**	3,425
Total assets less current liabilities		**561,747**	33,997

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	NOTES	2013 RMB'000	2012 RMB'000
Capital and reserves			
Share capital	33	**205,864**	178,517
Convertible preference share capital	34	**67,027**	–
Reserves		**259,662**	(187,907)
Equity attributable to owners of the Company		**532,553**	(9,390)
Non-controlling interests		**2,539**	(132)
Total equity		**535,092**	(9,522)
Non-current liability			
Convertible loan notes	31	**–**	43,519
Deferred tax liability	35	**26,655**	–
		26,655	43,519
		561,747	33,997

The consolidated financial statements on pages 38 to 138 were approved and authorised for issue by the board of directors on 31 March 2014 and are signed on its behalf by:

Li Qing
Director

Li Jia
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	Attributable to owners of the Company													
	Share capital RMB'000	Convertible preference share capital reserves RMB'000	Share premium RMB'000	Special reserve RMB'000 (Note a)	Translation reserve RMB'000	Convertible loan notes equity reserve RMB'000	Capital redemption reserve RMB'000 (Note b)	Share options reserve RMB'000	Contribution from shareholders RMB'000 (Note c)	Other reserve RMB'000 (Note d)	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2012	171,828	–	648,716	15,536	(2,476)	28,900	595	47,220	1,927	(239)	(239,184)	672,823	795	673,618
Loss for the year	–	–	–	–	–	–	–	–	–	–	(701,309)	(701,309)	(927)	(702,236)
Other comprehensive income for the year														
– Exchange differences arising on translation	–	–	–	–	(702)	–	–	–	–	–	–	(702)	–	(702)
Total comprehensive expense for the year	–	–	–	–	(702)	–	–	–	–	–	(701,309)	(702,011)	(927)	(702,938)
Recognition of equity-settled share-based payment expenses (Note 38)	–	–	–	–	–	–	–	127	–	–	–	127	–	127
Issue of shares upon conversion of convertible loan notes (Note 33)	5,054	–	20,443	–	–	(8,695)	–	–	–	–	–	16,802	–	16,802
Issue of shares upon placing	1,635	–	1,308	–	–	–	–	–	–	–	–	2,943	–	2,943
Transaction costs attributable to issue of shares upon placing	–	–	(74)	–	–	–	–	–	–	–	–	(74)	–	(74)
At 31 December 2012	178,517	–	670,393	15,536	(3,178)	20,205	595	47,347	1,927	(239)	(940,493)	(9,390)	(132)	(9,522)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	Attributable to owners of the Company													
	Share capital RMB'000	Convertible preference share capital reserves RMB'000	Share premium RMB'000	Special reserve RMB'000 (Note a)	Translation reserve RMB'000	Convertible loan notes equity reserve RMB'000	Capital redemption reserve RMB'000 (Note b)	Share options reserve RMB'000	Contribution from shareholders RMB'000 (Note c)	Other reserve RMB'000 (Note d)	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 31 December 2012	178,517	-	670,393	15,536	(3,178)	20,205	595	47,347	1,927	(239)	(940,493)	(9,390)	(132)	(9,522)
Profit for the year	-	-	-	-	-	-	-	-	-	-	7,712	7,712	2,671	10,383
Other comprehensive income for the year														
– Exchange differences arising on translation	-	-	-	-	(4,711)	-	-	-	-	-	-	(4,711)	-	(4,711)
Total comprehensive (expense) income for the year	-	-	-	-	(4,711)	-	-	-	-	-	7,712	3,001	2,671	5,672
Recognition of equity-settled share-based payment expenses (Note 38)	-	-	-	-	-	-	-	1,169	-	-	-	1,169	-	1,169
Issue of share upon exercise of share options	149	-	326	-	-	-	-	(123)	-	-	-	352	-	352
Issue of shares upon conversion of convertible loan notes (Note 33)	16,992	-	77,963	-	-	(20,205)	-	-	-	-	-	74,750	-	74,750
Issue of preference shares (Note 34)	-	74,874	82,361	-	-	-	-	-	-	70,500	-	227,735	-	227,735
Contingent consideration arrangement (Note 40(i))	-	-	-	-	-	-	-	-	-	227,735	-	227,735	-	227,735
Issue of shares upon conversion of preference shares	7,847	(7,847)	-	-	-	-	-	-	-	-	-	-	-	-
Issue of shares upon placing	2,359	-	5,073	-	-	-	-	-	-	-	-	7,432	-	7,432
Transaction costs attributable to issue of shares upon placing	-	-	(231)	-	-	-	-	-	-	-	-	(231)	-	(231)
At 31 December 2013	205,864	67,027	835,885	15,536	(7,889)	-	595	48,393	1,927	297,996	(932,781)	532,553	2,539	535,092

Notes:

(a) Special reserve represents the difference between the nominal value of the ordinary share issued by the Company and Beijing Zhizhen Node Technology Development Co., Ltd. ("ZZNode (Beijing)") and the aggregate of share capital and share premium or net assets of the subsidiaries acquired by the Company and ZZNode (Beijing) through the exchange of share.

(b) Capital redemption reserve represents a non-distributable reserve created in accordance with Section 37.4(a) of the Cayman Islands Law when the Company repurchases its own shares out of retained profits. The reserve was created by transferring from the retained profits an amount equivalent to the nominal value of the share repurchased to the capital redemption reserve.

(c) Contribution from shareholders represents balances advanced from shareholders in prior years for the share options granted.

(d) Other reserve represents (i) the difference between the consideration and the book value of the identifiable assets and liabilities attributable to the acquisition of subsidiaries and (ii) the fair value contingent consideration arising in acquisition of a subsidiary, Housden Holdings Limited.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	NOTES	2013 RMB'000	2012 RMB'000
OPERATING ACTIVITIES			
Profit (loss) before tax		**21,527**	(698,614)
Adjustments for:			
Finance costs		**5,534**	8,810
Interest income		**(55)**	(16)
Reversal of impairment loss on trade and other receivables		**(550)**	(1,000)
Write off of other payables		**(1,792)**	(3,000)
Government subsidies		**(1,761)**	–
Amortisation of intangible assets		**4,288**	38,369
Depreciation for plant and equipment		**4,510**	3,586
Impairment loss recognised on intangible assets		**2,803**	610,814
Impairment loss recognised on trade and other receivables		**–**	9,967
Write off of other receivable		**–**	381
Reversal of impairment loss on amount due from an associate		**(7,520)**	–
Share-based payment expenses		**1,169**	127
Write off of plant and equipment		**–**	9
Impairment loss recognised on plant and equipment		**–**	1,017
Impairment loss recognised on amount due from non-controlling interest holder		**203**	–
Gain on bargain purchase of a subsidiary	40	**–**	(12)
Increase (decrease) in fair value of derivative financial liabilities		**15,263**	(1,384)
Provision for a claim		**3,222**	7,500
Operating cash flows before movements in working capital		**46,841**	(23,446)
(Increase) decrease in trade and other receivables		**(29,749)**	18,997
Increase (decrease) in trade and other payables		**2,816**	(17,371)
Cash generated from (used in) operations		**19,908**	(21,820)
Income tax paid		**(3,890)**	(54)
NET CASH FROM (USED IN) OPERATING ACTIVITIES		**16,018**	(21,874)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	NOTES	2013 RMB'000	2012 RMB'000
INVESTING ACTIVITIES			
Repayment from an associate		**2,626**	3,653
Net cash inflow from acquisition of subsidiaries	40	**9,607**	58
Interest received		**55**	16
Purchase of plant and equipment		**(4,925)**	(278)
NET CASH FROM INVESTING ACTIVITIES		**7,363**	3,449
FINANCING ACTIVITIES			
Proceeds on issue of convertible loan notes		**–**	20,000
Proceeds on issue of shares upon placing		**7,432**	2,943
Advance from a shareholder		**1,563**	–
Government subsidies received		**1,761**	–
Repayment to a director		**–**	(65)
Payment of transaction cost attributable to issue of shares upon placing		**(231)**	(74)
Repayment of other borrowing		**–**	(321)
Interest paid on other borrowing		**(360)**	(381)
Interest paid on convertible loan notes		**(2,338)**	(1,790)
NET CASH FROM FINANCING ACTIVITIES		**7,827**	20,312
NET INCREASE IN CASH AND CASH EQUIVALENTS		**31,208**	1,887
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**19,965**	18,194
Effect of foreign exchange rate changes		**(256)**	(116)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, represented by bank balances and cash		**50,917**	19,965

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

1. GENERAL

China Chuanglian Education Group Limited (formerly known as China Oriental Culture Group Limited) (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section to the annual report.

The Company is principally engaged in investment holding and securities trading. The principal activities of its principal subsidiaries are set out in Note 43.

Other than those major operating subsidiaries established in the People's Republic of China (the "PRC") whose functional currency is Renminbi ("RMB"), the functional currency of the remaining subsidiaries is Hong Kong dollars ("HK$").

The functional currency of the Company is HK$, which is different from the presentation currency, RMB. As the Company and its subsidiaries (hereinafter collectively referred to as the "Group") mainly operates in the PRC, the directors of the Company consider that it is appropriate to present the consolidated financial statements in RMB.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and revised HKFRSs, which include HKFRSs, Hong Kong Accounting Standards ("HKAS(s)") and Interpretations ("Int(s)"), issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009–2011 Cycle
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to HKAS 36	Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets (early adopted)
HK(IFRIC*) – Int 20	Stripping Costs in the Production Phase of a Surface Mine

* IFRIC represents the International Financial Reporting Interpretation Committee.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

Except as described below, the application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Others Comprehensive Income

The Group has applied the amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income*. Upon the adoption of the amendments to HKAS 1, the Group's 'statement of comprehensive income' is renamed as the 'statement of profit and loss and other comprehensive income' and an "income statement" is renamed as a "statement of profit or loss". Furthermore, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

Amendments to HKFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities

The Group has applied the amendments to HKFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities for the first time in the current year. The amendments to HKFRS 7 require entities disclose information about:

a) recognised financial instruments that are set off in accordance with HKAS 32 Financial Instruments: Presentation; and

b) recognised financial instruments that are subject to an enforceable master netting agreement or similar agreement irrespective of whether the financial instruments are set off in accordance with HKAS 32.

The amendments to HKFRS 7 have been applied retrospectively. The application of the amendments has had no material impact on the amounts reported in the Group's consolidated financial statements as the Group does not have any offsetting agreements or any master netting agreements in place.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and revised Standards on consolidation, joint arrangements, associates and disclosure

In the current year, the Group has applied for the first time the package of five standards on consolidation, joint arrangements, associates and disclosures comprising HKFRS 10 Consolidated Financial Statements, HKFRS 11 Joint Arrangements, HKFRS 12 Disclosure of Interests in Other Entities, HKAS 27 (as revised in 2011) Separate Financial Statements and HKAS 28 (as revised in 2011) Investments in Associates and Joint Ventures, together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding transitional guidance.

HKAS 27 (as revised in 2011) is not applicable to the Group as it deals only with separate financial statements.

The impact of the application of these standards is set out below.

Impact of the application of HKFRS 10

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and HK(SIC) Int-12 Consolidation – Special Purpose Entities. HKFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee. b) it is exposed, or has right, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

The directors of the Company made an assessment as at the date of initial application of HKFRS 10 (i.e. 1 January 2013) as to whether or not the Group has control over its investees in accordance with the new definition of control and the related guidance set out in HKFRS 10. The directors of the Company concluded that it has had control over all of its subsidiaries and therefore, the application of HKFRS 10 has no material impact on the Group's consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and revised Standards on consolidation, joint arrangements, associates and disclosure *(Continued)*

Impact of the application of HKFRS 11

HKFRS 11 replaces HKAS 31 Interest in Joint Ventures, and the guidance contained in a related interpretation, HK (SIC) – Int 13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers, has been incorporated in HKAS 28 (as revised in 2011). HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under HKFRS 11, there are only two types of joint arrangements – joint operations and joint ventures. The classification of joint arrangements under HKFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, HKAS 31 contemplated three types of joint arrangements – jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under HKAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was accounted for as a jointly controlled entity).

The initial and subsequent accounting of joint ventures and joint operations is different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable standards.

The application of the amendments has had no material impact on the amounts reported in the Group's consolidated financial statements as the Group does not have investments in joint arrangements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and revised Standards on consolidation, joint arrangements, associates and disclosure *(Continued)*

Impact of the application of HKFRS 12

HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements (please see Notes 20 and 42 for details).

HKAS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of HKFRS 13 is broad: the fair value measurement requirements of HKFRS 13 apply to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are within the scope of HKAS 17 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principle (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKRS 13, the Group has not made any new disclosures required by HKFRS 13 for the 2012 comparative period (please see Note 6 for the 2013 disclosures). Others than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

HKAS 19 Employee Benefits (as revised in 2011)

In the current year, the Group has applied HKAS 19 Employee Benefits (as revised in 2011) and the related consequential amendments for the first time.

HKAS 19 (as revised in 2011) changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of HKAS 19 and accelerate the recognition of past service costs. All actuarial gains and losses are recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of HKAS 19 are replaced with a 'net interest' amount under HKAS 19 (as revised in 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset.

Specific transitional provisions are applicable to first-time application of HKAS 19 (as revised in 2011). The application of HKAS 19 (as revised in 2011) has not had any material impact on the Group's consolidated financial statements as the Group does not have any defined benefit plans.

Amendments to HKAS 36 Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets (early adopted)

The Group has early applied the amendments to HKAS 36 Impairment of Assets – Recoverable Amount Disclosure for Non- Financial Assets. The adoption of the amendments to HKAS 36 remove the unintended disclosure requirement made by HKFRS 13 on the recoverable amount of a cash-generating unit which is not impaired. In addition, the amendments require the disclosure of the recoverable amounts for the assets or cash-generating units for which an impairment loss has been recognised or reversed during the reporting period, and expand the disclosure requirements regarding the fair value measurement for these assets or units if their recoverable amounts are based on fair value less costs of disposal. The amendments are effective retrospectively for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided HKFRS 13 is also applied. The Group has early adopted the amendments in these consolidated financial statements. The amendments have had no impact on the financial position or performance of the Group.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle[2]
HKFRS 9	Financial Instruments[3]
HKFRS 14	Regulatory Deferral Accounts[4]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
HK(IFRIC) –Int 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted.

2 Effective for annual periods beginning on or after 1 July 2014, except as disclosed below. Early application is permitted.

3 HKFRS 9, as amended in December 2013, amended the mandatory effective date of HKFRS 9. The mandatory effective date is not specified in HKFRS 9 but will be determined when the outstanding phases are finalised. However, application of HKFRS 9 is permitted.

