Annual Report 2016

China Chuanglian Education Group Limited

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2371)

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Corporate Information

Executive Directors

Mr. LU Xing *(Chairman of the Board)*
Mr. LI Jia
Mr. WU Xiaodong
Mr. WANG Cheng
Mr. LI Dongfu

Independent Non-executive Directors

Mr. LEUNG Siu Kee
Mr. WU Yalin
Ms. WANG Shuping

Company Secretary

Mr. SUNG Chi Keung

Audit Committee

Mr. LEUNG Siu Kee
(Chairman of the Audit Committee)
Mr. WU Yalin
Ms. WANG Shuping

Remuneration Committee

Ms. WANG Shuping
(Chairman of the Remuneration Committee)
Mr. LEUNG Siu Kee
Mr. WU Yalin

Nomination Committee

Mr. WU Yalin
(Chairman of the Nomination Committee)
Mr. LEUNG Siu Kee
Ms. WANG Shuping

Authorised Representatives

Mr. LI Jia
Mr. SUNG Chi Keung

Auditor

SHINEWING (HK) CPA Limited

Principal Bankers

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

Room 905–06
China Evergrande Centre
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

Boardroom Share Registrar (HK) Limited
31/F., 148 Electric Road
North Point, 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

	2016 RMB'000	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000
Turnover	**89,070**	97,281	76,906	98,350	22,748
Gross profit/(loss)	**14,713**	62,517	52,705	73,004	(644,489)
(Loss)/profit for the year	**(191,895)**	(296,649)	23,935	10,383	(702,236)
(Loss)/profit for the year attributable to:					
Owners of the Company	**(189,233)**	(298,658)	24,233	7,712	(701,309)
Non-controlling interests	**(2,662)**	2,009	(298)	2,671	(927)
	(191,895)	(296,649)	23,935	10,383	(702,236)
Basic (loss)/earnings per share (RMB cent(s))	**(4.07)**	(6.69)	0.58	0.33	(35.34)
Adjusted results#					
Profit/(loss) before tax	**(74,592)**	20,125	30,266	17,632	(77,689)
Profit/(loss) attributable to owners of the Company	**(65,618)**	15,363	26,005	6,488	(80,384)
Basic earnings/(loss) per share (RMB' cent)	**(1.41)**	0.34	0.62	0.28	(4.05)

Assets and Liabilities

	2016 RMB'000	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000
Non-current assets	**172,056**	192,800	487,710	498,528	30,572
Current assets	**149,261**	322,408	163,465	133,329	62,599
Current liabilities	**(64,153)**	(61,316)	(59,625)	(70,110)	(59,174)
Net current assets	**85,108**	261,092	103,840	63,219	3,425
Non-current liabilities	**(11,645)**	(22,803)	(24,863)	(26,655)	(43,519)
Non-controlling interests	**(2,207)**	(5,334)	(2,241)	(2,539)	132
Equity	**243,312**	425,755	564,446	532,553	(9,390)

\# Adjusted results refers to activities for the period excluding share-based payments and impairment losses charged / reversed.

CHAIRMAN'S STATEMENT

On behalf of the Board (the "Board") of directors (the "Directors") of China Chuanglian Education Group Limited (the "Company"), I am pleased to present the annual report of the Company and its subsidiaries (collectively referred as the "Group") for the year ended 31 December 2016.

RESULTS

For the year ended 31 December 2016, the Group recorded a revenue of approximately RMB89,070,000 (2015: approximately RMB97,281,000), representing a decrease of approximately 8.4% as compared to that of last year. The loss attributable to owners of the Company for the year ended 31 December 2016 was approximately RMB189,233,000, as compared to a loss of approximately RMB298,658,000 in the past year.

INDUSTRY REVIEW

The popularity of the internet in the PRC has continued to grow rapidly in the recent years, especially the form of application of mobile internet is the most booming. According to the data published by the National Bureau of Statistics of China, the population of local internet users in the PRC increased from approximately 457 million in 2010 to approximately 731 million in 2016, representing compound annual growth rates of approximately 8.1%. Out of the total population of local internet users in the PRC of 2016, approximately 695 million users were mobile internet users. This can demonstrate the significance and importance of mobile internet in the internet industry.

The market value of the online education industry in the PRC is enormous. According to www.chinaedunet.com (中國教育網), the market value of the online education industry is estimated to be approximately RMB173.4 billion and the number of online education users is estimated to be approximately 120 million in 2017.

We expect the market of education industry in the PRC will continue to grow, especially the online education as a result of the increasing popularity of the internet, in light of the change in the economy structure and the corresponding increase in the in the demand for talented personnel in the PRC. We believe that there are plenty rooms for expansion and development of the Group's online education and training businesses.

BUSINESS REVIEW

The Group is principally engaged in the provision of the online training and education services in the PRC. As one of the very few pioneers of online education providers in the PRC, our existing business mainly focus on providing vocational training in relation to job adaption and skill enhancement to civil servants and professional technical personnel, including but not limited to lawyers, accountants, doctors, teachers, etc., in the PRC. According to the PRC laws and the requirements under relevant provisions, civil servants and professional technical personnel in the PRC are required to undertake an annual required minimum continuing professional training in both public required subjects and relevant professional subjects in order to satisfy their corresponding job requirements and professional development needs.

Leveraging on our self-developed core network service management platform to link up internet learning service, training management, educational resources which is operated via cable television, the internet and telecommunication networks across the entire ecological environment of the different network integration, we are capable of providing online learning service to approximately 7 million civil servants and 65 million professional technical personnel in China.

The Group is operating over 200 online education platform. During 2016, we had provided 4 million people with online learning service and accumulated over 60 million service hours and the registered users of the mobile terminal learning platform, Rongxue App* (融學App) recently exceeded 1 million.

We are committed to providing online vocational training to civil servants and professional technical personnel and strive to become their one-stop, life-long and comprehensive online learning partner. Apart from providing its own courses on the platform, the Group is also keen on cooperating with different well-known professional course providers, providing top class professional knowledge for the users to help with their career development. We have accumulated over 7,000 hours of video program contents in the past few years.

During the year ended 31 December 2016, the revenue from the online training and education services business is the major contributor of the Group's revenue and accounted for approximately 99.1% (2015: approximately 89.3%) of the Group's revenue. The Directors expect that the online training and education services business will continue to dominate the revenue mix of the Group in the foreseeable future.

FUTURE PLANS

We believe that training and education is a life-long process. Building on our existing foundation in online vocational training and education, we will continue to explore into other areas of education. In 2016, the Group has already taken certain steps to enter into both the kindergarten education and K12 education (i.e. primary and secondary education). We believe that the establishment of a brand in education with "Chuanglian Education" and guaranteed quality of education services will help the learners to tailor for their different needs during the different phases throughout their lives.

By providing life-long online learning services to learners, the Group has accumulated a large amount of accurate data and will continue to accumulate more data in the foreseeable future. We believe such large amount of accurate data can help us to find out the other needs of the users through data analysis so that we can provide additional non-education related services and products to our users with clear direction. The Group has participated to establish the first mutual life insurance agency in the PRC, 信美人壽相互保險社("Xinmei Mutual Life Insurance Agency*") and commenced to promote services and products such as insurance products, including corresponding insurance products to our users to tailor for their different needs and requirements. We believe by providing additional products and services through our platform can gradually enhance the users' loyalty towards our platforms and cohesion and help to create a virtual community within our users which can give rise to other future business opportunities.