4 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

The directors of the Company anticipate that, except as described below, the application of the other new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

HKFRS 9 Financial Instruments *(Continued)*

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company anticipate that the adoption of HKFRS 9 in the future may have a significant impact on the amounts reported in respect of the Group's financial assets and financial liabilities. Regarding the Group's financial assets and financial liabilities, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014 with early application permitted and require retrospective application.

The directors of the Company anticipate that the application of the amendments to HKAS 32 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

– Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

– Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

– Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;

- is exposed, or has rights, to variable returns from its involvement with the investee; and

- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another HKFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's statement of financial position at cost less any identified impairment loss, if any.

Investment in an associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of an associate are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of an associate used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment in an associate *(Continued)*

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with an associate of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of sales related taxes.

Advertising media income and consultancy service income are recognised when services are provided.

Income from television ("TV") programmes distribution services is recognised upon the delivery of the pre-recorded audio visual products and the materials for video features to the customers, in accordance with the terms of the underlying contracts.

Realised fair value gains or losses on securities trading are recognised on a trade date basis whilst unrealised fair value gains or losses are recognised on change in fair value at the end of the reporting period.

Income from educational consultancy services are provided in the form of fixed-price contracts. Revenue is recognised in the period when the services are provided, using a straight-line basis over the term of the contract.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Income from online training and education services is recognised on a straight-line basis over the period of the courses.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Plant and equipment

Plant and equipment, other than construction in progress, are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of plant and equipment other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress includes plant and equipment in the course of construction for production. Construction in progress is carried at cost less any recognised impairment loss. Such construction in progress is classified to the appropriate categories of plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating leases payments are recognised as an expense on a straight-line basis over the term of the relevant lease.

3. *SIGNIFICANT ACCOUNTING POLICIES* *(Continued)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefit costs

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme (the "MPF Scheme") are recognised as an expense when employees have rendered service entitling them to the contributions.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and an associate, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and any accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below). Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

the technical feasibility of completing the intangible asset so that it will be available for use or sale;

- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets *(Continued)*

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

Cash and cash equivalents

Bank balances and cash in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

3. *SIGNIFICANT ACCOUNTING POLICIES* *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amount due from an associate/a director/non-controlling interest holder and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy on impairment of financial assets below).

3. *SIGNIFICANT ACCOUNTING POLICIES* *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial market because of financial difficulties.

For certain categories of financial asset, such as trade and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, amount due from an associate and amount due from non-controlling interest holder, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade and other receivable, an amount due from an associate/a director/non-controlling interest holder is considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed through profit or loss.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities including trade and other payables, amount due to a director/a shareholder, other borrowing and liability component of convertible loan notes are subsequently measured at amortised cost, using the effective interest method.

Convertible loan notes

Convertible loan notes contains liability and equity components

Convertible loan notes issued by the Group that contain both the liability and conversion option components are classified separately into respective items on initial recognition in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible loan notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the loan notes into equity, is included in equity (convertible loan notes equity reserve).

3. *SIGNIFICANT ACCOUNTING POLICIES* *(Continued)*

Financial instruments *(Continued)*

Convertible loan notes *(Continued)*

Convertible loan notes contains liability and equity components *(Continued)*

In subsequent periods, the liability component of the convertible loan notes is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible loan notes equity reserve until the embedded option is exercised (in which case the balance stated in convertible loan notes equity reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible loan notes equity reserve will be released to the accumulated losses. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity components are charged to equity immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible loan notes using the effective interest method.

Convertible loan notes contains liability component and conversion option derivative

Convertible loan notes issued by the Group that contain both liability and conversion option components are classified separately into respective items on initial recognition. Conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is a conversion option derivative. At the date of issue, both the liability and conversion option components are recognised at fair value.

In subsequent periods, the liability component of the convertible loan notes is carried at amortised cost using the effective interest method. The conversion option derivative is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and conversion option components in proportion to their relative fair values. Transaction costs relating to the conversion option derivative are charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible loan notes using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which case the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Provision

Provision is recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees under share option scheme and share incentive scheme

The fair value of services received is determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period or recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

When the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited or cancelled after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will continue to be held in share options reserve.

Share options granted to consultants

Share options issued in exchange for goods or services are measured at the fair values of the goods or services received, unless that fair value cannot be reliably measured, in which case the goods or services received are measured by reference to the fair value of the share options granted. The fair values of the goods or services received are recognised as expenses, with a corresponding increase in equity (share options reserve), when the Group obtains the goods or when the counterparties render services, unless the goods or services qualify for recognition as assets.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Litigation claim or fines

i. As disclosed in Note 29, provision for a claim was recognised regarding to the dispute over the contractual undertakings in relation to the construction of a light-emitting diode ("LED") display panel located in the PRC for an amount of approximately RMB12,378,000. As at 31 December 2013, the carrying value of such LED display panel was approximately RMB570,000 (2012: RMB570,000), net of accumulated impairment loss of approximately RMB1,017,000 (2012: RMB1,017,000).

   During the year ended 31 December 2012, a hearing was held on 4 July 2012 at 河北省石家莊中級人民法院 (the "Court"). No decision had been concluded during the hearing, however, based on principal of equitable liability, the Court has revealed an arbitration of claim of RMB7,500,000 to be paid by the Group for the ownership of the LED display panel. On 12 December 2012, another hearing was brought but no decision had been finalised and concluded. With reference to a legal opinion from the PRC legal advisor, likelihood of an unfavorable outcome is probable and the amount of the loss of RMB7,500,000 can be reasonably estimated. As a result, a provision of RMB7,500,000 in respect of such claim was recognised as at 31 December 2012.

   On 13 December 2013, a decision has been concluded by the Court which the indirectly-owned subsidiary of the Company is ordered to pay approximately RMB10,593,000 for the claim and borne the related court expenses of approximately RMB129,000. However, an appeal was applied by the Group on 30 December 2013. With reference to a legal opinion from the PRC legal advisor, the result of the appeal is uncertain and the amount of the loss of approximately RMB3,222,000 can be reasonably measured. As a result, additional provision of approximately RMB3,222,000 in respect of such claim was recognised as at 31 December 2013.

ii. As at 31 December 2013, the Group has certain outstanding payables regarding the rental of outdoor advertising billboards which exposed the Group to certain fines on late payment. With reference to a legal opinion from the PRC legal advisor, no litigation regarding this has been received up to the end of the reporting period. In the opinion of the directors of the Company, the Group will not have any material adverse financial impact as the potential amount of fine is insignificant.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Depreciation of plant and equipment and amortisation of intangible assets

Plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account their estimated residual values, while intangible assets are amortised on a straight-line basis over their estimated useful lives. The determination of the useful lives and residual values involve management's estimation. The Group assesses annually the residual values and the useful lives of the plant and equipment and intangible assets and if the expectation differs from the original estimates, such a difference may impact the depreciation and amortisation in the year and the estimate will be changed in the future period.

Estimated impairment loss on plant and equipment

The impairment loss on plant and equipment are recognised for the amounts by which the carrying amounts exceed their recoverable amounts, in accordance with the Group's accounting policy. The recoverable amounts of plant and equipment have been determined based on value-in-use calculations or fair value less cost to sell. The directors of the Company select an appropriate technique to determine the recoverable amounts of plant and equipment. These calculations require the use of estimates such as the future revenue and discount rates. As at 31 December 2013, the carrying values of plant and equipment were approximately RMB10,730,000 (2012: RMB6,909,000), net of accumulated impairment loss of approximately RMB1,017,000 (2012: RMB1,017,000).

Estimated impairment loss on intangible assets

At the end of the reporting period, the Group performs testing on whether there has been impairment of intangible assets in accordance with the accounting policy as stated in Note 4. The recoverable amounts of cash generating units are determined based on value-in-use calculations. The directors of the Company assess the potential impairment of intangible assets if any, by reference to the work of independent professional qualified valuer who performs calculations which use estimates and assumptions of the future operation of the business applying appropriate discount rates, and other assumptions underlying the value-in-use calculations. As at 31 December 2013, the carrying values of intangible assets were approximately RMB111,925,000 (2012: RMB3,395,000), net of accumulated impairment loss of approximately RMB613,806,000 (2012: RMB611,989,000). Details of the recoverable amount calculation are disclosed in Note 18.

4. *CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)*

Key sources of estimation uncertainty (Continued)

Estimated impairment loss on goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2013, the carrying value of goodwill was approximately RMB373,920,000 (2012: RMB18,262,000). No impairment loss was provided for both years. Details of the assumption used are disclosed in Note 19.

Impairment loss on prepayment for a mobile media project

In determining whether an impairment is required for the amount prepaid for a mobile media project, the directors of the Company take into consideration the possibility of completion of the respective project successfully. Provision is made if the management considers that the respective project is uncertain and unlikely to be completed based on the present progress and future business plan. As at 31 December 2012, the carrying amounts of the prepayment was fully impaired, net of accumulated impairment loss of RMB5,000,000. During the year ended 31 December 2013, the directors of the Company considered that the amount was uncollectable, it was written off against the provision of impairment loss.

Estimated impairment loss on available-for-sale investments

The Group follows the guidance of HKAS 39 to determine when an available-for-sale investment is impaired. This determination requires significant judgement by evaluating among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

If all of the declines in the value below cost were considered significant or prolonged, impairment loss would be recognised. As at 31 December 2013, the carrying amount of available-for-sale investments was approximately RMB1,953,000 (2012: RMB2,006,000). No impairment loss was provided for both years.

4. *CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY* *(Continued)*

Key sources of estimation uncertainty *(Continued)*

Estimated impairment loss on trade and other receivables and amount due from an associate

The policy for impairment of trade and other receivables and amount due from an associate of the Group is based on the evaluation of collectability and ageing analysis of these receivables and on management's estimation. A considerable amount of estimation is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of debtors of the Group were to deteriorate, resulting in impairment of their ability to make payments, additional impairment may be required. As at 31 December 2013, the carrying amount of trade and other receivables was approximately RMB70,320,000 (2012: RMB35,336,000), net of accumulated impairment loss of approximately RMB4,691,000 (2012: RMB10,396,000). While the carrying amount of the amount due from an associate as at 31 December 2013 was approximately RMB11,740,000 (2012: RMB7,095,000), net of accumulated impairment loss of approximately RMB7,396,000 (2012: RMB15,228,000).

Share-based payment expenses

The fair value of share options granted at the grant date to the directors, employees and consultants is recognised as an expense in full at grant date when the share options granted vest immediately, with a corresponding adjustment to the Group's share options reserve. In assessing the fair value of the share options, the generally accepted option pricing models were used to calculate the fair value of the share options. The option pricing models require the input of subjective assumptions, including the volatility of its own ordinary shares and the expected life of options etc. Any changes in these assumptions can significantly affect the estimate of the fair value of the share options.

Fair value of derivative financial liabilities

The directors of the Company use their judgements in selecting an appropriate valuation technique to determine fair value of the conversion option derivative and the contingent consideration instrument which are not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. The fair values of these derivative financial liabilities are reassessed at the end of each reporting period with movement to the consolidated statement of profit or loss and other comprehensive income. In estimating the fair values of these derivative financial liabilities, the Group uses independent valuations which are based on various inputs and estimates with reference to quoted market rates and adjusted for specific features of the instrument. If the inputs and estimates applied in the model or the valuation model are different, the carrying amounts of these derivative financial liabilities will be changed. As at 31 December 2013, the carrying values of the conversion option derivative and the contingent consideration instrument were Nil (2012: RMB3,466,000) and approximately Nil (2012: RMB3,788,000) respectively. The directors of the Company believe that the chosen valuation techniques and assumptions are appropriate in determining the fair values of these financial instruments.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty (Continued)

Fair value measurements and valuation processes

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The management of the Company works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The management of the Company reports the findings to the board of directors of the Company to explain the cause of fluctuations in the fair value of the assets and liabilities. The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital structure to ensure that the entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes other borrowing and convertible loan notes, net of cash and cash equivalents and equity attributable to owners of the Company, comprising share capital and reserves.

The directors of the Company review the capital structure regularly. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on the recommendations of the directors of the Company, the Group will balance its overall capital structure through new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debts.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2013 RMB'000	2012 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	132,651	62,422
Available-for-sale investments	1,953	2,006
Financial liabilities		
At amortised cost	42,539	84,219
Derivative financial liabilities	–	7,254

(b) Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investments, trade and other receivables, amount due from an associate/a director/non-controlling interest holder, bank balances and cash, trade and other payables, amount due to a director/a shareholder, other borrowing, convertible loan notes and derivative financial liabilities. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

As at 31 December 2013 and 2012, no transaction denominated in currencies other than the respective functional currencies of the relevant group entities, i.e. RMB and HK$, except for certain other receivables, bank balances, other payables and liability component and conversion option derivative of convertible loan notes of the Group are denominated in foreign currencies. The Group does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging the potential foreign currency exposure should the need arise.

6. *FINANCIAL INSTRUMENTS* *(Continued)*

(b) *Financial risk management objectives and policies* *(Continued)*

Market risk *(Continued)*

(i) Currency risk *(Continued)*

The carrying amounts of the Group's monetary assets and liabilities denominated in currencies other than the respective functional currencies of the relevant group entities at the end of the reporting period are as follows:

	Assets		Liabilities	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
RMB	**32**	–	**876**	20,118
HK$	**863**	14	**–**	–

Sensitivity analysis

The Group is mainly exposed to RMB and HK$.

The following table details the Group's sensitivity to a 10% (2012: 10%) increase and decrease in the functional currencies of the relevant group entities, RMB or HK$, against the relevant foreign currencies. 10% (2012: 10%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 10% (2012: 10%) change in foreign currency rates.

A negative number below indicates an decrease in profit/increase in loss for the year where the respective functional currency (HK$ or RMB) strengthens 10% (2012: 10%) against the relevant foreign currency (RMB or HK$). For a 10% (2012: 10%) weakening of respective functional currency (HK$ or RMB) against the relevant foreign currency (RMB or HK$), there would be an equal and opposite impact on the profit/loss for the year and the balances below would be positive.

6. *FINANCIAL INSTRUMENTS* *(Continued)*

(b) *Financial risk management objectives and policies* *(Continued)*

Market risk *(Continued)*

(i) ***Currency risk*** *(Continued)*

Sensitivity analysis (Continued)

	Effect on profit or loss	
	2013	2012
	RMB'000	RMB'000
HK$ strengthen against RMB by 10%	**(70)**	(1,680)
RMB strengthen against HK$ by 10%	**65**	1

(ii) ***Interest rate risk***

The Group is exposed to fair value interest rate risk in relation to fixed-rate other borrowing (see Note 30 for details) and convertible loan notes (see Note 31 for details). The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary action when significant interest rate exposure is anticipated.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances (see Note 26 for details) carried at prevailing market rates.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate is mainly concentrated on the fluctuation of prevailing market rates arising from the Group's bank balances denominated in HK$ and RMB base deposit rate stipulated by the People's Bank of China arising from the Group's bank balances denominated in RMB.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points (2012: 50 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk (Continued)

(ii) Interest rate risk *(Continued)*

Sensitivity analysis (Continued)

If interest rates had been 50 basis points (2012: 50 basis points) higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2013 would increase/decrease by approximately RMB188,000 (2012: loss would decrease/increase by approximately RMB81,000).

(iii) Other price risk

The Group is required to estimate the fair value of the conversion option derivative of Nil (2012: two) of the convertible loan notes issued by the Company at the end of each reporting period, which therefore exposed the Group to equity price risk. The Group does not have a price risk hedging policy. However, the management monitors equity price volatility exposure and will consider hedging the potential price risk exposure should the need arise. The fair value adjustments will be affected either positively or negatively, amongst others, by the changes in risk-free rate, share price of the Company and share price volatility. Details of the convertible loan notes issued by the Company are set out in Note 31.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risk at the reporting date.

If the equity prices had been 20% higher/lower while all other input variables of the valuation models were held constant, the loss for the year ended 31 December 2012 would increase/decrease by approximately RMB2,384,000 as a result of the changes in the fair value of conversion option derivative of convertible loan notes. No other price risk was noted for the year ended 31 December 2013 as all convertible loan notes have been converted as at 31 December 2013.

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk

As at 31 December 2013, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

With respect to credit risk arising from amount due from a director, the Group's exposure to credit risk arising from default of this counterparty is limited as the amount is subsequently settled. The Group does not expect to incur a significant loss for uncollected amount due from this party.

Regarding to the amount due from non-controlling interest holder, as at 31 December 2013, impairment loss of approximately RMB203,000 (2012: Nil) was recognised having considered the financial position of the non-controlling interest holder and the dividend policy of the respective group entity as at the end of the reporting period.

Regarding to the amount due from an associate, as at 31 December 2013, the carrying amount was approximately RMB11,740,000 (2012: RMB7,095,000), net of accumulated impairment loss of approximately HK$9,467,000 (equivalent to approximately RMB7,396,000) (2012: HK$18,974,000 (equivalent to approximately RMB15,228,000)). The Group's exposure to credit risk arising from the default of the associate on the outstanding amount is limited as the associate has sufficient net assets to repay the remaining debts.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 100% (2012: 100%) of the total trade receivables as at 31 December 2013.

The Group has concentration of credit risk as 74% (2012: 17%) and 74% (2012: 29%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively within advertising media and other media segments.

The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group and the Company aim to maintain flexibility in funding by keeping committed credit lines available.

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the Company's board of Directors when the borrowings exceed certain predetermined levels of authority.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

Liquidity tables

	On demand or within one year RMB'000	More than one year but less than two years RMB'000	More than two years but less than five years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
As at 31 December 2013					
Non-derivative financial liabilities					
Trade and other payables	**22,976**	**–**	**–**	**22,976**	**22,976**
Amount due to a shareholder	**1,563**	**–**	**–**	**1,563**	**1,563**
Other borrowing	**18,360**	**–**	**–**	**18,360**	**18,000**
	42,899	**–**	**–**	**42,899**	**42,539**
As at 31 December 2012					
Non-derivative financial liabilities					
Trade and other payables	16,047	–	–	16,047	16,047
Amount due to a director	240	–	–	240	240
Other borrowing	18,360	–	–	18,360	18,000
Convertible loan notes	10,248	32,928	22,628	65,804	49,932
	44,895	32,928	22,628	100,451	84,219

6. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value measurements recognised in the consolidated statement of financial position

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the combined financial statements approximate to their corresponding fair value due to short-term maturities.

7. REVENUE

Revenue represents the net amounts received and receivable for services rendered net of sales related taxes.

8. SEGMENT INFORMATION

Information reported to the board of directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. No operating segments identified by the chief operating decision maker 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. Advertising media – provision of advertising services in respect of placing advertisements on the outdoor billboards and LED screens of the Group to advertisers and advertising agencies;

2. Other media – provision of consultancy and media business operation services and TV programmes distribution services; and

3. Securities trading – trading of financial assets at fair value through profit or loss; and

4. Educational consultancy and online training and education – provision of educational consultancy services and online training and education services.

During the year ended 31 December 2013, there was a new reportable and operating segment regarding educational consultancy and online training and education upon the acquisition of a subsidiary as disclosed in Note 40.

8. 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 year ended 31 December 2013

	Advertising media RMB'000	Other media RMB'000	Educational consultancy and online training and education RMB'000	Total RMB'000
REVENUE				
External sales	437	30,690	67,223	98,350
Segment (loss) profit	(13,030)	18,311	52,092	57,373
Increase in fair value of derivative financial liabilities				(15,263)
Reversal of impairment loss on amount due from an associate				7,520
Write off of other payable				1,792
Unallocated other income				59
Unallocated corporate expenses				(24,420)
Finance costs				(5,534)
Profits before tax				21,527

8. SEGMENT INFORMATION *(Continued)*

Segment revenue and results *(Continued)*

For the year ended 31 December 2012

	Advertising media RMB'000	Other media RMB'000	Educational consultancy and online training and education RMB'000	Total RMB'000
REVENUE				
External sales	10,240	12,508	–	22,748
Segment loss	(638,773)	(27,592)	–	(666,365)
Decrease in fair value of derivative financial liabilities				1,384
Unallocated other income				31
Unallocated corporate expenses				(24,854)
Finance costs				(8,810)
Loss before tax				(698,614)

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. Segment profit/loss represents the profit earned by/loss from each segment without allocation of central administration costs, directors' emoluments, interest income, reversal of impairment loss recognised on amount due from an associate, impairment loss recognised on amount due from non-controlling interest holder, increase/decrease in fair value of derivative financial liabilities, gain on bargain purchase of a subsidiary, finance costs, write off of certain plant and equipment and depreciation of certain plant and equipment. This is the measure reported to the board of directors of the Company, being the chief operating decision maker, for the purposes of resources allocation and performance assessment.

8. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

	2013	2012
	RMB'000	RMB'000
Segment assets		
Advertising media	**5,228**	6,305
Other media	**45,934**	26,726
Educational consultancy and online training and education	**500,187**	–
Total segment assets	**551,349**	33,031
Unallocated corporate assets	**80,508**	60,140
Consolidated assets	**631,857**	93,171
Segment liabilities		
Advertising media	**14,350**	11,276
Other media	**28**	100
Educational consultancy and online training and education	**10,023**	–
Total segment liabilities	**24,401**	11,376
Unallocated corporate liabilities	**72,364**	91,317
Consolidated liabilities	**96,765**	102,693

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than certain plant and equipment, interest in an associate, available-for-sale investments, amounts due from an associate/a director/non-controlling interest holder, certain other receivables and bank balances and cash; and

- all liabilities are allocated to operating segments other than certain other payables, amount due to a director/a shareholder, income tax payable, deferred tax liability, other borrowing, derivative financial liabilities and convertible loan notes.

8. SEGMENT INFORMATION *(Continued)*

Other segment information

For the year ended 31 December 2013

	Advertising media RMB'000	Other media RMB'000	Educational consultancy and online training and education RMB'000	Unallocated RMB'000	Total RMB'000
Amounts included in the measure of segment loss or segment assets:					
Additions to non-current assets (Note)	3,450	28	480,145	1,238	484,861
Depreciation and amortisation	2,466	4	4,637	1,691	8,798
Impairment loss recognised on intangible assets	2,803	–	–	–	2,803
Impairment loss recognised on amount due from non-controlling interest holder	203	–	–	–	203
Provision for a claim	3,222	–	–	–	3,222
Write off of other payable	–	–	–	(1,792)	(1,792)
Reversal of impairment loss on amount due from an associate	–	–	–	(7,520)	(7,520)
Reversal of impairment loss on trade and other receivables	(363)	(187)	–	–	(550)
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment loss or segment assets:					
Interest income	–	–	–	(55)	(55)
Interest expenses	–	–	–	5,534	5,534
Share-based payment expenses	–	–	–	1,169	1,169
Increase in fair value of derivative financial liabilities	–	–	–	15,263	15,263

8. SEGMENT INFORMATION *(Continued)*

Other segment information *(Continued)*

For the year ended 31 December 2012

	Advertising media RMB'000	Other media RMB'000	Educational consultancy and online training and education RMB'000	Unallocated RMB'000	Total RMB'000
Amounts included in the measure of segment loss or segment assets:					
Additions to non-current assets (Note)	2	32	–	276	310
Depreciation and amortisation	35,971	4,362	–	1,622	41,955
Impairment loss recognised on intangible assets	574,877	35,937	–	–	610,814
Impairment loss recognised on trade and other receivables	7,810	2,157	–	–	9,967
Write off of other receivable	–	–	–	381	381
Write off of plant and equipment	–	–	–	9	9
Impairment loss recognised on plant and equipment	1,017	–	–	–	1,017
Provision for a claim	7,500	–	–	–	7,500
Write off of other payable	–	(3,000)	–	–	(3,000)
Reversal of impairment loss on other receivables	(1,000)	–	–	–	(1,000)
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment loss or segment assets:					
Interest income	–	–	–	(16)	(16)
Interest expenses	–	–	–	8,810	8,810
Share-based payment expenses	–	–	–	127	127
Decrease in fair value of derivative financial liabilities	–	–	–	(1,384)	(1,384)

Note:

Non-current assets excluded available-for-sale investments.

8. SEGMENT INFORMATION *(Continued)*

Geographical information

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

Information about the Group's revenue from external customers is presented based on the location of the operations and all of the Group's revenue are from the PRC for both years. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Non-current assets	
	2013	2012
	RMB'000	RMB'000
PRC	**493,152**	24,598
Hong Kong	**3,423**	3,968
	496,575	28,566

Note:

Non-current assets excluded available-for-sale investments.

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group is as follows:

	2013	2012
	RMB'000	RMB'000
Customer A[1]	**18,733**	N/A[3]
Customer B[1]	**18,304**	N/A[3]
Customer C[1]	**13,553**	N/A[3]
Customer D[2]	**N/A[3]**	4,142

1 Revenue from educational consultancy and online training and education.

2 Revenue from advertising media.

3 The corresponding revenue did not contribute over 10% of the total revenue of the Group.

9. OTHER INCOME

	2013 RMB'000	2012 RMB'000
Write off of other payables	**1,792**	3,000
Government subsidies (Note)	**1,761**	–
Reversal of impairment loss on trade and other receivables	**550**	1,000
Interest income	**55**	16
Gain on bargain purchase of a subsidiary (Note 40 (ii))	**–**	12
Others	**4**	3
	4,162	4,031

Note: Government subsidies of approximately RMB1,761,000 (2012: Nil) have been recognised during the year ended 31 December 2013 which were designated for the encouragement of creative media business development incentive. All conditions in respect of these grants had been fulfilled and such government grants were recognised in other income for the year.

10. FINANCE COSTS

	2013 RMB'000	2012 RMB'000
Interest on other borrowing wholly repayable within five years	**360**	381
Effective interest expenses on convertible loan notes (Note 31)	**5,174**	8,429
	5,534	8,810

11. INCOME TAX EXPENSE

	2013 RMB'000	2012 RMB'000
PRC Enterprise Income Tax		
– current year	**11,910**	3,622
Deferred tax (Note 35)	**(766)**	–
	11,144	3,622

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of all PRC subsidiaries is 25% for both years.

Provision for PRC Enterprise Income Tax has been made for the years ended 31 December 2013 and 2012 based on the estimated assessable profit derived from the PRC.

11. INCOME TAX EXPENSE *(Continued)*

Hong Kong Profits Tax was calculated at 16.5% of the estimated assessable profit for both years. No provision for Hong Kong Profits Tax has been made for the years ended 31 December 2013 and 2012 as the Group did not have any assessable profit subject to Hong Kong Profits Tax for both years.

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.

The income tax expense for the year can be reconciled to the profit (loss) before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2013 RMB'000	2012 RMB'000
Profit (loss) before tax	21,527	(698,614)
Tax at the domestic income tax rate of 25% (2012: 25%)	5,382	(174,653)
Tax effect of expenses not deductible for tax purpose	11,111	113,974
Tax effect of income not taxable for tax purpose	(1,701)	(152)
Tax effect of utilisation of tax losses previously not recognised	(1,510)	(92)
Tax effect of tax losses not recognised	2,778	6,694
Tax effect of tax concession period	(4,919)	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	3	57,851
Income tax expense for the year	11,144	3,622

Note:

The domestic tax rate of 25% (2012: 25%) in the jurisdiction where the operation of the Group is substantially based is used.

As at 31 December 2013, the Group has unused tax losses of approximately RMB92,572,000 (2012: RMB87,500,000) available to offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

The tax losses of approximately HK$53,690,000 (equivalent to approximately RMB41,945,000) (2012: HK$53,690,000 (equivalent to approximately RMB43,089,000)) may be carried forward indefinitely while the tax losses of approximately RMB50,627,000 (2012: RMB44,411,000) will be expired in the next five years.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to approximately RMB3,450,000 (2012: RMB9,056,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

12. *PROFIT (LOSS) FOR THE YEAR*

Profit (loss) for the year has been arrived at after charging:

	2013	2012
	RMB'000	RMB'000
Directors' emoluments (Note 13)	**2,052**	2,275
Other staff costs (excluding directors' emoluments)	**8,859**	6,105
Share-based payment expenses (excluding directors' emoluments)	**1,057**	–
Retirement benefits scheme contributions (excluding directors' emoluments)	**671**	304
Total staff costs	**12,639**	8,684
Auditor's remuneration	**791**	561
Share-based payment expenses granted to consultants (Note)	**96**	–
Depreciation for plant and equipment	**4,510**	3,586
Amortisation of intangible assets (included in cost of services)	**4,288**	38,369
Impairment loss recognised on trade and other receivables	**–**	9,967
Impairment loss recognised on amount due from non-controlling interest holder	**203**	–
Write off of other receivable	**–**	381
Net foreign exchange losses	**126**	17
Impairment loss recognised on intangible assets (included in cost of services)	**2,803**	610,814
Impairment loss recognised on plant and equipment	**–**	1,017
Write off of plant and equipment	**–**	9
Operating lease rentals in respect of rented premises	**7,445**	8,817

Note:

It represents share options granted to external consultants in exchange for services rendered to the Group.