APPRECIATION

On behalf of the Board, I would like to express my heartfelt appreciation of our management team and employees for their dedication and hard work which have contributed so much to our growth at the Group. I would also like to take this opportunity to thank all our shareholders, business partners and investors for their continuing support. With the increasing need for online education and training services in the PRC, we are confident as ever in our ability to maintain sustainable business growth and maximize the shareholders' value.

Lu Xing
Chairman

Hong Kong, 31 March 2017

** For identification purpose only*

FINANCIAL REVIEW

For the year ended 31 December 2016, the Group recorded a revenue of approximately RMB89,070,000 (2015: approximately RMB97,281,000), representing a decrease of approximately 8.4% as compared to that of last year. Revenue derived from educational consultancy and online training and education and other media were approximately RMB88,287,000 and 783,000 respectively (2015: approximately RMB86,892,000 and RMB10,389,000). The revenue from educational consultancy and online training and education increased slightly by 1.6% and remained as the major revenue contributor of the Group during the current year. However, the business of other media significantly deteriorated in the current year. The television operas produced did not attract sufficient interest from potential buyers and the corresponding revenue generated was significantly lower than the original expectation. Due to the significant deterioration of the business of other media, the management is giving serious consideration as to whether to continue its investment in the other media business in the foreseeable future.

Cost of sales and services for the year ended 31 December 2016 was approximately RMB74,357,000 (2015: approximately RMB34,764,000), representing an increase of approximately an increase of 113.9% as compared to that of last year. The increase in cost of sales and services was mainly due to the increase in production costs of television operas, staff costs and course materials acquisition costs.

Selling and marketing expenses for the year ended 31 December 2016 was approximately 19,238,000 (2015: approximately 19,008,000), representing a slight increase of approximately 1.2% as compared to that of last year. The slight increase in the selling and marketing expenses in the current year was in line with the slight increase of revenue derived from educational consultancy and online training and education.

Administrative expenses for the year ended 31 December 2016 was approximately RMB80,691,000 (2015: approximately RMB57,426,000), representing an increase of approximately 40.5% as compared to that of last year. The increase in administrative expenses was mainly due to the increase in staff costs and provision of impairment of trade and other receivables which was mainly related to the fund advance for television programmes production.

Mainly due to the slower than expected growth of the educational consultancy and online training and education segment and the significant deterioration of the other media segment, impairment losses on goodwill and customer relationship of approximately RMB50,129,000 and RMB37,414,000 respectively were recorded for the year ended 31 December 2016. In addition, there was an unrealised loss on fair value changes of held for trading investments of approximately RMB25,728,000 for the year ended 31 December 2016, compared to an unrealised gain on fair value changes of held for trading investments of approximately RMB9,624,000 in last year.

The loss attributable to owners of the Company for the year ended 31 December 2016 was approximately RMB189,233,000 (2015: loss of approximately RMB298,658,000), representing a decrease of approximately 36.6% as compared to that of last year.

LIQUIDITY AND FINANCIAL RESOURCES

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

As at 31 December 2016, the Group had bank balances and cash of approximately RMB113,181,000 as compared to the bank balances and cash of approximately RMB191,776,000 as at 31 December 2015.

The Group's net current assets totalled approximately RMB85,108,000 as at 31 December 2016, against approximately RMB261,092,000 as at 31 December 2015. The Group's current ratio was approximately 2.33 as at 31 December 2016 as compared with 5.26 as at 31 December 2015.

GEARING RATIO

The gearing ratio of the Group (measured as total liabilities to total assets) was approximately 23.6% as at 31 December 2016 (2015: 16.3%).

CAPITAL STRUCTURE

As at 31 December 2016, the Company's issued share capital was approximately HK$46,525,000 (2015: approximately HK$46,525,000) and the number of its issued shares was 4,652,522,578 ordinary shares of HK$0.01 each.

RISKS RELATING TO THE CONTRACTUAL ARRANGEMENTS

Significance of Beijing Chuanglian Education's business activities to the Company

北京創聯教育投資有限公司 (Beijing Chuanglian Education Investment Company Limited*, "Beijing Chuanglian Education") a domestic enterprise in the PRC principally engaged in investment management and provision of investment-related, technical or educational consultancy services. It holds the ICP Licence and the licences for the production and publication of audiovisual products in the PRC. It receives course fees from the provision of online training and education courses for civil servants and professional technicians on websites and platforms, including 中國國家人事人才培訓網 (China Human Resources Training Website*) (www.chinanet.gov.cn).

As advised by the PRC legal adviser to the Company, the provision of online training and education related content on websites is subject to various PRC laws and regulations relating to the telecommunications industry. Pursuant to Article 6 of the Administrative Rules for Foreign Investments in Telecommunications Enterprises (外商投資電信企業管理規定) and the revised foreign investment catalog issued by the National Development and Reform Commission of the PRC in March 2015, a foreign investor is prohibited from owning more than a 50% equity interest in a Chinese entity providing value-added telecommunications services. Beijing Chuanglian Zhongren, being a wholly foreign owned enterprise of the Group, is ineligible to apply for licenses for the value-added telecommunications services business including the ICP License. In addition, Beijing Chuanglian Zhongren is prohibited to obtain all of the equity interest of Beijing Chuanglian Education under the prevailing rules and regulations. To cope with such constraint and in order to take part in the PRC's online training and education market, Beijing Chuanglian Zhongren has entered into the Consultancy and Services Agreement as well as other agreements under the Contractual Arrangements with Beijing Chuanglian Education to obtain the right and ability to control and the economic benefits of Beijing Chuanglian Education.

** For identification purpose only*

The following table sets out the financial contribution of Beijing Chuanglian Education to the Group:

	Significance and contribution to the Group			
	Revenue		**Total assets**	
	For the year ended 31 December		As at 31 December	
	2016	2015	2016	2015
Beijing Chuanglian Education	99.3%	89.7%	26.5%	15.7%

Revenue and assets subject to the Contractual Arrangements

The table below sets out Beijing Chuanglian Education's revenue and assets which are consolidated into the accounts of the Group pursuant to the Contractual Arrangements:

	Revenue	**Total assets**
	For the year ended 31 December 2016 RMB'000	As at 31 December 2016 RMB'000
Beijing Chuanglian Education	88,418	85,166

Risks associated with the Contractual Arrangements

(1) The PRC Government may determine that the Contractual Arrangements are not in compliance with the applicable PRC laws, rules, regulations or policies. There can be no assurance that the Contractual Arrangements will be deemed by the PRC government to be in compliance with the licensing, registration or other regulatory requirements, with existing policies or with requirements or policies that may be adopted in the future, or that the Contractual Arrangements may be effectively enforced without limitation.

(2) The Group depends upon the Contractual Arrangements in conducting the online training and education services business in China and receiving payments through Beijing Chuanglian Education, which may not be as effective as direct ownership.