13. *DIRECTORS' EMOLUMENTS*

The emoluments paid or payable to each of the eight (2012: eight) directors were as follows:

For the year ended 31 December 2013

	Fees RMB'000	Salaries and other benefits RMB'000	Retirement benefits scheme contributions RMB'000	Share-based payment expenses RMB'000	Total RMB'000
Executive directors:					
Chen Fu Ju					
(resigned on 1 March 2013)	–	97	2	–	99
Li Qing	–	500	14	–	514
Yan Dake					
(resigned on 31 December 2013)	–	496	11	–	507
Li Jia (appointed on 1 August 2013)	198	296	9	–	503
Non-executive director:					
Ng Siu Lai					
(resigned on 1 August 2013)	55	13	–	–	68
Independent non-executive directors:					
Leung Siu Kee	95	21	–	–	116
Han Bing	95	21	–	–	116
Wang Shuping					
(appointed on 11 January 2013)	92	21	–	16	129
Total	535	1,465	36	16	2,052

13. *DIRECTORS' EMOLUMENTS (Continued)*

For the year ended 31 December 2012

	Fees RMB'000	Salaries and other benefits RMB'000	Retirement benefits scheme contributions RMB'000	Share-based payment expenses RMB'000	Total RMB'000
Executive directors:					
Chen Fu Ju (resigned on 1 March 2013)	–	607	19	–	626
Li Qing	–	511	19	–	530
Yan Dake	–	504	12	–	516
Non-executive director:					
Ng Siu Lai	96	23	–	–	119
Independent non-executive directors:					
Li Zhong (resigned on 30 July 2012)	56	23	–	–	79
Zhao Yong (resigned on 31 October 2012)	80	23	–	–	103
Leung Siu Kee	96	23	–	–	119
Han Bing (appointed on 28 August 2012)	33	23	–	127	183
Total	361	1,737	50	127	2,275

None of the directors waived or agreed to waive any emoluments paid by the Group during the two years ended 31 December 2013. No emoluments were paid or payable by the Group to any directors as an inducement to join or upon joining the Group, or as compensation for loss of the office during the two years ended 31 December 2013.

The Company did not appoint a chief executive during the years ended 31 December 2013 and 2012. Mr. Li Qing performed the duties of chief executive. His emolument disclosed above include those services rendered by Mr. Li Qing.

14. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, four (2012: three) were directors of the Company whose emoluments are included in the disclosures in Note 13 above. The emoluments of the remaining one (2012: two) individuals were as follows:

	2013 RMB'000	2012 RMB'000
Salaries and other benefits	770	1,209
Retirement benefits scheme contributions	12	28
	782	1,237

Their emoluments were within the following bands:

	Number of employees	
	2013	2012
Nil to HK$1,000,000 (equivalent to approximately RMB802,000 (2012: RMB816,000))	1	2

No emoluments were paid or payable by the Group to the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office during the two years ended 31 December 2013.

15. DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2013, nor has any dividend been proposed since the end of the reporting period (2012: Nil).

16. EARNINGS (LOSS) PER SHARE

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

	2013	2012
Profit (loss)	RMB'000	RMB'000
Profit (loss) for the year attributable to owners of the Company for the purpose of basic and diluted earnings (loss) per share	7,712	(701,309)

	2013	2012
Number of shares	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings/loss per share	2,358,495	1,984,410

The preference shares to be issued under contingent consideration arrangement as mentioned in note 40 was included in the computation of basic earnings per share as the profit guarantee was met as at 31 December 2013. Diluted earning per share is same as basic earnings per share for the year ended 31 December 2013. The computation of diluted loss per share does not assume the exercise of the Company's share options because the exercise price of those share options were higher than the weighted average market price for share.

Diluted loss per share is same as basic loss per share for the year ended 31 December 2012. The computation of diluted loss per share does not assume the exercise of the Company's share options because the exercise price of those share options were higher than the weighted average market price for shares; and does not assume the conversion of the Company's outstanding convertible loan notes since their exercise would result in a decrease in loss per share for 2012.

17. PLANT AND EQUIPMENT

	Leasehold improvements RMB'000	Furniture and fixtures RMB'000	Computers and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
COST						
At 1 January 2012	6,390	169	2,989	4,400	1,587	15,535
Exchange realignment	(37)	(1)	(2)	(41)	–	(81)
Additions	254	5	19	–	–	278
Acquired on acquisition of a subsidiary (Note 40)	–	–	32	–	–	32
Write off	–	(7)	(17)	–	–	(24)
At 31 December 2012	**6,607**	**166**	**3,021**	**4,359**	**1,587**	**15,740**
Exchange realignment	**(110)**	**(4)**	**(5)**	**(99)**	**–**	**(218)**
Additions	**4,624**	**101**	**200**	**–**	**–**	**4,925**
Acquired on acquisition of a subsidiary (Note 40)	**994**	**511**	**1,221**	**780**	**–**	**3,506**
At 31 December 2013	**12,115**	**774**	**4,437**	**5,040**	**1,587**	**23,953**
DEPRECIATION AND IMPAIRMENT						
At 1 January 2012	2,554	62	567	1,081	–	4,264
Exchange realignment	(10)	(1)	(1)	(9)	–	(21)
Provided for the year	2,154	33	809	590	–	3,586
Eliminated on write off	–	(5)	(10)	–	–	(15)
Impairment loss recognised	–	–	–	–	1,017	1,017
At 31 December 2012	**4,698**	**89**	**1,365**	**1,662**	**1,017**	**8,831**
Exchange realignment	**(74)**	**(3)**	**(3)**	**(38)**	**–**	**(118)**
Provided for the year	**2,653**	**166**	**1,050**	**641**	**–**	**4,510**
At 31 December 2013	**7,277**	**252**	**2,412**	**2,265**	**1,017**	**13,223**
CARRYING VALUES						
At 31 December 2013	**4,838**	**522**	**2,025**	**2,775**	**570**	**10,730**
At 31 December 2012	1,909	77	1,656	2,697	570	6,909

17. PLANT AND EQUIPMENT *(Continued)*

The above items of plant and equipment are depreciated on a straight-line basis, after taking into account of their estimated residual values, at the following rates per annum:

Leasehold improvements	Over the term of the leases
Furniture and fixtures	20% – 33%
Computers and equipment	20% – 33%
Motor vehicles	12.5% – 20%

During the years ended 31 December 2013 and 2012, the directors of the Company conducted a review on the Group's plant and equipment and determined that the construction in progress was impaired, due to technical obsolescence. Accordingly, an accumulated impairment losses of approximately RMB1,017,000 (2012: RMB1,017,000) has been recognised in respect of the construction in progress, which is used in the advertising media segment.

18. INTANGIBLE ASSETS

	LED displays advertising right RMB'000 Note (i)	Consultancy service contracts RMB'000 Note (ii)	Other advertising right RMB'000 Note (iii)	Software RMB'000 Note (iv)	Customer relationship RMB'000 Note (iv)	Total RMB'000
COST						
At 1 January 2012	680,320	44,039	1,188	–	–	725,547
Exchange realignment	–	(479)	(13)	–	–	(492)
At 31 December 2012	**680,320**	**43,560**	**1,175**	**–**	**–**	**725,055**
Acquired on acquisition of a subsidiary (Note 40)	**–**	**–**	**–**	**8,417**	**108,274**	**116,691**
Exchange realignment	**–**	**(1,157)**	**(31)**	**(25)**	**(1,083)**	**(2,296)**
At 31 December 2013	**680,320**	**42,403**	**1,144**	**8,392**	**107,191**	**839,450**
AMORTISATION AND IMPAIRMENT						
At 1 January 2012	68,032	3,303	1,188	–	–	72,523
Provided for the year	34,016	4,353	–	–	–	38,369
Impairment loss recognised	574,877	35,937	–	–	–	610,814
Exchange realignment	–	(33)	(13)	–	–	(46)
At 31 December 2012	**676,925**	**43,560**	**1,175**	**–**	**–**	**721,660**
Provided for the year	**200**	**–**	**–**	**1,457**	**2,631**	**4,288**
Impairment loss recognised	**2,803**	**–**	**–**	**–**	**–**	**2,803**
Exchange realignment	**–**	**(1,157)**	**(31)**	**(5)**	**(33)**	**(1,226)**
At 31 December 2013	**679,928**	**42,403**	**1,144**	**1,452**	**2,598**	**727,525**
CARRYING VALUES						
At 31 December 2013	**392**	**–**	**–**	**6,940**	**104,593**	**111,925**
At 31 December 2012	3,395	–	–	–	–	3,395

18. INTANGIBLE ASSETS *(Continued)*

Notes:

(i) LED displays advertising right represents the operating right to operate outdoor advertising LED displays business in the PRC. The operating right was acquired through acquisition of the entire issued share capital of Precious Luck Enterprises Limited ("Precious Luck") during the year ended 31 December 2010.

The intangible asset is amortised on a straight-line basis over its estimated useful lives of 20 years.

As at 31 December 2013 and 2012, the management reviewed the recoverable amount of the intangible asset with reference to the valuation issued by an independent qualified professional valuer not connected to the Group.

The recoverable amount of the intangible asset is determined from the discounted cash flows value-in-use approach as extracted from the valuer's valuation report for the recoverable amount as at 31 December 2013 and 31 December 2012. The Group prepared cash flow forecasts derived from the most recent budgets approved by management and extrapolated over 16 years (2012: 17 years). The key assumptions for the discounted cash flow forecast were those regarding discount rates and anticipated future sales, as follows:

- Projected cash flows are based on sales and business plans derived from the advertising media business plans which is prepared by the directors of the Company based on their best knowledge and current situation of the industry. Expected cash inflows/outflows, which include budgeted sales and gross margin, have been determined based on past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying value to exceed the aggregate recoverable amount.

- Management used a discount rate which is derived as the Company's weighted average cost of capital, representing the expected return on the Company's capital, and assigned a pre-tax discount rate of 20.71% (2012: 21.75%).

- The cash flows beyond 5-year (2012: 5-year) period are extrapolated using zero growth rate (2012: 0%). The growth rate is set by the management with reference to the relevant industry growth rate and the average long-term growth rate for the relevant industry.

During the years ended 31 December 2013, the directors of the Company considered the LED outdoor advertising business had slowed down and decided to change the business operation during the year due to the change in the operating environment in the PRC and the difficulty in the procurement of good location LED boards in major cities in the PRC. The change in business plan led to a worse financial performance from the LED advertising business than expected. As a result, the Group recognised an impairment loss of approximately RMB2,803,000 (2012: RMB574,877,000) in relation to LED display advertising right.

18. INTANGIBLE ASSETS *(Continued)*

Notes: *(Continued)*

(ii) Consultancy service contracts represent exclusive consultancy service agreements for media business obtained through the acquisition of the entire issued share capital of Bold Champion International Limited ("Bold Champion") on 25 March 2011.

The intangible asset is amortised on a straight-line basis over its estimated useful lives of 10 years according to the terms of the consultancy service contracts.

As at 31 December 2012, the management reviewed the recoverable amount of the intangible asset with reference to the valuation issued by an independent qualified professional valuer not connected to the Group.

The recoverable amount has been determined on the basis of value-in-use calculations, which use cash flow projections based on financial budgets approved by management covering a 10-year period and a pre-tax discount rate of 17.14%. Cash flows beyond 3-year period are assumed constant with 0% growth rate up to the end of service contracts. The forecast turnover is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Cash flow projections during the budget period are also based on the budgeted consultancy service income and expected gross margins during the budget period. Expected cash inflows/outflows, which include budgeted consultancy service income and gross margin have been determined based on past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying value of intangible asset to exceed the recoverable amount of intangible asset.

During the year ended 31 December 2012, the Group recognised an full impairment loss of approximately RMB35,937,000 in relation to consultancy service contracts as the directors of the Group expected that there is a significant decline in income derived from providing consultancy services upon the change in business plan of its customers during the year ended 31 December 2012 of which no profit would be expected to be generated in foreseeable future. No material revenue generated from those consultancy service contracts as at 31 December 2013.

(iii) Other advertising right represents fees paid for obtaining the exclusive operating right for advertising billboards located on highways in Hebei Province, the PRC. Other advertising right is measured initially at purchase cost and amortised on a straight-line basis over their estimated useful lives of 10 years, less any impairment losses. During the year ended 31 December 2011, certain advertising billboards have been obtained and the corresponding deposit paid for acquisition of the intangible asset of HK$1,464,000 (equivalent to approximately RMB1,229,000) have been transferred to intangible asset upon obtaining the right.

As at 31 December 2013 and 2012, no reversal of impairment loss in relation to other advertising right as the directors of the Company considered that the respective advertising business in Hebei Province was not carried in according to the designated schedule and losses were incurred without satisfactory income streams to the Group.

18. INTANGIBLE ASSETS *(Continued)*

Notes: *(Continued)*

(iv) Software represented an online training and education platform which aims at providing end-users an online learning environment which acquired through an acquisition of Housden Holdings on 8 August 2013.

Development cost of the online training and education platform is recognised in accordance with "HKAS 38 Intangible Assets" which expenditures to be capitalised should fulfill all the requirements stated. The management of Housden Holdings was in the view that the platform has an useful life of 5 years from past experience and with reference to other software provider companies.

Customer relationship represented the signed agreements with local training organisations of civil servants and professionals and technicians to provide customised online training and education services. A subsidiary of Housden Holdings, 北京中人光華教育有限公司 ("中人光華"), is authorised by Ministry of Human Resources and Social Security of the PRC to provide online training and education programmes for civil servants and professionals and technicians in the PRC. According to the management, 中人光華 has spent substantial time and resources to negotiate customised training plans with local training organisations. The director of the Company was in the view that the customer relationship has an useful lift of 15 years with reference to turnover rate of the customers.

At the date of completion of acquisition, the fair value of the online training and education platform and customer relationship were approximately RMB8,417,000 and RMB108,274,000 respectively based on valuation report from an independent qualified professional valuer.

As at 31 December 2013, the management reviewed the recoverable amounts of the intangible assets with reference to the valuation issued by an independent qualified professional valuer not connected to the Group.