(3) The registered shareholder of Beijing Chuanglian Education (i.e. the Guarantor) may have potential conflict of interests with other shareholders of the Company and hence defaulting risks by the Guarantor cannot be eliminated completely.

(4) As the Group relies on the operating licenses held by Beijing Chuanglian Education, any deterioration of the relationship between Beijing Chuanglian Education and the Group could materially and adversely affect the business operation of the Group.

(5) The Contractual Arrangements may be challenged by the PRC tax authorities on the basis that the Contractual Arrangements were not entered into based on arm's length negotiations and as a result, the Group may face adverse tax consequences.

Further details on the risks associated with the Contractual Arrangements are set out under the paragraph headed "Risk Factors Relating to the Contractual Arrangements" of the circular dated 28 June 2013.

Despite the above, as advised by the PRC legal adviser to the Company, the Contractual Arrangements are in compliance with and, to the extent governed by the PRC laws currently in force, are enforceable under, the current PRC laws. The Company will monitor the relevant PRC laws and regulations relevant to the Contractual Arrangements and will take all necessary actions to protect the Company's interest in Beijing Chuanglian Education.

MATERIAL TRANSACTIONS

Continuing Connected Transactions in relations to New Contractual Arrangements

On 25 March 2011, Beijing Chuanglian Education and Beijing Chuanglian Zhongren entered into the consultancy and services agreement pursuant to which, among other matters, Beijing Chuanglian Education engaged Beijing Chuanglian Zhongren on an exclusive basis to provide consultation and related services to Beijing Chuanglian Education for a term of 20 years (the "Consultancy and Services Agreement"). In consideration of such services, 90% of the business revenue of Beijing Chuanglian Education shall be paid as consultancy and service fee to Beijing Chuanglian Zhongren.

Including the Consultancy and Services Agreement, Beijing Chuanglian Education, Beijing Chuanglian Zhongren and Mr. Lu entered into the business operation agreement (the "Business Operation Agreement"), share disposal agreement (the "Share Disposal Agreement") and equity pledge agreement (the "Equity Pledge Agreement") on 25 March 2011 (collectively the "Contractual Arrangements"), in order for the Group to carry out its online training and education services business in the PRC with the purpose of, among other matters, obtaining the economic benefits of the right and ability to control the business of Beijing Chuanglian Education.

In view of the requirements set out in the Guidance Letter HKEx-GL77-14 of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), a supplemental agreement to each of the agreements forming part of the Contractual Arrangements was entered into between the respective parties thereto to supplement and amend the terms of the respective agreements on 16 December 2015 (the "Supplemental Agreements"), including, among other matters:

(a) the dispute resolution clause in each of the Consultancy and Services Agreement, the Business Operation Agreement, the Share Disposal Agreement and the Equity Pledge Agreement will be amended to provide (in addition to the respective agreement) that (i) the arbitration tribunal or the arbitrators may, in accordance with the terms of the agreement and the laws of the PRC, award any remedies, including interim and permanent injunctive relief (e.g. for the conduct of business or to compel the transfer of assets), specific performance of contractual obligations, remedies over the equity or assets of Beijing Chuanglian Education or winding up order of Beijing Chuanglian Education; and (ii) on the condition that the prevailing laws and regulations and arbitration rules in effect have been complied with, among others, the courts of Hong Kong, the Cayman Islands and the PRC shall have the power to grant interim remedies pending the formation of the arbitration tribunal or in appropriate cases;

(b) the Business Operation Agreement will be amended to provide (in addition to the Business Operation Agreement) that Beijing Chuanglian Education and Mr. Lu shall pass to the directors the business licence, common seal and other important documents and seals to the directors, legal representatives and senior management recommended or nominated by Beijing Chuanglian Zhongren under the Business Operation Agreement; and

(c) each of the Share Disposal Agreement and the Equity Pledge Agreement will be amended to provide (in addition to the respective agreement) that Mr. Lu shall make all appropriate arrangements and execute all necessary documents to ensure that, in the event of the death, loss of capacity, bankruptcy, divorce (or other circumstances) of Mr. Lu, there would be no adverse effect or obstacles in enforcing the Share Disposal Agreement and the Equity Pledge Agreement (and the supplemental agreements thereto) by Mr. Lu's successors, guardian,creditors, spouse and any other third party.

Loan Agreement

The loan agreement was entered into between Beijing Chuanglian Zhongren, as lender, and Beijing Chuanglian Education, as borrower, on 16 December 2015 pursuant to which Beijing Chuanglian Zhongren shall grant loans to Beijing Chuanglian Education according to the needs of Beijing Chuanglian Education and the amount, time of grant and term of loan are to be agreed upon by the parties thereto subject to further negotiations (the Loan Agreement").

The Loan Agreement was entered into for a term commencing from the date of the agreement and expiring on the same date as the expiry of the term of the Consultancy and Services Agreement.

Pursuant to the Loan Agreement, loans due from Beijing Chuanglian Education thereunder shall be repayable upon the following circumstances:(a) 30 days after the issue of a written demand for repayment from Beijing Chuanglian Zhongren to Beijing Chuanglian Education;(b) where Beijing Chuanglian Education having received from any third party claims exceeding RMB11 million (being the amount of the registered capital of Beijing Chuanglian Education);or(c) where Beijing Chuanglian Zhongren having exercised the exclusive option to acquire the entire equity interest in Beijing Chuanglian Education under the Share Disposal Agreement.

Reasons for and benefits of the Supplemental Agreements and Loan Agreement

The Supplemental Agreements were entered into with a view of observing the requirements set out in the Stock Exchange's Guidance Letter HKEx-GL77-14, which was published in May 2014 after the annual caps for the transactions contemplated under the Consultancy Services Agreement for the three years ended 31 December 2013, 2014 and 2015 which were approved by the independent Shareholders on 27 July 2013.

In relation to the Loan Agreement, taking into account that 90% of the business revenue of Beijing Chuanglian Education was agreed to be paid as consultancy and service fee to Beijing Chuanglian Zhongren pursuant to the Consultancy and Services Agreement, the financial resources available to Beijing Chuanglian Education may not be able to meet the capital requirements for its daily operation, business development or investments in other entities. As such, the Loan Agreement would allow Beijing Chuanglian Education to obtain further capital from the Group for its daily operation, business development and/or investments in other entities when opportunities arise.

With Beijing Chuanglian Education being a subsidiary of the Company by virtue of the Contractual Arrangements, the transactions contemplated under the Loan Agreement would be equivalent to intra-Group transactions providing the necessary capital for the operation or development of a member of the Group. The additional capital available to Beijing Chuanglian Education under the Loan Agreement is expected to facilitate its business expansion and, possibly, revenue growth. Together with the Contractual Arrangements, the Supplemental Agreements and the Loan Agreement shall constitute the New Contractual Arrangements.

Taking into account the factors above, the Directors (excluding the independent non-executive Directors) considered that the Supplemental Agreements and the Loan Agreement are on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. In view of Mr. Lu's equity interest in Beijing Chuanglian Education, Mr. Lu is deemed to have a material interest in the Supplemental Agreements and the Loan Agreement and had abstained from voting at the Board meeting approving the same. Apart from Mr. Lu, no other Directors are required to abstain from voting at the Board meeting approving the Supplemental Agreements and the Loan Agreement.

Beijing Chuanglian Education is treated as the Company's wholly-owned subsidiary, at the same time, treated as Company's connected person as it is wholly-owned by Mr. Lu, an executive Director, the Chairman of the Board and a substantial shareholder of the Company, for the purposes of Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). As the applicable percentage ratios are more than 5% and the aggregate amount of the fees payable under the Consultancy and Services Agreement (as supplemented) and the loans to be granted under the Loan Agreement is expected to be more than HK$10,000,000 in aggregate, the transactions contemplated under the Contractual Arrangements (as supplemented) and the Loan Agreement (the "New Contractual Arrangements") technically constitute continuing connected transactions for the Company for the purposes of Chapter 14A of the Listing Rules. The Directors considered that it would be unduly burdensome and impracticable, and would add unnecessary administration costs to the Company, for the transactions contemplated under the New Contractual Arrangements, being the fees payable thereunder, to be subject to the annual cap requirement under Rule 14A.53 of the Listing Rules.

The Company applied to the Stock Exchange and the Stock Exchange granted the conditional waiver (including the annual caps requirements of service fee from Beijing Chuanglian Education) on 26 October 2015, subject to the conditions required by the Stock Exchange.

The New Contractual Arrangements were approved by the independent Shareholders in an extraordinary general meeting held on 16 December 2015 (the "EGM"). As Mr. Lu has a material interest in the New Contractual Arrangements, Mr. Lu and his associates were required and did abstain from voting at the EGM.

The actual amounts of the transactions contemplated under the New Contractual Arrangements for the year ended 31 December 2016 are set out below:

Nature of continuing connected transactions	**Actual amount** RMB'000
1. Service fee payable to 北京創聯中人技術服務有限公司 (Beijing Chuanglian Zhongren Technology Service Limited*) ("Beijing Chuanglian Zhongren") by 北京創聯教育投資有限公司 (Beijing Chuanglian Education Investment Limited*) ("Beijing Chuanglian Education") pursuant to the Consultancy and Services Agreement	15,131
2. Service fee payable to Beijing Chuanglian Zhongren by 四川創聯國培教育咨詢有限公司 (Sichuan Chuanglian Guopei Education Advisory Limited*) ("Sichuan Chuanglian Guopei") pursuant to the Consultancy and Services Agreement	10,505
	25,636
3. Loan to Beijing Chuanglian Education by Beijing Chuanglian Zhongren pursuant to the Long Term Loan Agreement	10,480
4. Interest payable to Beijing Chuanglian Zhongren by Beijing Chuanglian Education pursuant to the Consultancy and Services Agreement	528

Notes:

1. Mr. Lu, the substantial shareholder of the Company, is holding 100% interest in Beijing Chuanglian Education, 100% interest in Sichuan Chuanglian Guopei, 51% interest in Beijing Zhongren Guanghua and 99.99% interest in Hainan Zhongren Guanghua. All the above companines are the subsidiaries of the Company as the Company is able to exercise control over these companies through the contractual arrangement.

2. Beijing Chuanglian Zhongren, Beijing Chuanglian Education, Sichuan Chuanglian Guopei, Beijing Zhongren Guanghua and Hainan Zhongren Guanghua are the subsidiaries of the Group which the transactions mentioned above are eliminated in the consolidated financial statements in accordance with Hong Kong Financial Reporting Standard 10.

3. Sichuan Chuanglian Guopei is the directly wholly-owned subsidiary of Beijing Chuanglian Education. On 6 February 2016, Sichuan Chuanglian Guopei, Beijing Chuanglian Education and Beijing Chuanglian Zhongren had signed a confirmation in relation to Sichuan Chuanglian Guopei operating the projects on behalf of Beijing Chuanglian Education. As to share the operating cost for the projects, Sichuan Chuanglian Guopei has deducted approximately 40% of the service fee payable to Beijing Chuanglian Zhongren according to the Consultancy and Services Agreement.

The independent non-executive Directors reviewed the New Contractual Arrangements and confirmed that: (i) the transactions carried out during the year have been entered into in accordance with the relevant provisions of the New Contractual Arrangements, have been operated so that the revenue generated by Beijing Chuanglian Education has been substantially retained by Beijing Chuanglian Zhongren; and (ii) no dividends or other distributions have been made by Beijing Chuanglian Education to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group.

Continuing Connected Transactions in relation to Services Framework Agreement

On 1 March 2010, Beijing Chuanglian Zhongren and 北京中人光華教育科技有限公司(Beijing Zhongren Guanghua Education Technology Company Limited* or "Zhongren Guanghua") entered into services framework agreement pursuant to which, among other matters, Zhongren Guanghua engaged 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 (the "Services Framework Agreement"). 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. Mr. Lu is an executive Director, the Chairman of the Board and a substantial shareholder of the Company and therefore a connected person of the Company under Chapter 14A of the Listing Rules. As Zhongren Guanghua is 51% owned by Beijing Chuanglian Education, which is in turn wholly-owned by Mr. Lu, Zhongren Guanghua is an associate of Mr. Lu and the transactions contemplated under the Services Framework Agreement constitutes continuing connected transactions for the Company. As the applicable percentage ratios are more than 5% and each of the proposed annual caps in respect of the transactions contemplated under the Services Framework Agreement is more than HK$10,000,000, the transactions contemplated under the Services Framework Agreement are subject to the requirements under Chapter 14A of the Listing Rules.

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 annual cap and actual amounts of the transactions contemplated under the Services Framework Agreement for the year ended 31 December 2016 are set out below:

Nature of continuing connected transactions	Actual amount RMB'000	Annual Cap RMB'000
1. Service fee payable to Beijing Chuanglian Zhongren by 北京中人光華教育科技有限公司 (Beijing Zhongren Guanghua Education Technology Company Limited*) ("Beijing Zhongren Guanghua") pursuant to the Services Framework Agreement	29,508	
2. Service fee payable to Beijing Chuanglian Zhongren by 海南中人光華教育服務有限公司 (Hainan Zhongren Guanghua Education Services Limited*) ("Hainan Zhongren Guanghua") pursuant to the Services Framework Agreement	7,644	
	37,152	42,612

Notes:

1. Mr. Lu, the substantial shareholder of the Company, is holding 100% interest in Beijing Chuanglian Education, 100% interest in Sichuan Chuanglian Guopei, 51% interest in Beijing Zhongren Guanghua and 99.99% interest in Hainan Zhongren Guanghua. All the above companines are the subsidiaries of the Company as the Company is able to exercise control over these companies through the contractual arrangement.

2. Beijing Chuanglian Zhongren, Beijing Chuanglian Education, Sichuan Chuanglian Guopei, Beijing Zhongren Guanghua and Hainan Zhongren Guanghua are the subsidiaries of the Group which the transactions mentioned above are eliminated in the consolidated financial statements in accordance with Hong Kong Financial Reporting Standard 10.