The recoverable amounts have been determined on the basis of value-in-use calculations, which use cash flow projections based on financial budgets approved by management covering a 4-year period and a pre-tax discount rate of 20.72%. Cash flows beyond 4-year period are assumed constant with 3% growth rate. The growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Cash flow projections during the budget period is also based on the budgeted educational consultancy service income and online training and education services income and expected gross margins during the budget period. Expected cash inflows/outflows, which include budgeted educational consultancy service income and online training and education services income and gross margin have been determined based on past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying values of the intangible assets to exceed their recoverable amounts. No impairment loss was provided for the year ended 31 December 2013.

19. GOODWILL

	RMB'000
COST	
At 1 January 2012	18,463
Exchange realignment	(201)
At 31 December 2012	18,262
Arising on acquisition of a subsidiary (Note 40)	359,739
Exchange realignment	(4,081)
At 31 December 2013	373,920
CARRYING VALUES	
At 31 December 2013	373,920
At 31 December 2012	18,262

The carrying amounts of goodwill as at 31 December 2013 and 2012 allocated to these units are as follows:

	2013 RMB'000	2012 RMB'000
Other media – Bold Champion	**17,777**	18,262
Educational consultancy and online training and education – Housden Holdings	**356,143**	–
	373,920	18,262

19. GOODWILL *(Continued)*

Bold Champion

Goodwill was arising on the acquisition of Bold Champion during the year ended 31 December 2011. The recoverable amount of Bold Champion has been determined on the basis of value-in-use calculations, which use cash flow projections based on financial budgets approved by management covering a 5-year period and a pre-tax discount rate of 21.10% (2012: 17.14%). Cash flows beyond 5-year (2012: 3-year) period are assumed constant with 0% growth rate (2012: 0%). The forecast turnover is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Cash flow projections during the budget period is also based on the budgeted consultancy service income and TV programmes distribution services income and expected gross margins during the budget period. Expected cash inflows/outflows, which include budgeted consultancy service income and gross margin have been determined based on past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying value of goodwill to exceed the recoverable amount of goodwill. No impairment loss was provided for the two years ended 31 December 2013.

Housden Holdings

Goodwill was arising on the acquisition of Housden Holdings during the year ended 31 December 2013. The recoverable amount of Housden Holdings has been determined on the basis of value-in-use calculations, which use cash flow projections based on financial budgets approved by management covering a 4-year period and a pre-tax discount rate of 20.72%. Cash flows beyond 4-year period are assumed constant with 3% growth rate. The growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Cash flow projections during the budget period is also based on the budgeted educational consultancy service income and online training and education services income and expected gross margins during the budget period. Expected cash inflows/outflows, which include budgeted educational consultancy service income and online training and education services income and gross margin have been determined based on past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying value of goodwill to exceed the recoverable amount of goodwill. No impairment loss was provided for the year ended 31 December 2013.

20. *INTEREST IN AN ASSOICATE*

	2013	2012
	RMB'000	RMB'000
Cost of investment in an associate		
Unlisted equity interest	**–**	–
Share of post-acquisition results and other comprehensive income	**–**	–
Exchange realignment	**–**	–
	–	–

As at 31 December 2013 and 2012, the Group had interests in the following associate:

Name of entity	Form of entity	Country of incorporation/ registration	Principal place of operation	Class of shares held	Proportion of nominal value of issued capital held by the Group		Principal activity
					2013	2012	
Apex One Enterprises Limited ("Apex One")	Incorporated	The BVI	Hong Kong	Ordinary	**49%**	49%	Trading of securities

The Group has discontinued recognition of its share of losses of the associate. The amounts of unrecognised share of the associate, extracted from the relevant audited financial statements of the associate, both for the year and cumulatively, are as follows:

	2013	2012
	RMB'000	RMB'000
Unrecognised share of (profit) losses of associate for the year	**(4,187)**	509
Accumulated unrecognised share of losses of associate	**3,988**	8,175

21. DEPOSIT PAID FOR ACQUISITION OF AN INTANGIBLE ASSET

On 18 August 2010, the Group had entered into an agreement with 中廣國際廣告公司, an independent third party in relation to operating rights for advertising billboards located on highways in Hebei Province, the PRC.

The Group had paid HK$11,936,000 (equivalent to approximately RMB10,108,000) during the year ended 31 December 2010 and such costs were recorded as deposit paid for acquisition of intangible asset as at 31 December 2010.

During the year ended 31 December 2011, the Group had transferred HK$1,464,000 (equivalent to approximately RMB1,229,000) to intangible asset upon obtaining the operating rights for certain advertising billboards. Regarding the remaining amount of HK$10,472,000 (equivalent to approximately RMB8,545,000) paid, an impairment loss was recognised on the full amount as the directors of the Company considered that the respective advertising business in Hebei Province was not carried in according to the designated schedule and losses were incurred without satisfactory income streams to the Group. During the year ended 31 December 2013, the directors of the Company considered that the amount was uncollectable, it was written off against the provision of impairment loss.

22. PREPAYMENT FOR A MOBILE MEDIA PROJECT

The prepayment for a mobile media project was acquired through the acquisition of the entire issued share capital of Precious Luck during the year ended 31 December 2010.

On 31 May 2008, 創智利德 (北京) 發展有限公司 ("Chuangzhi Lide"), a wholly-owned subsidiary of Precious Luck had entered into a co-operation agreement with Xinhua Media Centre, an independent third party for developing a mobile media project. Chuangzhi Lide had paid a non-refundable amount of RMB5,000,000 related to such agreement. The project was not yet commenced as at 31 December 2013.

The directors of the Company took into consideration that there was no progress during the year ended 31 December 2011 and up to 31 December 2011, the relevant project was uncertain to be launched and unlikely to be completed. As a result, the amount was fully impaired during the year ended 31 December 2011. During the year ended 31 December 2013, the directors of the Company considered that the amount was uncollectable, it was written off against the provision of impairment loss.

23. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprise:

	2013 RMB'000	2012 RMB'000
Unlisted equity securities, at cost	1,953	2,006

The above unlisted equity investments represent investments 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 of the Company are of the opinion that their fair values cannot be measured reliably.

24. TRADE AND OTHER RECEIVABLES

	2013 RMB'000	2012 RMB'000
Trade receivables	29,096	15,400
Less: impairment loss recognised	(4,606)	(6,967)
	24,490	8,433
Other receivables	23,786	4,923
Less: impairment loss recognised	(85)	(429)
	23,701	4,494
Deposits	21,451	25,232
Less: impairment loss recognised	–	(3,000)
	21,451	22,232
Prepayments	678	177
	70,320	35,336

24. TRADE AND OTHER RECEIVABLES *(Continued)*

The Group does not hold any collateral over these receivables.

Trade receivables are due according to the terms on the relevant contracts as at 31 December 2013 and 2012. The following is an aged analysis of trade receivables net of impairment losses presented based on the invoice date at the end of reporting period which approximate the respective revenue recognition date.

	2013 RMB'000	2012 RMB'000
Within 30 days	211	4,832
31 to 60 days	18,461	3,375
61 to 180 days	739	–
181 to 365 days	4,579	–
Over 365 days	500	226
	24,490	8,433

As at 31 December 2013, included in the Group's trade receivables balances were approximately RMB19,257,000 (2012: RMB4,832,000) which was not yet 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 for whom there was no recent history of default.

Ageing of trade receivables which are past due but not impaired

	2013 RMB'000	2012 RMB'000
31 to 60 days	–	3,375
61 to 180 days	221	–
181 to 365 days	4,512	–
Over 365 days	500	226
	5,233	3,601

As at 31 December 2013, included in the Group's trade receivables balances are debtors with aggregate carrying amount of approximately RMB5,233,000 (2012: RMB3,601,000) which were past due as at the reporting date 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 a good track record with the Group. Based on past experience, the management believes that no impairment loss is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

24. TRADE AND OTHER RECEIVABLES (Continued)

Movement in the impairment losses on trade receivables

	2013 RMB'000	2012 RMB'000
1 January	6,967	–
Amounts written off during the year as uncollectible	(2,174)	–
Impairment losses recognised on trade receivables	–	6,967
Impairment losses reversed	(187)	–
31 December	4,606	6,967

As at 31 December 2013, included in the impairment loss on trade receivables are individually impaired trade receivables with an aggregate balance of approximately RMB4,606,000 (2012: RMB6,967,000). The individually impaired receivables are recognised based on the credit history of its customer and current market conditions.

Movement in the impairment losses on other receivables and deposits

	2013 RMB'000	2012 RMB'000
1 January	3,429	1,436
Exchange realignment	(8)	(7)
Impairment losses recognised on other receivables and deposits	–	3,000
Amounts written off during the year as uncollectible	(2,973)	–
Reversal of impairment losses recognised in previous year	(363)	(1,000)
31 December	85	3,429

As at 31 December 2013, included in the impairment loss on other receivables and deposits are individually impaired other receivables and deposits with an aggregate balance of approximately RMB85,000 (2012: RMB3,429,000) are made for long outstanding receivables, which theirs recoverability is considered doubtful by the management of the Company.

Included in deposits is a guarantee deposit of HK$25,000,000 (equivalent to approximately RMB19,531,000) (2012: HK$25,000,000 (equivalent to approximately RMB20,065,000)) placed to the related party of the lender to secure an other borrowing of RMB18,000,000 as disclosed in Note 30.

25. AMOUNTS DUE FROM AN ASSOCIATE/A DIRECTOR/NON-CONTROLLING INTEREST HOLDER

The amounts are unsecured, non-interest bearing and repayable on demand.

As at 31 December 2013, included in the amount due from an associate, accumulated impairment loss of approximately HK$9,467,000 (equivalent to approximately RMB7,396,000) (2012: HK$18,974,000 (equivalent to approximately RMB15,228,000)) has been recognised.

During the year ended 31 December 2013, an impairment loss of approximately RMB203,000 has been recognised on the amount due from non-controlling interest holder (2012: Nil).

The amount due from a director, Han Bing, was arising from the outstanding consideration upon exercise of share options during the year ended 31 December 2013 (2012: Nil). The maximum balance outstanding during the year was approximately RMB352,000.

26. BANK BALANCES AND CASH

Bank balances carried interest at market rates which range from 0.01% to 0.35% (2012: 0.01% to 0.50%) per annum.

Included in the bank balances and cash are the following amounts denominated in a currency other than the functional currency of relevant group entities:

	2013 RMB'000	2012 RMB'000
RMB	32	–
HK$	863	14

27. TRADE AND OTHER PAYABLES

	2013 RMB'000	2012 RMB'000
Trade payables	3,792	3,715
Other payables	2,574	3,663
Receipts in advance	4,993	161
Accruals	16,610	8,669
	27,969	16,208

27. TRADE AND OTHER PAYABLES

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

	2013	2012
	RMB'000	RMB'000
Within 30 days	**177**	100
31 to 60 days	**–**	205
181 to 365 days	**–**	3,410
Over one year	**3,615**	–
	3,792	3,715

The trade payables were due according to the terms on the relevant contracts. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

As at 31 December 2012 and 2013, the Group's other payables that are denominated in currency other than the functional currency of the relevant group entities are set out below:

	2013	2012
	RMB'000	RMB'000
RMB	**876**	899

28. AMOUNT DUE TO A DIRECTOR/A SHAREHOLDER

The amounts are unsecured, non-interest bearing and repayable on demand.

The amount due to a director, Yan Dake, was reclassified to other payable upon resignation on 31 December 2013.

29. PROVISION FOR A CLAIM

On 12 June 2010, an indirectly-owned subsidiary of the Company has been brought to the first court hearing at the Court by 日本赤見電機株式會社 ("Japan Chijian"). Japan Chijian has brought a claim for alleged breach of contractual undertakings in relation to the construction of a LED display panel located in the PRC for an amount of approximately RMB12,378,000.

A hearing was held on 4 July 2012 at the Court. No decision had been concluded during the hearing, however, based on principal of equitable liability, the Court has revealed an arbitration of claim of RMB7,500,000 to be paid by the Group for the ownership of the LED display panel. On 12 December 2012, another hearing was brought but no decision had been recognised and concluded.

29. PROVISION FOR A CLAIM *(Continued)*

With reference to a legal opinion obtained from the PRC legal advisor as at 31 December 2012, likelihood of an unfavorable outcome is probable and the amount of the loss of RMB7,500,000 can be reasonably estimated. As a result, a provision of RMB7,500,000 in respect of such claim was made as at 31 December 2012.

On 13 December 2013, a decision has been concluded by the Court which the directly-owned subsidiary of the Company is ordered to pay approximately RMB10,593,000 to Japan Chijian and borne the related court expenses of approximately RMB129,000. However, an appeal was applied by the Group on 30 December 2013.

With reference to the decision of the Court, an additional provision of RMB3,222,000 in respect of such claim was made as at 31 December 2013.

As at the date of approval of the consolidated financial statements, no final decision had been made in respect of the appeal.

30. OTHER BORROWING

	2013 RMB'000	2012 RMB'000
Secured	**18,000**	18,000

The carrying amount of other borrowing is repayable within one year. The amounts due are based on scheduled repayment dates set out in the loan agreements.

As at 31 December 2013, other borrowing included an amount of RMB18,000,000 (2012: RMB18,000,000) loan from an independent third party, which bears interest at 2% (2012: 2%) per annum and repayable within one year. The Group has placed a guarantee deposit of HK$25,000,000 (equivalent to approximately RMB19,531,000) (2012: HK$25,000,000 (equivalent to approximately RMB20,065,000)) to the related party of the lender to secure the borrowing.

31. CONVERTIBLE LOAN NOTES

(i) On 2 January 2010, the Company issued zero-coupon convertible loan notes with an aggregate principal amount of HK$756,000,000 (equivalent to approximately RMB659,262,000) (the "2010 Convertible Loan Notes") as partial settlement for the acquisition consideration of Precious Luck. The 2010 Convertible Loan Notes are denominated in HK$ and entitle the holders to convert them into ordinary shares of the Company at any time between the date of issue of the 2010 Convertible Loan Notes and their settlement date on 1 January 2015 at an initial conversion price of HK$0.519, subject to adjustments, per convertible loan note. If the 2010 Convertible Loan Notes have not been converted, it will be redeemed on 1 January 2015 at par.

The 2010 Convertible Loan Notes contain two components, liability and equity components. The equity component is presented in equity heading ("convertible loan notes equity reserve"). The effective interest rate of the liability component is 25% per annum.

During the year ended 31 December 2013, all outstanding 2010 Convertible Loan Notes have been converted into ordinary shares of the Company.

The movement of the liability and equity components of the 2010 Convertible Loan Notes is set out below:

	Liability component	**Equity component**	**Total**
	RMB'000	RMB'000	RMB'000
At 1 January 2012	17,970	28,900	46,870
Effective interest expenses (Note 10)	3,143	–	3,143
Conversion during the year (Note 33)	(6,966)	(8,695)	(15,661)
Exchange realignment	(199)	–	(199)
At 31 December 2012	**13,948**	**20,205**	**34,153**
Effective interest expenses (Note 10)	**1,657**	**–**	**1,657**
Conversion during the year (Note 33)	**(15,401)**	**(20,205)**	**(35,606)**
Exchange realignment	**(204)**	**–**	**(204)**
At 31 December 2013	–	–	–

31. CONVERTIBLE LOAN NOTES *(Continued)*

(ii) On 23 June 2011, the Company issued 8% convertible loan notes with an aggregate principal amount of RMB25,000,000 (the "2011 Convertible Loan Notes"). The 2011 Convertible Loan Notes are denominated in RMB and entitle the holders to convert them into ordinary shares of the Company at any time between the date of issue of the 2011 Convertible Loan Notes and their settlement date on 22 June 2013 at an initial conversion price of HK$0.49, subject to adjustments, per convertible loan note. If the 2011 Convertible Loan Notes have not been converted, it will be redeemed on 22 June 2013 at par. The 2011 Convertible Loan Notes shall carry an interest of 8% per annum, payable quarterly.

On 3 January 2012, the conversion price in force of the 2011 Convertible Loan Notes has been reset to HK$0.29 per conversion share due to the closing prices per share of the Company as quoted on the Stock Exchange for any five consecutive trading days at any time after the first six months from the date of issue of 2011 Convertible Loan Notes are less than the conversion price in force (i.e. HK$0.49 per conversion share), then the conversion price of the 2011 Convertible Loan Notes shall be reset at 80.1% of the average of the closing prices (or the par value of the ordinary share of the Company if it is higher). The conversion price of the 2011 Convertible Loan Notes shall only be reset once. Details of which are set out in the announcement of the Company dated 3 January 2012.

The 2011 Convertible Loan Notes contain two components, liability component and conversion option derivative. The conversion option is classified as conversion option derivative as the 2011 Convertible Loan Notes will be settled other than by the exchange of a fixed amount of cash or another financial asset (i.e. principal amount denominated in RMB) for a fixed number of the Company's own equity instruments (i.e. ordinary share denominated in HK$). The effective interest rate of the liability component is 25.26% per annum. The conversion option derivative is measured at fair value with changes in fair value recognised in profit or loss.

On 20 June 2013, the Group entered an agreement with holders of 2011 Convertible Loan Notes to subscribe for an aggregate principal amount of RMB15,000,000 (the "2013 Convertible Loan Notes") which mirror the outstanding amount of 2011 Convertible Loan Notes as 2011 Convertible Loan Notes become due on 23 June 2013. For details of 2013 Convertible Loan Notes, please refer to note 31(iv) below.

31. CONVERTIBLE LOAN NOTES *(Continued)*

(ii) *(Continued)*

The movement of the liability component and conversion option derivative of the 2011 Convertible Loan Notes is set out below:

	Liability component RMB'000	Conversion option derivative RMB'000 (Note 34)	Total RMB'000
Issue of convertible loan notes during the year	19,733	7,247	26,980
Effective interest expenses (Note 10)	5,163	–	5,163
Interest paid during the year	(1,790)	–	(1,790)
Gain arising on changes of fair value	–	(947)	(947)
Conversion during the year (Note 33)	(6,792)	(3,044)	(9,836)
Exchange realignment	(282)	(69)	(351)
At 31 December 2012	**16,032**	**3,187**	**19,219**
Effective interest expenses (Note 10)	**1,821**	**–**	**1,821**
Interest paid during the year	**(600)**	**–**	**(600)**
Conversion during the year (Note 33)	**(2,457)**	**(174)**	**(2,631)**
Gain arising on changes of fair value	**–**	**(3,060)**	**(3,060)**
Extinguishment during the year	**(15,000)**	**–**	**(15,000)**
Exchange realignment	**204**	**47**	**251**
At 31 December 2013	–	–	–

(iii) On 10 December 2012, the Company issued 10% convertible loan notes with an aggregate principal amount of HK$25,000,000 (equivalent to approximately RMB20,000,000) (the "2012 Convertible Loan Notes"). The 2012 Convertible Loan Notes are denominated in HK$ and entitle the holders to convert them into ordinary shares of the Company at any time between the date of issue of the 2012 Convertible Loan Notes and their settlement date on 9 December 2014 at an initial conversion price of HK$0.281, subject to adjustments, per convertible loan note. If the 2012 Convertible Loan Notes have not been converted, it will be redeemed on 9 December 2014 at par. The 2012 Convertible Loan Notes shall carry on an interest of 10% per annum, payable quarterly.

31. CONVERTIBLE LOAN NOTES *(Continued)*

(iii) *(Continued)*

The 2012 Convertible Loan Notes contain two components, liability component and conversion option derivative. The conversion option is classified as conversion option derivative as the 2012 Convertible Loan Notes will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments. The conversion price will be adjusted based on prescribed formulas upon certain events happened. The effective interest rate of the liability component is 10.68% per annum. The conversion option derivative is measured at fair value with changes in fair value recognised in profit or loss.

During the year ended 31 December 2013, all outstanding 2012 Convertible Loan Notes have been converted to ordinary shares of the Company.

The movement of the liability component and conversion option derivative of the 2012 Convertible Loan Notes is set out below:

	Liability component RMB'000	**Conversion option derivative** RMB'000 (Note 34)	**Total** RMB'000
Issue of convertible loan notes during the year	19,765	235	20,000
Effective interest expenses (Note 10)	123	–	123
Loss arising on changes of fair value	–	43	43
Exchange realignment	64	1	65
At 31 December 2013	**19,952**	**279**	**20,231**
Effective interest expenses (Note 10)	**1,078**	**–**	**1,078**
Interest paid during the year	**(1,180)**	**–**	**(1,180)**
Loss arising on changes of fair value	**–**	**10,896**	**10,896**
Conversion during the year (Note 33)	**(19,609)**	**(11,168)**	**(30,777)**
Exchange realignment	**(241)**	**(7)**	**(248)**
At 31 December 2013	–	–	–

31. CONVERTIBLE LOAN NOTES *(Continued)*

(iv) On 2 July 2013, the Company issued 8% convertible loan notes with an aggregate principal amount of RMB15,000,000 (the "2013 Convertible Loan Notes") to settle 2011 Convertible Loan Notes. The 2013 Convertible Loan Notes are denominated in RMB and entitle the holders to convert them into ordinary shares of the Company at any time between the date of issue of the 2013 Convertible Loan Notes and their settlement date on 1 July 2015 at an initial conversion price of HK$0.29, subject to adjustments, per convertible loan note. If the 2013 Convertible Loan Notes have not been converted, it will be redeemed on 1 July 2015 at par. The 2013 Convertible Loan Notes shall carry an interest of 8% per annum, payable quarterly.

The 2013 Convertible Loan Notes contain two components, liability component and conversion option derivative. The conversion option is classified as conversion option derivative as the 2013 Convertible Loan Notes will be settled other than by the exchange of a fixed amount of cash or another financial asset (i.e. principal amount denominated in RMB) for a fixed number of the Company's own equity instruments (i.e. ordinary share denominated in HK$). The effective interest rate of the liability component is 10.38% per annum. The conversion option derivative is measured at fair value with changes in fair value recognised in profit or loss.

During the year ended 31 December 2013, all outstanding 2013 Convertible Loan Notes have been converted to ordinary shares of the Company.

The movement of the liability component and conversion option derivative of the 2013 Convertible Loan Notes is set out below:

	Liability component	**Conversion option derivative**	**Total**
	RMB'000	RMB'000 (Note 34)	RMB'000
Issue of convertible loan notes upon extinguishment of 2011 Convertible Loan Notes during the year (Note 31(ii))	13,891	1,109	15,000
Effective interest expenses (Note 10)	618	–	618
Interest paid during the year	(558)	–	(558)
Loss arising on changes of fair value	–	11,160	11,160
Conversion during the year (Note 33)	(13,801)	(12,140)	(25,941)
Exchange realignment	(150)	(129)	(279)
At 31 December 2013	–	–	–

31. CONVERTIBLE LOAN NOTES *(Continued)*

(iv) *(Continued)*

The following in an analysis of convertible loan notes for financial reporting purposes:

	2013 RMB'000	2012 RMB'000
Non-current liabilities	–	43,519
Current liabilities	–	6,413
	–	49,932

As at 31 December 2012 and 2013, the Group's convertible loan notes that are denominated in currency other than the functional currency of the relevant group entities are set out below:

	2013 RMB'000	2012 RMB'000
RMB	–	16,032

32. DERIVATIVE FINANCIAL LIABILITIES

	Contingent consideration instrument RMB'000 (Note)	Derivative component of convertible loan notes RMB'000 (Note 31 (ii),(iii)&(iv))	Total RMB'000
At 1 January 2012	4,340	7,247	11,587
Issue of convertible loan notes (Note 31 (iii))	–	235	235
Conversion of convertible loan notes (Note 31 (ii))	–	(3,044)	(3,044)
Decrease in fair value	(480)	(904)	(1,384)
Exchange realignment	(72)	(68)	(140)
At 31 December 2012	3,788	3,466	7,254
Issue of convertible loan notes (Note 31 (iv))	–	1,109	1,109
Conversion of convertible loan notes (Note 31 (ii), (iii) & (iv))	–	(23,482)	(23,482)
(Decrease) increase in fair value	(3,733)	18,996	15,263
Exchange realignment	(55)	(89)	(144)
At 31 December 2013	–	–	–

32. DERIVATIVE FINANCIAL LIABILITIES *(Continued)*

Note:

On 25 March 2011, the Group completed the acquisition of 100% equity interest in Bold Champion from certain independent third parties. The acquisition consideration is satisfied by an aggregate consideration of HK$74,000,000 (equivalent to approximately RMB62,156,000), which was satisfied by HK$10,000,000 (equivalent to approximately RMB8,400,000) in cash and 100,000,000 new shares of the Company. With the contingent consideration of HK$24,000,000 profit guarantee up to the three financial years ending 31 December 2013, with a fair value of HK$2,014,000 (equivalent to approximately RMB1,692,000) at the date of acquisition. In the event that the mentioned profit target is not met, the vendors and guarantors of the acquisition shall be settled in cash of the actual shortfall.

As at 31 December 2013, the fair value of the contingent consideration was decreased by approximately HK$4,720,000 (equivalent to approximately RMB3,733,000) (2012: decreased by HK$599,000 (equivalent to approximately RMB480,000)) as a result of the re-estimation of the fair value of the contingent consideration and the profit guarantee was met.

As at 31 December 2012 and 2013, the Group's derivative financial liabilities that are denominated in currency other than the functional currency of the relevant group entities are set out below:

	2013	2012
	RMB'000	RMB'000
RMB	**–**	3,187

33. SHARE CAPITAL

	Number of shares		**Share capital**		**Equivalent nominal value of ordinary shares**	
	2013	2012	**2013**	2012	**2013**	2012
	'000	'000	**HK$'000**	HK$'000	**RMB'000**	RMB'000
Ordinary shares of HK$0.1 each						
Authorised:						
At beginning of the year and end of the year	**10,000,000**	10,000,000	**1,000,000**	1,000,000	**879,100**	879,100
Issued and fully paid:						
At beginning of the year	**2,021,937**	1,939,436	**202,194**	193,944	**178,517**	171,828
Issue of shares upon conversion of convertible loan notes (Notes a & b)	**215,186**	62,501	**21,518**	6,250	**16,992**	5,054
Issue of shares upon conversion of preference shares (Note c)	**100,000**	–	**10,000**	–	**7,847**	–
Issue of share upon exercise of share options (Note d)	**1,900**	–	**190**	–	**149**	–
Issue of shares upon placing (Note e & f)	**30,000**	20,000	**3,000**	2,000	**2,359**	1,635
At end of the year	**2,369,023**	2,021,937	**236,902**	202,194	**205,864**	178,517

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's shares during the two years ended 31 December 2013.

33. SHARE CAPITAL *(Continued)*

Notes:

(a) During the year ended 31 December 2013, the 2010 Convertible Loan Notes with an aggregate principal amount of approximately HK$25,950,000 were converted into approximately 50,000,000 ordinary shares of HK$0.1 each at a conversion price of HK$0.519 per share.

During the year ended 31 December 2013, the 2011 Convertible Loan Notes with an aggregate principal amount of RMB2,500,000 (equivalent to approximately HK$3,092,000) were converted into approximately 10,663,000 ordinary shares of HK$0.1 each at a conversion price of HK$0.29 per share.

During the year ended 31 December 2013, the 2012 Convertible Loan Notes with an aggregate principal amount of approximately HK$25,000,000 were converted into approximately 88,968,000 ordinary shares of HK$0.1 each at a conversion price of HK$0.281 per share.

During the year ended 31 December 2013, the 2013 Convertible Loan Notes with an aggregate principal amount of RMB15,000,000 (equivalent to approximately HK$19,010,000) were converted into approximately 65,555,000 ordinary shares of HK$0.1 each at a conversion price of HK$0.29 per share.

(b) During the year ended 31 December 2012, the 2010 Convertible Loan Notes with an aggregate principal amount of approximately HK$15,917,000 were converted into approximately 30,668,000 ordinary shares of HK$0.1 each at a conversion price of HK$0.519 per share.

During the year ended 31 December 2012, the 2011 Convertible Loan Notes with an aggregate principal amount of RMB7,500,000 (equivalent to approximately HK$9,232,000) were converted into approximately 31,833,000 ordinary shares of HK$0.1 each at a conversion price of HK$0.29 per share.

(c) On 19 November 2013, 100,000,000 convertible preference shares of par value HK$0.1 each were converted into 100,000,000 ordinary shares of HK$0.1 each at par value.

(d) On 11 December 2013, a director of the Company exercise 1,900,000 share options under equity-settled share option schemes (Note 38(a)) with exercise price of HK$0.237.

(e) On 15 October 2013, arrangements were made for a private placement to independent private investors of 30,000,000 shares of HK$0.10 each in the Company, at a price of HK$0.315 per share representing a premium of approximately 5% to the closing market price of the Company's shares on 15 October 2013.

The proceeds were used as general working capital of the Group. These new shares were issued under the general mandate granted to the a shareholder at the annual general meeting of the Company held on 30 May 2013 and rank pari passu with other shares in issue in all respects.

(f) On 11 September 2012, arrangements were made for a private placement to independent private investors of 20,000,000 shares of HK$0.10 each in the Company, at a price of HK$0.18 per share representing a discount of approximately 24% to the closing market price of the Company's shares on 11 September 2012.