3. Hainan Zhongren Guanghua is the indirectly owned subsidiary of Beijing Chuanglian Education. On 24 February 2016, Hainan Zhongren Guanghua, Beijing Zhongren Guanghua and Beijing Chuanglian Zhongren had signed a confirmation in relation to Sichuan Chuanglian Guopel operating the projects on behalf of Beijing Zhongren Guanghua.

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

The auditor of the Company was engaged to report on all the above Group's continuing connected transactions in accordance with the applicable accounting standards. The auditor has issued the unqualified letter containing the findings and conclusions in respect of the continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

The Company confirmed that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

DISCLOSEABLE TRANSACTION

On 29 December 2015, the Group entered into the Placing Letter with Changjiang Securities Brokerage (HK) Limited which the Group agreed to subscribe for 50,000,000 new ordinary shares in the issued share capital of China Public Procurement Limited ("CPP") at the placing price of HK$0.22, for a total consideration of HK$11,000,000 (not including the corresponding transaction levy and trading fee). The placing have been completed on 20 January 2016. Together the original shareholding on CPP, the Group has an aggregate of 199,677,419 CPP shares and approximately 1.5% of the issued shares of CPP.

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 2016, 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 2016, the Group did not have any charges on its assets (2015: Nil).

CAPITAL COMMITMENT

As at 31 December 2016, the Group had outstanding capital commitment in respect of the acquisition of plant and equipment of approximately RMB1,914,000 (2015: RMB1,683,000), the investment of 35% of the issued share capital of an associate Guangxi Beibu Gulf Guolian Jichuang Education Investment Company Limited* (廣西北部灣國聯集創教育投資有限公司), of RMB1,050,000 (2015: RMB1,050,000) and the investment of 48% of the equity interest of a new company to be established in Shenzhen of RMB3,840,000 (2015: Nil).

EMPLOYEE INFORMATION AND REMUNERATION POLICY

As at 31 December 2016, the Group had 228 employees (2015: 151 employees) in Hong Kong and the PRC and the total staff costs (including all Directors' remuneration and fees) are approximately RMB47,806,000 for the year ended 31 December 2016 (2015: approximately RMB32,233,000).

We offer competitive remuneration package, including medical and retirement benefits, to eligible employees. In order to attract, retain and motivate eligible employees, including the Directors, the Company has adopted share option schemes (the "Share Option Schemes"). As at 31 December 2016, there were 294,684,000 share options remained outstanding which can be exercised by the grantees of the Share Option Schemes.

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. LU Xing ("Mr. Lu"), aged 49, is an executive Director and chairman of the Board. Mr. Lu holds a bachelor degree. He worked in the PRC banking system for many years and accumulated extensive experience in financial management, project financing, risk assessment and control. Mr. Lu Xing was an executive director of V1 Group Limited (a company listed on the main board of Stock Exchange, stock code: 00082) and China Public Procurement Limited (a company listed on the main board of Stock Exchange, stock code: 01094) respectively and held various positions including chief operating officer and chief financial officer during his tenure as executive director. He has gained ample expertise, resources and networking in strategic planning, overall operation and financial management relating to Internet and media corporates, and has unique indepth insights, all-rounded strategic vision and sophisticated operation capability for successfully transforming operation of traditional industries into Internet business mode. Since the establishment of Chuanglian Education, Mr. Lu has been committed to transforming traditional teaching patterns into online education mode. So far Online Chuanglian Education has become the largest vocational education training platform in the PRC.

Mr. LI Jia ("Mr. Li"), aged 49, is an executive Director and chief strategy officer of the Company. Mr. Li has 12 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.

Mr. WU Xiaodong ("Mr. Wu"), aged 49, is an executive Director. Mr. Wu obtained his Master Degree in Accounting from Capital University of Economics and Business and has more than 18 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. From 2013 to March 2015, he served as the chief financial officer of the Company.

Mr. WANG Cheng ("Mr. Wang"), aged 40, is an executive Director and chief investment officer of the Company. He holds a bachelor degree in Economics from Nankai University, China and a master degree in Economics and Commerce from University of New South Wales, Australia respectively. He is also an associate member of Australia Society of CPAs. Mr. Wang has joined the Group since the beginning of 2012 and served positions such as the director of investor relations, director of strategic development and assistant to chairman. Mr. Wang has more than 15 years of experience in corporate operation, investment management, business reorganization, financial management, legal affairs, commercial negotiations and risk management. Before joining the Group, Mr. Wang worked for IBM Global Finance.

Mr. LI Dongfu ("Mr. Li"), aged 37, graduated from Economics and Management School of Wuhan University. Mr. Li joined the Group in 2005 and has served as various positions such as sales manager of marketing department, sales director and general manager of marketing department. Mr. Li is familiar with the latest condition of both domestic and overseas training industry and the relevant requirements of training policies, and has good communication channel with the relevant authorities of cadre training. He is also familiar with the business operation and technical solutions as well as training programme design solutions in respect of cadre training. During his tenure of service in the Group, he has participated in the development and operation of the major projects with various companies in Inner Mongolia, Sichuan province, Tianjin city and Hainan province, and accumulated rich experience in project management.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LEUNG Siu Kee ("Mr. Leung"), aged 40, 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 6 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. He is also an independent non-executive Director of Cinderella Media Group Limited (HKSE Stock Code:550) from 8 September 2015.

Mr. WU Yalin ("Mr. Wu"), aged 55, is an independent non-executive Director. Mr. Wu 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. Wu graduated from Wilfrid Laurier University in Canada with a master degree in Economic Geography in 1988. Mr. Wu has over 20 years of experience in financial consulting and financial investment services. He has successively held a range of key positions including chief executive officer, director and senior management in Deloitte and Cap Gemini Ernst & Young (凱捷安永會計師行), governmental environment protection center of Midland County, Canada (加拿大湄德蘭縣政府環保中心) and various financial consulting firms. Mr. Wu is familiar with the latest market information in domestic, international, and also emerging markets. He managed and participated in operation and consultation of several significant projects, and has accumulated rich experience in financial management. Mr. Wu is currently the independent director of Synutra International, Inc. and the chief executive officer of Northern Investment & Financial Consultants Ltd. Co. (北方投資諮詢公司).

Ms. WANG Shuping ("Ms. Wang"), aged 58, 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 35 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.

SENIOR MANAGEMENT

Mr. SUNG Chi Keung ("Mr. Sung"), aged 41, is the chief financial officer and company secretary of the Company. Mr. Sung obtained his Bachelor Degree in Business Administration, majoring in Professional Accountancy, from the Chinese University of Hong Kong and a Master Degree in Corporate Finance from the Hong Kong Polytechnic University. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Before joining the Group, Mr. Sung was the chief financial officer and company secretary of China Green (Holdings) Limited (formerly known as China Culiangwang Beverages Holdings Limited), a company listed on the Stock Exchange from August 2013 to March 2015. From August 2004 to June 2013, he was an executive director, the finance director and the company secretary of Asian Citrus Holdings Limited, a company listed on the Stock Exchange. Mr. Sung has accumulated over 19 years of experience in financial management, accounting, taxation, auditing and corporate finance and previously worked for KPMG, PricewaterhouseCoopers Ltd. and Deloitte & Touche Corporate Finance Ltd.

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 to 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 deviations 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.