The proceeds were used as general working capital of the Group. These new shares were issued under the general mandate granted to the directors at the annual general meeting of the Company held on 18 May 2012 and rank pari passu with other shares in issue in all respects.

All the ordinary shares issued during the two years ended 31 December 2013 rank pari passu with the then existing shares in all respects.

34. CONVERTIBLE PREFERENCE SHARES AND CONSIDERATION PAYABLE

Convertible preference shares at HK$0.1 each

	Number of shares		Share capital		Equivalent nominal value of ordinary shares	
	2013	2012	**2013**	2012	**2013**	2012
	'000	'000	**HK$'000**	HK$'000	**RMB'000**	RMB'000
Authorised:						
At beginning of the year	**–**	–	**–**	–	**–**	–
Increment (Note)	**2,000,000**	–	**200,000**	–	**157,629**	–
At end of the year	**2,000,000**	–	**200,000**	–	**157,629**	–
Issued and fully paid:						
At beginning of the year	**–**	–	**–**	–	**–**	–
Issue during the year	**950,000**	–	**95,000**	–	**74,874**	–
Conversion to ordinary shares	**(100,000)**	–	**(10,000)**	–	**(7,847)**	–
At end of the year	**850,000**	–	**85,000**	–	**67,027**	–

Note: Pursuant to resolution in an extraordinary general meeting held on 24 July 2013, the creation of authorised 2,000,000,000 preference share of the Company of HK$0.1 each was approved.

On 8 August 2013, the Company issued 950,000,000 convertible preference shares of par value of HK$0.1 each as the initial consideration for acquisition of Housden Holdings Limited. 100,000,000 convertible preference shares were converted into ordinary shares as mentioned in Note 33(c).

The initial conversion price of HK$0.21 per convertible preference share is for each ordinary share. The conversion rate of each convertible preference share is one ordinary share. The major terms of the above-mentioned preference shares are set out below:

(i) The holders of convertible preference shares shall have the right to convert all or part of their preference shares at any time into fully paid ordinary shares, provided that (1) any conversion of the preference shares will not trigger a mandatory offer obligation under Rule 26 of the Hong Kong Code on Takeovers and Mergers on the part of the holders of convertible preference shares who exercised the conversion rights; and (2) the public float of the shares shall not be less than 25%.

(ii) The convertible preference shares are transferable and do not have voting rights attached. The holders of convertible preference share have the same right as the holders of ordinary shares who are entitle to the dividend declared by the Company.

(iii) The convertible preference shares are non-redeemable.

Based on their terms and conditions, the convertible preference shares have the characteristics of non-voting ordinary shares and have been classified as equity instrument in the consolidated statement of financial position.

35. DEFERRED TAX LIABILITY

The movements in the deferred tax liability during the year were as follows:

	RMB'000
At 1 January 2012, 31 December 2012 and 1 January 2013	–
Arising from acquisition of a subsidiary (Note 40(i))	27,687
Credit to profit or loss	(766)
Exchange realignment	(266)
At 31 December 2013	26,655

36. OPERATING LEASES

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2013 **RMB'000**	2012 RMB'000
Within one year	**6,385**	2,926
In the second to fifth year inclusive	**3,758**	733
	10,143	3,659

Operating lease payments represent rentals payable by the Group for certain of its office premises. Leases are negotiated for terms ranged from one to six (2012: one to five) years with fixed rentals.

37. CAPITAL COMMITMENTS

	2013 **RMB'000**	2012 RMB'000
Capital expenditure in respect of the acquisition of subsidiaries contracted for but not provided in the consolidated financial statements	**–**	320,225

Pursuant to the acquisition agreement dated 7 September 2012, the Group has entered into with certain third parties to acquire the entire interests of Housden Holdings Limited at an aggregate consideration of HK$399,000,000 (equivalent to approximately RMB320,225,000), settled by the issuance of 1,900,000,000 preference shares at HK$0.21 each. The details are set out in the announcements of the Company dated 9 September 2012, 7 December 2012, 31 December 2012, 15 January 2013 and 28 February 2013.

38. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share option schemes of the Company

(a) Share option scheme

Pursuant to a share option scheme approved by a resolution of the shareholders of the Company on 31 October 2004 (the "Share Option Scheme"), the Company may grant options to the directors or employees of the Company or its subsidiaries who meet the relevant criteria set out in the Share Option Scheme (the "Participants") as incentives and rewards for their contributions to the Group, to subscribe for shares in the Company with a payment of HK$1.00 upon each grant of options offered and the options granted must be taken up within 30 days from the date of grant. The exercise price of the share option will be determined at the higher of (i) the average of closing prices of the shares as stated in the Stock Exchange's daily quotation sheet for the five business days immediately preceding the date of grant of the options, (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of grant and (iii) the nominal value of the shares.

The share options are exercisable at any time during a year of not more than 10 years from the date of grant, subject to the terms and conditions of the Share Option Scheme and any conditions of grant as may be stipulated by the board of the directors.

The maximum number of shares in respect of which options may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes shall not exceed 30% of the number of shares of the Company in issue from time to time. The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes must not, in aggregate, exceed 10% of the number of shares of the Company in issue as at the date of approval of the Share Option Scheme unless further shareholders' approval has been obtained pursuant to the conditions set out in the Share Option Scheme. No person shall be granted an option which, if all the options granted to the person (including both exercised and outstanding options) in any 12 months period up to the date of grant are exercised in full would result in such person's maximum entitlement exceeding 1% of the number of shares of the Company in issue.

38. *SHARE-BASED PAYMENT TRANSACTIONS* (Continued)

Equity-settled share option schemes of the Company (Continued)

(a) Share option scheme (Continued)

Details of specific categories of options granted under the Share Option Scheme are as follows:

Date of grant	Vesting period	Exercise period	Exercise price	Fair value at grant date
8 October 2009	8 October 2009 to 22 November 2009	23 November 2009 to 22 November 2012	HK$1.27	HK$0.59
4 February 2010	Note	4 February 2010 to 3 February 2013	HK$1.80	HK$0.51
12 March 2010	Note	12 March 2010 to 11 March 2013	HK$1.46	HK$0.40
8 October 2010	Note	8 October 2010 to 7 October 2013	HK$0.96	HK$0.32
6 January 2011	Note	6 January 2011 to 5 January 2014	HK$0.85	HK$0.28
2 June 2011	Note	2 June 2011 to 1 June 2014	HK$0.58	HK$0.19
6 July 2011	Note	6 July 2011 to 5 July 2014	HK$0.53	HK$0.14
29 July 2011	Note	29 July 2011 to 28 July 2014	HK$0.56	HK$0.19
5 September 2011	Note	5 September 2011 to 4 September 2014	HK$0.55	HK$0.19
3 November 2011	Note	3 November 2011 to 2 November 2014	HK$0.37	HK$0.11
3 October 2012	Note	3 October 2012 to 2 October 2015	HK$0.24	HK$0.08
11 September 2013	11 September 2013 to 11 September 2015	11 September 2013 to 10 September 2016	HK$0.37	HK$0.15

Note:

In accordance with the terms of the share-based payment expenses, these share options were vested at the date of grant.

38. *SHARE-BASED PAYMENT TRANSACTIONS* *(Continued)*

Equity-settled share option schemes of the Company *(Continued)*

(a) Share option scheme *(Continued)*

The following table discloses movements of the Company's share options held by directors, employees and consultants during the year:

For the year ended 31 December 2013

Date of grant	Outstanding at 1 January 2013	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 31 December 2013
Directors					
8 October 2010	5,000,000	–	–	(5,000,000)	–
2 June 2011	25,240,000	–	–	(18,800,000)	6,440,000
5 September 2011	5,000,000	–	–	–	5,000,000
3 October 2012	1,900,000	–	(1,900,000)	–	–
11 September 2013	–	500,000	–	–	500,000
Employees					
8 October 2010	24,200,000	–	–	(24,200,000)	–
6 January 2011	4,360,000	–	–	(1,200,000)	3,160,000
2 June 2011	6,960,000	–	–	–	6,960,000
6 July 2011	3,000,000	–	–	–	3,000,000
29 July 2011	2,000,000	–	–	–	2,000,000
5 September 2011	4,800,000	–	–	–	4,800,000
3 November 2011	8,000,000	–	–	(8,000,000)	–
11 September 2013	–	3,000,000	–	–	3,000,000
Consultants					
6 July 2011	5,000,000	–	–	–	5,000,000
29 July 2011	45,000,000	–	–	(42,000,000)	3,000,000
3 November 2011	2,000,000	–	–	(2,000,000)	–
11 September 2013	–	32,900,000	–	–	32,900,000
	142,460,000	36,400,000	(1,900,000)	(101,200,000)	75,760,000
Exercisable at the end of the year					50,280,000
Weighted average exercise price	HK$0.64	HK$0.37	HK$0.24	HK$0.66	HK$0.54

38. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

Equity-settled share option schemes of the Company *(Continued)*

(a) Share option scheme *(Continued)*

The following table discloses movements of the Company's share options held by directors, employees and consultants during the year: *(Continued)*

For the year ended 31 December 2012

Date of grant	Outstanding at 1 January 2012	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 31 December 2012
Directors					
8 October 2010	5,000,000	–	–	–	5,000,000
2 June 2011	25,240,000	–	–	–	25,240,000
5 September 2011	5,000,000	–	–	–	5,000,000
3 October 2012	–	1,900,000	–	–	1,900,000
Employees					
8 October 2010	24,200,000	–	–	–	24,200,000
6 January 2011	4,600,000	–	–	(240,000)	4,360,000
2 June 2011	6,960,000	–	–	–	6,960,000
6 July 2011	3,000,000	–	–	–	3,000,000
29 July 2011	2,000,000	–	–	–	2,000,000
5 September 2011	5,000,000	–	–	(200,000)	4,800,000
3 November 2011	8,000,000	–	–	–	8,000,000
Consultants					
6 July 2011	5,000,000	–	–	–	5,000,000
29 July 2011	45,000,000	–	–	–	45,000,000
3 November 2011	2,000,000	–	–	–	2,000,000
	141,000,000	1,900,000	–	(440,000)	142,460,000
Exercisable at the end of the year					142,460,000
Weighted average exercise price	HK$0.64	HK$0.24	–	HK$0.71	HK$0.64

In respect of the share options exercised during the year ended 31 December 2013, the weighted average share price at the dates of exercise is HK$0.47. No share option was exercised during the year ended 31 December 2012.

38. *SHARE-BASED PAYMENT TRANSACTIONS* (Continued)

Equity-settled share option schemes of the Company (Continued)

(a) *Share option scheme* (Continued)

The fair values were calculated using the Black-Scholes Option Pricing Model. The inputs into the model were as follows:

	Date of grant											
	8 October 2009	4 February 2010	12 March 2010	8 October 2010	6 January 2011	2 June 2011	6 July 2011	29 July 2011	5 September 2011	3 November 2011	3 October 2012	11 September 2013
Share price on the date of grant	HK$1.27	HK$1.70	HK$1.45	HK$0.96	HK$0.85	HK$0.58	HK$0.48	HK$0.56	HK$0.55	HK$0.35	HK$0.24	HK$0.35
Exercise price	HK$1.27	HK$1.80	HK$1.46	HK$0.96	HK$0.85	HK$0.58	HK$0.53	HK$0.56	HK$0.55	HK$0.37	HK$0.24	HK$0.37
Expected volatility	96.7%	63.17%	58.52%	70.48%	69.54%	68.08%	69.73%	77.88%	72.07%	71.19%	75.59%	73.09%
Expected life	1.6 years	1.5 years	1.5 years	1.5 years	1.5 years	1.5 years	1.5 years	1.5 years	1.5 years	1.5 years	1.5 years	3 years
Risk-free rate	0.39%	0.44%	0.45%	0.45%	0.44%	0.32%	0.22%	0.20%	0.16%	0.21%	0.27%	0.80%
Expected dividend yield	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

Expected volatility was determined by using the historical volatility of the Company's share price over the previous years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations.

The Group recognised the total expense of approximately HK$1,478,000 (equivalent to approximately RMB1,169,000) for the year ended 31 December 2013 (2012: HK$158,000 (equivalent to approximately RMB127,000)) in relation to the above share options granted by the Company.

38. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Equity-settled share option schemes of the Company (Continued)

(b) Share incentive scheme

The share incentive scheme was established by three shareholders of the Company, representing 18,000,000 shares and 4.5% of the enlarged issued share capital of the Company after the listing of the Company ("Share Incentive Scheme"). The purpose of the Share Incentive Scheme is to issue options to selected employees, officers, consultants, agents and advisers of the Group who meet the relevant eligibility criteria set out in the Share Incentive Scheme (the "Eligible Participants"). The employee participants must have been employed by a member of the Group prior to the listing of the Company in November 2004.

The Share Incentive Scheme shall remain in full force and effect for so long as is necessary to give effect to the issue and exercise of options granted in accordance with its terms.

The exercise price per share under the Share Incentive Scheme is HK$0.20 and each tranche of option has a term of five years from the first exercise date, after which any unexercised portion of an option shall lapse.

Each option will be exercisable subject to a vesting scale which shall commence on the date of grant in tranches of 20% each year, reaching 100%.

During the two years ended 31 December 2013, no options were granted and outstanding of options under the Share Incentive Scheme.

39. RETIREMENT BENEFITS SCHEME

Hong Kong

The Group operates the MPF Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees in Hong Kong. The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, each of the Group companies (the "employer") in Hong Kong and its employees are required to make contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund Legislation. The contributions from each of the employer and employees are subject to a cap of HK$1,000 per month before 1 June 2012 and HK$1,250 per month, since 1 June 2012 onwards. During the year ended 31 December 2013, the total amount contributed by the Group to this scheme and charged to the consolidated statement of profit or loss and other comprehensive income was approximately RMB160,000 (2012: RMB155,000).

39. RETIREMENT BENEFITS SCHEME *(Continued)*

The PRC, other than Hong Kong

As stipulated by rules and regulations in the PRC, subsidiaries in the PRC are required to contribute to a state-sponsored retirement plan for all its employees at a certain percentage of the basic salaries of its employees. The state-sponsored retirement plan is responsible for the entire pension obligations payable to all retired employees. Under the state-sponsored retirement plan, the Group has no further obligations for the actual pension payments or post-retirement benefits beyond the annual contributions. During the year ended 31 December 2013 onwards, the total amount contributed by the Group to this scheme and charged to the consolidated statement of profit or loss and other comprehensive income was approximately RMB547,000 (2012: RMB199,000).