Under the code provision A.2.1, the roles of the chairman and the chief executive should be separate 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 2016, the chairman of the Board was performed by Mr. Lu Xing and the Company did not have 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 appointment to fill the post as appropriate.

Under the code provision A.6.7 provides that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. All independent non-executive Directors were not able to attend the extraordinary general meeting on 6 May 2016 and annual general meeting held on 15 June 2016 due to their respective business engagements. Other Board members who attend that general meetings were already of sufficient calibre and number for answering questions raised by the Shareholders at that general meetings.

Under the code provision E.1.2 in respect of the communication with Shareholders as absence of Chairman of the Board at the Company's annual general meeting on 15 June 2016 because the respective chairman had commitments on other business occasions on the same day. An executive Director had chaired that annual general meeting and answered the questions from the Shareholders.

Under the code provision A.2.7, the chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present. There is no meeting held between the chairman of the Board and the independent non-executive Directors during the year ended 31 December 2016. In order to adopt sound corporate governance practices continuously in the interest of shareholders to enhance the overall performance of the Group, the chairman of the Board held a meeting with the independent non-executive Directors on 31 March 2017 without the presence of executive Directors.

Under the code provision C.1.2, the management of the company should provide all members of the board with monthly updates giving a balanced and understandable assessment of the group's performance, position and prospects in sufficient detail to enable the board as a whole and each director to discharge their duties. Although the management of the Company did not provide a regular monthly update to the members of the Board, the management of the Company has kept providing information and updates to the members of the Board as and when appropriate. From 1 January 2017, the management of the Company has provided detail monthly updates to the members of the Board.

DIRECTORS' SECURITIES TRANSACTIONS BY DIRECTORS AND OTHER RELEVANT EMPLOYEES

The Company has adopted a code of conduct regarding securities transactions by Directors and other relevant employees on terms no less exacting than the required standard in the Model Code as set out in Appendix 10 to the Listing Rules on 31 March 2017. 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' and other securities transactions.

THE BOARD OF DIRECTORS

During the year, the Board comprised the following Directors:

Executive Directors

Mr. Lu Xing *(Chairman)*	
Mr. Li Jia	
Mr. Wu Xiaodong	
Mr. Wang Cheng	
Mr. Li Dongfu	(appointed on 1 July 2016)

Independent Non-executive Directors

Mr. Leung Siu Kee	
Mr. Wu Yalin	(appointed on 30 December 2016)
Ms. Wang Shuping	
Mr. Han Bing	(resigned on 30 December 2016)

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 the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company considers that all the independent non-executive Directors are 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 2016, 14 Board meetings were held. The details of the attendance record of the Directors are as follows:

		Attendance
Executive Directors		
Mr. Lu Xing		3/14
Mr. Li Jia		8/14
Mr. Wu Xiaodong		11/14
Mr. Wang Cheng		5/14
Mr. Li Dongfu	(appointed on 1 July 2016)	1/5
Independent Non-executive Directors		
Mr. Leung Siu Kee		5/14
Mr. Wu Yalin	(appointed on 30 December 2016)	N/A
Ms. Wang Shuping		14/14
Mr. Han Bing	(resigned on 30 December 2016)	2/13

For the year ended 31 December 2016, 2 general meetings were held. The details of the attendance record of the Directors are as follows:

		Attendance
Executive Directors		
Mr. Lu Xing		0/2
Mr. Li Jia		1/2
Mr. Wu Xiaodong		1/2
Mr. Wang Cheng		0/2
Mr. Li Dongfu	(appointed on 1 July 2016)	N/A
Independent Non-executive Directors		
Mr. Leung Siu Kee		0/2
Mr. Wu Yalin	(appointed on 30 December 2016)	N/A
Ms. Wang Shuping		0/2
Mr. Han Bing	(resigned on 30 December 2016)	0/2

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 2016, the Directors participated in the following continuous professional development:

Name of Directors		Training organized by professional organization[1]	Reading materials updating on new rules and regulations
Executive Directors			
Mr. Lu Xing		✓	✓
Mr. Li Jia		✓	✓
Mr. Wu Xiaodong		✓	✓
Mr. Wang Cheng		✓	✓
Mr. Li Dongfu	(appointed on 1 July 2016)	✓	✓
Independent Non-executive Directors			
Mr. Leung Siu Kee		✓	✓
Mr. Wu Yalin	(appointed on 30 December 2016)	✓	✓
Ms. Wang Shuping		✓	✓
Mr. Han Bing	(resigned on 30 December 2016)	✓	✓

Notes:

1. Professional training namely "Framework for Market Misconduct and Case Study" and "Connected Transactions" were arranged by the Company to update the Directors' knowledge.

2. The Company 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 separate 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 2016, the chairman of the Board was performed by Mr. Lu Xing and the Company did not have 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 post 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.

The service agreement of Mr. Wu Yalin has been renewed for a three-year term of service commencing from 30 December 2016 to 29 December 2019, 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 2015 to 21 December 2018, which can be terminated by either party giving not less than three months' notice in writing.

The service agreement of Ms. Wang Shuping has been renewed for a three-year term of service commencing from 11 January 2016 to 10 January 2019, 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 2016 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 2016 falls within the following bands:

	Number of senior management
Nil to HK$1,000,000 (equivalent to approximately RMB859,000)	2
HK$2,000,001 to HK$2,500,000 (equivalent to approximately RMB2,147,000 to RMB2,035,000)	1

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, risk management and internal control systems.

During the year, the Audit Committee comprised three independent non-executive Directors including Mr. Leung Siu Kee, Mr. Wu Yalin and Ms. Wang Shuping. Mr. Leung Siu Kee is the current chairman of the Audit Committee.

The Audit Committee formally met 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 2 meetings to consider the external auditor's proposed audit fees, their independence and scope of the audit; review the risk management and internal control 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 2016 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)*		2/2
Mr. Wu Yalin	(appointed on 30 December 2016)	N/A
Ms. Wang Shuping		2/2
Mr. Han Bing	(resigned on 30 December 2016)	2/2

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 executive and non-executive Directors as well as 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, the Remuneration Committee comprised three independent non-executive Directors including Ms. Wang Shuping, Mr. Leung Siu Kee, Mr. Wu Yalin. 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)*		1/1
Mr. Leung Siu Kee		1/1
Mr. Wu Yalin	(appointed on 30 December 2016)	N/A
Mr. Han Bing	(resigned on 30 December 2016)	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, the Nomination Committee comprised three independent non-executive Directors including Mr. Wu Yalin, Mr. Leung Siu Kee and Ms. Wang Shuping. Mr. Wu Yalin is the current chairman of the Nomination Committee.

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. Wu Yalin *(Chairman)*	(appointed on 30 December 2016)	N/A
Mr. Leung Siu Kee		1/1
Ms. Wang Shuping		1/1
Mr. Han Bing	(resigned on 30 December 2016)	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.

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 2016, the Board had reviewed and performed duites of the above-mentioned corporate governance matters of the Company. Saved for the deviations disclosed under the "Corporate Governance Practices", 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 and non-audit services paid/payable to the Company's external auditor, SHINEWING (HK) CPA Limited, are as follows:

Type of Services	HK$
Audit services	1,475,000
Non-audit services (Note)	350,000
Total	1,825,000

Note: Other non-audit services include perform agreed-upon procedures regarding financial information of the Group for the six months ended 30 June 2016.