40. ACQUISITION OF SUBSIDIARIES

(i) On 8 August 2013, the Group acquired 100% equity interest in Housden Holdings Limited ("Housden Holdings") from Headwind Holdings Limited, an independent third party, for a consideration of HK$199,500,000 which was satisfied by 950,000,000 convertible preference shares of the Company and, subjust to valuation adjustment, an upward adjustment of 950,000,000 additional preference shares, resulting in a maximum of 1,900,000,000 preference shares in total, representing consideration of HK$399,000,000, to be issued upon fulfillment of the profit guarantee. Housden Holdings is principally engaged in provision of education consultancy services and online training and education services in the PRC. The acquisition has been accounted for using purchase method. The fair value of the intangible asset at the date of acquisition was approximately RMB116,691,000 (equivalent to approximately HK$147,871,000). The amount of goodwill arising as a result of the acquisition was approximately RMB359,739,000 (equivalent to approximately HK$420,775,000).

Consideration transferred

	RMB'000
Equity instruments issued	227,735
Contingent consideration arrangement	227,735
	455,470

40. ACQUISITION OF SUBSIDIARIES *(Continued)*

(i) *(Continued)*

The consideration for the acquisition of Housden Holdings, 950,000,000 convertible preference shares of the Company with par value of HK$0.1 each were issued. Additional 950,000,000 convertible preference shares of the Company will be issued upon fulfilling the profit guarantee according to the acquisition agreement. The fair value of the convertible preference shares of the Company and the additional convertible preference shares under the contingent consideration, based on valuation report from an independent qualified professional valuer at the date of the acquisition, amounted to HK$288,585,000 (equivalent to approximately RMB 227,735,000) and HK$288,585,000 (equivalent to approximately RMB227,735,000) respectively.

Assets acquired and liabilities recognised at the date of acquisition

	RMB'000
Plant and equipment	3,506
Intangible asset (Note 18)	116,691
Trade and other receivables	4,976
Income tax receivable	118
Bank balances and cash	9,607
Other payables	(11,085)
Deferred tax liability	(27,687)
Income tax payable	(395)
	95,731

The fair value of trade and other receivables at the date of acquisition amounted to approximately RMB4,976,000. The gross contractual amounts of those trade and other receivables acquired amounted to approximately RMB4,976,000 at the date of acquisition.

Goodwill arising on acquisition:

	RMB'000
Consideration transferred	455,470
Less: net assets acquired	(95,731)
	359,739

Goodwill arose in the acquisition of Housden Holdings. A subsidiary of Housden Holdings, which is principally engaged in the provision of online training and education services, entered into agreements with local training organisations of civil servants and professionals and technicians. The subsidiary is authorised by Ministry of Human Resources and Social Security of the People's Republic of China to provide online training programmes for civil servants and professionals and technicians in the PRC. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of revenue growth and the sales network of Housden Holdings. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

40. ACQUISITION OF SUBSIDIARIES *(Continued)*

(i) *(Continued)*

None of the goodwill arising on the acquisition is expected to be deductible for tax purposes.

Net cash inflow arising on acquisition:

	RMB'000
Bank balances and cash acquired	9,607

Impact of acquisition on the results of the Group

Included in the profit for the year is approximately RMB47,816,000 attributable to the additional business generated by Housden Holdings. Revenue for the year includes approximately RMB67,223,000 generated from Housden Holdings.

Had the acquisition been completed on 1 January 2013, total group revenue for the year would have been approximately RMB110,443,000 and profit for the year would have been approximately RMB7,159,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2013, nor is it intended to be a projection of future results.

In determining the pro-forma's revenue and profit of the Group had Housden Holdings been acquired at the beginning of the current year, the directors of the Company have calculated depreciation of plant and equipment and amortization of intangible asset acquired on the basis of the fair value arising in the initial accounting for the business combination rather than the carrying amount recognised in the pre-acquisition financial statements.

40. ACQUISITION OF SUBSIDIARIES *(Continued)*

(ii) On 16 May 2012, an indirect non-wholly-owned subsidiary of the Company, acquired 100% equity interest in 上海美視文化傳播有限公司 ("Shanghai Media") for a cash consideration of RMB3,000,000. Shanghai Media is principally engaged in event organisation, event management and the provision of media related consultancy services in the PRC. The acquisition has been accounted for using purchase method. The amount of gain on bargain purchase arising as a result of the acquisition was approximately RMB12,000.

Consideration transferred

	RMB'000
Cash consideration	3,000

Assets acquired and liabilities recognised at the date of acquisition

	RMB'000
Plant and equipment	32
Trade and other receivables	26,412
Bank balances and cash	58
Trade and other payables	(23,197)
Amount due to a director	(293)
	3,012

Gain on bargain purchase arising on acquisition:

	RMB'000
Consideration transferred	3,000
Less: net assets acquired	(3,012)
	(12)

None of the gain on bargain purchase arising on the acquisition is expected to be taxable for tax purposes.

Net cash inflow arising on acquisition

	RMB'000
Bank balances and cash acquired	58

40. ACQUISITION OF SUBSIDIARIES *(Continued)*

(ii) *(Continued)*

Impact of acquisition on the results of the Group

Included in the loss for the year is a profit of approximately RMB6,724,000 attributable to the additional business generated by Shanghai Media. Revenue for the year includes approximately RMB12,240,000 generated from Shanghai Media.

Had the acquisition been completed on 1 January 2012, total group revenue for the year would have been approximately RMB23,187,000, and loss for the year would have been approximately RMB713,932,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2012, nor is it intended to be a projection of future results.

In determining the pro-forma's revenue and loss of the Group had Shanghai Media been acquired at the beginning of the current year, the directors of the Company have calculated depreciation of plant and equipment acquired based on the recognised amounts of plant and equipment at the date of acquisition.

41. RELATED PARTY TRANSACTIONS

(a) Other than disclosed elsewhere in the consolidated financial statements, the Company had not entered into any transactions with related party during both years.

(b) Compensation of key management personnel

The remuneration of directors and other members of key management during the year were as follows:

	2013 RMB'000	2012 RMB'000
Short-term benefits	2,770	3,307
Post-employment benefits	48	78
Share-based payment expenses	16	127
	2,834	3,512

The remuneration of directors and other members of key management is determined by the remuneration committee having regard to the performance of individuals and market trends.

42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	NOTES	2013 RMB'000	2012 RMB'000
Non-current assets			
Plant and equipment		**1,967**	1,444
Investments in subsidiaries	(a)	**19**	19
		1,986	1,463
Current assets			
Other receivables		**20,307**	20,690
Amount due from subsidiaries	(b)	**485,629**	29,875
Amount due from a director	(b)	**352**	–
Bank balances and cash		**2,207**	15,825
		508,495	66,390
Current liabilities			
Other payables		**1,332**	1,726
Amount due to a shareholder	(b)	**1,563**	–
Convertible loan notes		**–**	6,413
Derivative financial liabilities		**–**	3,466
		2,895	11,605
Net current assets		**505,600**	54,785
		507,586	56,248
Capital and reserves			
Share capital		**205,864**	178,517
Convertible preference shares		**67,027**	–
Reserves	(c)	**234,695**	(151,840)
Total equity		**507,586**	26,677
Non-current liability			
Convertible loan notes		**–**	29,571
		507,586	56,248

42. *STATEMENT OF FINANCIAL POSITION OF THE COMPANY* *(Continued)*

Notes:

(a) Investments in subsidiaries are carried at cost less accumulated impairment losses, if any.

(b) The amounts are unsecured, non-interest bearing and repayable on demand.

(c)

	Share premium RMB'000	Special reserve RMB'000	Translation reserve RMB'000	Convertible loan notes equity reserve RMB'000	Other reserve RMB'000	Capital redemption reserve RMB'000	Share options reserve RMB'000	Contribution from shareholders RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2012	648,716	57,814	2,421	28,900	–	595	47,220	1,927	(292,829)	494,764
Loss for the year	–	–	–	–	–	–	–	–	(651,860)	(651,860)
Other comprehensive expense for the year – Exchange differences arising on translation	–	–	(7,853)	–	–	–	–	–	–	(7,853)
Total comprehensive expense for the year	–	–	(7,853)	–	–	–	–	–	(651,860)	(659,713)
Recognition of equity-settled share-based payment expenses (Note 38)	–	–	–	–	–	–	127	–	–	127
Issue of shares upon conversion of convertible loan notes (Note 33)	20,443	–	–	(8,695)	–	–	–	–	–	11,748
Issue of shares upon placing	1,308	–	–	–	–	–	–	–	–	1,308
Transaction costs attributable to issue of shares upon placing	(74)	–	–	–	–	–	–	–	–	(74)
At 31 December 2012	670,393	57,814	(5,432)	20,205	–	595	47,347	1,927	(944,689)	(151,840)

42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Notes: *(Continued)*

(c) *(Continued)*

	Share premium RMB'000	Special reserve RMB'000	Translation reserve RMB'000	Convertible loan notes equity reserve RMB'000	Other reserve RMB'000	Capital redemption reserve RMB'000	Share options reserve RMB'000	Contribution from shareholders RMB'000	Accumulated losses RMB'000	Total RMB'000
At 31 December 2012	670,393	57,814	(5,432)	20,205	–	595	47,347	1,927	(944,689)	(151,840)
Loss for the year	–	–	–	–	–	–	–	–	(52,639)	(52,639)
Other comprehensive expense for the year – Exchange differences arising on translation	–	–	(5,394)	–	–	–	–	–	–	(5,394)
Total comprehensive expense for the year	–	–	(5,394)	–	–	–	–	–	(52,639)	(58,033)
Recognition of equity-settled share-based payment expenses (Note 38)	–	–	–	–	–	–	1,169	–	–	1,169
Issue of share upon exercise of share options	326	–	–	–	–	–	(123)	–	–	203
Issue of shares upon conversion of convertible loan notes (Note 33)	77,963	–	–	(20,205)	–	–	–	–	–	57,758
Issue of preference shares (Note 34)	82,361	–	–	–	70,500	–	–	–	–	152,861
Contingent consideration arrangement (Note 40(i))	–	–	–	–	227,735	–	–	–	–	227,735
Issue of shares upon placing	5,073	–	–	–	–	–	–	–	–	5,073
Transaction costs attributable to issue of shares upon placing	(231)	–	–	–	–	–	–	–	–	(231)
At 31 December 2013	835,885	57,814	(10,826)	–	298,235	595	48,393	1,927	(997,328)	234,695

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Company's principal subsidiaries as at 31 December 2013 and 2012 are as follows:

Name of subsidiary	Place of incorporation/ operation	Class of shares held	Issued and fully paid share capital/ registered capital	Proportion ownership interest held by the Company				Principal activities
				2013		2012		
				Directly	Indirectly	Directly	Indirectly	
Shanghai Media	The PRC	Registered capital	RMB3,000,000	–	98%	–	98%	Provision of management and consultancy services to media enterprises; Distribution of TV programmes
Chuangzhi Lide	The PRC	Registered capital	RMB45,965,860	–	97.82%	–	97.82%	Operating and broadcasting across LED displays
新華色彩色(北京)文化傳播有限公司	The PRC	Registered capital	RMB2,000,000	–	100%	–	100%	Operating and broadcasting outdoor displays
Precious Luck	The BVI	Ordinary	US$100	–	100%	–	100%	Investment holding
北京柯瑞環宇傳媒文化有限公司	The PRC	Registered capital	RMB1,000,000	–	98%	–	98%	Provision of management and consultancy services to media enterprises
上海晟彩文化傳播有限公司	The PRC	Registered capital	RMB2,000,000	–	51%	–	51%	Operating and broadcasting across LED displays
Sino Advantage Asia Limited	The BVI	Ordinary	US$1,000	–	100%	–	100%	Inactive
China Oriental Culture (Hong Kong) Limited	Hong Kong	Ordinary	HK$1	100%	–	100%	–	Acts as administrative center of the Group

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

Details of the Company's principal subsidiaries as at 31 December 2013 and 2012 are as follows: *(Continued)*

Name of subsidiary	Place of incorporation/ operation	Class of shares held	Issued and fully paid share capital/ registered capital	Proportion ownership interest held by the Company				Principal activities
				2013		2012		
				Directly	Indirectly	Directly	Indirectly	
Star Apex Investment Limited	The BVI	Ordinary	US$1,000	–	100%	–	100%	Inactive
Perfection Asia Limited	The BVI	Ordinary	US$1	–	100%	–	100%	Inactive
Housden Holdings Limited	The BVI	Ordinary	US$1	–	100%	–	–	Investment holding
CL Education Limited	Hong Kong	Ordinary	HK$28,146,300	–	100%	–	–	Investment holding
北京創聯中人技術服務有限公司	The PRC	Registered capital	RMB27,070,700	–	100%	–	–	Provision of technical consultancy services
北京創聯教育投資有限公司	The PRC	Registered capital	RMB11,000,000	–	100%	–	–	Investment management and the provision of educational consultancy services
北京中人光華教育科技有限公司	The PRC	Registered capital	RMB1,020,000	–	51%	–	–	Provision of internet information services and the promotion of technologies

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

Note:

The above table lists the subsidiaries of the Group which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. A majority of these subsidiaries operates in PRC, Hong Kong and BVI. The principal activities of these subsidiaries are summarised as follows:

Principal activities	Principal place of business	Number of subsidiaries	
		31/12/2013	31/12/2012
Inactive	Hong Kong	**3**	5
	BVI	**4**	4
	PRC	**1**	1
Investment holding	Hong Kong	**3**	3
	BVI	**6**	6
		17	19

None of the subsidiaries had any debt securities at the end of both years nor at any time during both years.

Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name	Place of incorporation/ operations	Proportion of ownership interests and voting rights held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2013	2012	**2013**	2012	**2013**	2012
				RMB'000	RMB'000	**RMB'000**	RMB'000
北京中人光華教育科技有限公司	The PRC	**49%**	–	**2,960**	–	**2,960**	–
Individually immaterial subsidiaries with non-controlling interests						**(421)**	(132)
						2,539	(132)

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

北京中人光華教育科技有限公司

	2013 RMB'000
Current assets	7,487
Non-current assets	942
Current liabilities	(11,491)
Equity attributable to owners of the Company	(6,022)
Non-controlling interests	2,960

	2013 HK$'000
Revenue	23,861
Expenses	(17,820)
Profit and total comprehensive income for the year	6,041
Profit attributable to owners of the Company	3,081
Profit attributable to non-controlling interests	2,960
Total profit and total comprehensive income for the year	6,041
Net cash inflow from operating activities	5,435
Net cash outflow from investing activities	(67)
Net cash outflow from financing activities	(3,449)
Net cash inflow	1,919