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 annual 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.

COMPANY SECRETARY

Mr. Sung Chi Keung ("Mr. Sung") was appointed as the company secretary of the Company. According to Rule 3.29 of the Listing Rules, Mr. Sung took no less than 15 hours of relevant professional training for the year ended 31 December 2016.

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 annual general meeting each year to meet the shareholders and answer to their enquiries. Directors make efforts to attend the annual general meeting 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 2016, there was no amendments to the existing memorandum and articles of association of the Company.

RISK MANAGEMENT AND INTERNAL CONTROL

During the year, the Group has complied with Principle C.2 of the Corporate Governance Code by establishing appropriate and effective risk management and internal control systems. Management is responsible for the design, implementation and monitoring of such systems, while the Board oversees management in performing its duties on an ongoing basis. Main features of the risk management and internal control systems are described in the sections below:

Risk Management System

The Group adopts a risk management system which manages the risk associated with its business and operations. The system comprises the following phases:

- *Identification*: Identify ownership of risks, business objectives and risks that could affect the achievement of objectives.

- *Evaluation*: Analyze the likelihood and impact of risks and evaluate the risk portfolio accordingly.

- *Management*: Consider the risk responses, ensure effective communication to the Board and on-going monitor the residual risks.

Based on the risk assessments conducted in 2016, no significant risk was identified.

Internal Control System

The Company has in place an internal control system which is compatible with the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") 2013 framework. The framework enables the Group to achieve objectives regarding effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations. The components of the framework are shown as follow:

- *Control Environment*: A set of standards, processes and structures that provide the basis for carrying out internal control across the Group.

- *Risk Assessment*: A dynamic and iterative process for identifying and analyzing risks to achieve the Group's objectives, forming a basis for determining how risks should be managed.

- *Control Activities*: Action established by policies and procedures to help ensure that management directives to migitgate risks to the achievement of objectives are carried out.

- *Information and Communication*: Internal and external communication to provide the Group with the information needed to carry out day-to-day controls.

- *Monitoring*: Ongoing and separate evaluations to ascertain whether each components of internal control is present and functioning.

In order to enhance the Group's system of handling inside information, and to ensure the truthfulness, accuracy, completeness and timeliness of its public disclosures, the Group also adopts and implements an inside information policy and procedures. Certain reasonable measures have been taken from time to time to ensure that proper safeguards exist to prevent a breach of a disclosure requirement in relation to the Group, which include:

- The access of information is restricted to a limited number of employees on a need-to-know basis. Employees who are in possession of inside information are fully conversant with their obligations to preserve confidentiality.
- Confidentiality agreements are in place when the Group enters into significant negotiations.
- The Executive Directors are designated persons who speak on behalf of the Company when communicating with external parties such as the media, analysts or investors.

Based on the internal control reviews conducted in 2016, no significant control deficiency was identified.

Effectiveness of the Risk Management and Internal Control Systems

The Board is responsible for establishing, maintaining and reviewing an effective system of internal control and safeguarding the assets and the interests of the Group and the shareholders of the Company as well.

The Group has established policies and procedures for approval and control of expenditures. Pursuant to a risk-based methodology, the Board plans its internal control review with resources being focused on higher risk areas. Internal control review has been conducted on ongoing basis to ensure that the policies and procedures in place are adequate. Any findings and recommendations would be discussed by the management and followed up properly and timely.

The Directors had engaged an independent service provider to perform an independent review on the internal control systems of the Group. The review report showed that the Group maintained an adequate and effective internal control system and no major control deficiency had been identified. The scope and findings of the review had been reported to and reviewed by the audit committee.

ABOUT ESG REPORT

The Environmental, Social and Governance Report (the "ESG Report") of China Chuanglian Education Group Limited (the "Company") elaborates the principles and the implementation when fulfilling corporate citizen obligation in the education industry of the Company and its subsidiaries (collectively referred to as the "Group" or "We"). The report elaborates various work in supporting sustainable development principle in 2016 of the Group, and the performance in the aspect of social governance in 2016. For information about corporate governance, please refer to "Corporate Governance Report" on page 19 to page 29.

Reporting Scope

The ESG Report covers the overall environmental and social policy as well as some key performance indicators of the Group. The Group will continue to review the environmental and social performance in the coming year and consider covering more businesses in the ESG Report. The covering period of the ESG Report is consistent to the financial report of the Group. The covering period is from 1 January 2016 to 31 December 2016.

Reporting Standard

The ESG Report is prepared according to Appendix 27 of "Environmental, Social and Governance Reporting Guide" of the Listing Rules of the Stock Exchange.

Stakeholders Engagement

The preparation of the ESG Report is the jointly participation of colleagues in various departments. It makes us more clearly in the aspects of the environment and social development level currently. The information collected is not only the conclusion of the environmental and social related work of the Group, but also the basis of establishing the sustainable development strategy.

Information and Feedback

For the details of the environmental and corporate governance of the Group, please refer to our official website (http://www.chinahrt.com) and annual report. The Group values your opinion about this report. If you have any comments or suggestions, please contact us by the ways below:

Tel: (852) 3582-5200
Fax: (852) 3582-4298

ABOUT US

The Group is committed to provide life-long education and listed on the Main Board of Hong Kong Stock Exchange in 2004. The businesses of the Group include professional education, fundamental education, pre-school education, etc. Based on the Online Training Platform for China National Human Resources, National Continuing Education Public Service Platform and National Professionals and Technicians Knowledge Update Platform, the Group roots in vocational education, develops massive online learning and training services. The Group accumulates millions of the Chinese high class data resources. Meanwhile, being the unique leader of China's education industry, the Group has also expanded its business to finance, insurance and mobile payments. We have 1 office in Hong Kong and 8 offices in the People's Republic of China (the "PRC").

Our mission is to enhance overall education quality in the PRC through our online services. We are committed to making online education like water and electricity, continuously flow into people's life in order to bring convenience and happiness to people when learning. We adopt the business philosophy of "Client Centered" in our business operation over years. We focus on long-term development and never compromise clients' value because of commercial benefits. We pay close attention to and deeply understand the clients' needs and constantly meeting such needs with superior products and service. We also care about the emotional communication with our clients. We respect for the clients' experience and grow together with our clients. We also match up to the management idea "Caring our Employees". We provide good working environment and incentive mechanism for our employees, improve the training system and career development channel, and share with our employees with the happiness from enterprises growth. We also respect and trust employees seriously, guide and encourage our employees to make them happy with their achievements. We expect to earn the respect from the environment, employees, clients, suppliers and the society by constant effort.

EARNING RESPECT FROM THE ENVIRONMENT

Both the earth environment and the natural resources have a fundamental impact on us, so we are obligated to protect the environment, and are committed to winning the respect of the environment in many ways. We adopt several measures to take practical action to reduce the energy consumed by our daily operation. We implement different environmental protection policies in order to reduce the emission of greenhouse gases in daily operation. We are committed to promoting "Use Less, Waste Less". We also actively implement paperless office in order to reduce the impact of operation on the environment.

Energy Saving

The electricity consumption of the Group mainly comes from the daily operation of the office. We adopt different measures in order to achieve the goal of energy saving. During the daily operation, we encourage employees to set the temperature of the air-conditioners to minimum 25.5°C in response to the government's appeal, to use natural light instead of artificial light, to set the computer to sleep mode when idle, to switch off all air-conditioner, lighting and electrical appliances when not in use. We switch off the hot water pot and microwave before holiday to completely reduce unnecessary energy consumption. Apart from requiring employees to strictly execute the measures of energy saving, we also allow employees to wear casual clothes in hot weather and every Friday in order to reduce the use of air-conditioning. We expect to achieve the purpose of energy saving through reasonable design of office. We divide the office into different lighting areas, and set up independent lighting switches, so as to facilitate the use of lighting system by employees as needed, in order to avoid waste of resource. We use mirror reflectors in office to redirect most of the light emitted towards the area to be illuminated to reduce the electricity consumption for lighting. We set up the air-conditioner at where can prevent direct sunlight exposure, and place weather strips on the door and window for leakage prevention in order to make more efficient use of resources.

Apart from office design, the Group also adopts different measures to improve energy efficiency in procurement and maintenance management. During the procurement process, we purchase the lighting or electrical appliances with higher energy efficiency and we select the servers with high capacity in order to reduce energy consumption. Due to the heat generated by the servers in operation, air-conditioner will consume more energy to maintain a stable temperature of the data centre when more servers are in operation. We are therefore keeping our pace to set up virtual devices, such as hybrid cloud, to replace hardware devices so as to reduce energy consumption. In maintenance management, we regularly clean the lighting appliances and air-conditioning filters in order to keep it in high energy efficiency. We regularly conduct statistics of electricity consumption in order to monitor the usage of electricity consumption and make timely and suitable improvement.

Reduction of Carbon Emission

Apart from energy saving and in compliance with the relevant laws in relation to emission in order to ease climate change, the Group also adopts different measures in the aspects of, water usage, traffic management and daily operation for reduction of carbon emission when in operation. In water saving, apart from requiring employees to turn faucet off tightly and fix dripping taps as well as conduct regular inspection on water pipe and meter for leakage prevention. In the transportation of employees, we encourage our employees to take public transport, and conduct video conference instead of overseas trip. We encourage our employees to choose direct flight if a business travel is inevitable. Direct flight can reduce greenhouse gases emission. We also adopt low carbon policy to manage the vehicles of the Group. We not only switch off idling engine in response to the appeal of the government, but we also regularly maintain our vehicles to reduce the fuel consumption and other emission of vehicles. By using hybrid vehicles instead of petrol vehicles, it can reduce the air pollution and the carbon emission generated by vehicles. In daily operation, we grow plants in office and hold internal events in a place with great accessibility and choose low carbon food to reduce carbon emission from holding events.

Cherishing Resources and Reducing Waste

Cherishing resources and reduce waste are important for the earth resources protection. We continue to gather the power of the Group over years to reduce the waste generated. The non-hazardous waste is mainly generated in daily office operation. According to the demand of the Group, we adjust the procurement amount to prevent overstocking. We select reusable items instead of disposable items, reuse stationery, make full use of every resource and reduce waste. In additional, we adopt measures to handle with small amount of hazardous waste. For example, we set up recycling bin designated for waste batteries collection. We set the printers to default ink saving mode and use the reusable toner cartridge to ease the environmental pollution caused by hazardous waste.

Green Office

We actively implement paperless office, not only encourage our employees to send information by electronic means whenever possible, but also use Office Automation (OA) system for administration of notice, leave application instead of paper record. We encourage our employees to use recycled paper for double-sided printing through poster. We collect papers containing non-confidential information, such as waste paper, poster by setting up recycling bin as well as send the waste paper to recycling company. The Group monitors and takes measures on the employee paper usage of employees regularly for continuous improvement.

EARNING RESPECT FROM EMPLOYEES

Employees are the valuable assets of the Group. We are committed to earning respect from the employees, maintaining work-life balance of employees, and making them to grow together with us. We actively assist the employees to build a value of integrity, enterprising, cooperative and innovative, in compliance with the national laws and the system of the Group, and refuse to the violation of business ethics. The employees of the Group sticks to the principle of "Morality Come First", and to be fair, honest and trustworthy, and have positive impact on the environment with the power of integrity. Being dutiful, efficient implementation, taking responsibility with courage, actively taking new tasks and challenges, at the same time, employees should keep curious, through continuously learning and pursuit for excellence. In addition, employees also needs to be opened for win-win situation, grow together with partners and the industry, not only cooperate with the other teams, achieve goals together, but also share professional knowledge and working experience, grow together with colleagues. Our employees believes everyone can be innovative and everything can be innovative. Our employees are brave to break through, to try, to fail and to learn. We not only have comprehensive mechanism to manage the salary of employees and recruitment procedure, but also provide different benefits and diversified training to employees and care about the safety and health of employees.

Recruitment, Promotion Procedure and Salary Management

The Group is strictly in compliance with the relevant laws and regulations, such as the Employment Ordinance of Hong Kong, the Labor Law of the PRC and the Labor Contract Law of the PRC. We pursue fair principle, promote equal opportunity in recruiting and promotion for employees and prohibit any kind of forced labor. The Group solely considers the knowledge, character, ability and experience of candidates to meet the appropriate conditions of service, regardless of his/her nation, race, gender and religion, etc. The Group is strictly in compliance with the Provisions on the Prohibition of Using Child Labor issued by the State Council of the PRC. The Group strictly conducts checking the identity card of candidates to prevent hiring child labor. All new employees are subject to interview, questionnaire, business test etc. for ensuring the fairness of recruitment. We stick to be fair, just and open. According to the performance and contribution of employees, and the employees who possesses integrity, work ability and great contribution will be promoted. We also introduce competition mechanism and implement the principle of "the Survival of the Fittest". It forms a positive mechanism for employees. In the aspect of salary management, we provide competitive salary and set up salary scale to ensure employees will be treated equally according to the business system and the ranking. In addition, we conduct regular examination to employee for motivation purpose. Additional bonuses will be distributed according to the results of the examination. We also hold excellent staff election annually and the candidates of each department will be recommended by the way of secret ballot. The elected excellent staff will be finalized by the management and rewarded prize in-kind, training, travel or cash.

Employee Benefits

The Group is implementing eight hours a day, and five working days a week. It provides different paid holidays, including statutory holidays, annual leave, marriage leave, prenatal leave, maternity leave, paternity leave, breast-feeding leave, extra maternity leave, compassionate leave etc. We contribute to pension insurance, medical insurance, employment injury insurance, unemployment insurance, maternity insurance and housing provident fund for employees according to the Labor Law of the PRC and other relevant laws and regulations. We also contribute to supplemental medical insurance and accidental injury insurance, along with the requirement of the laws and regulations. We provide subsidies for lunch, transport and telecommunication. We provide gift cash for festival, birthday, marriage and birth as well as condolence money for employees who have lost his/her immediate relatives. In addition, the Group conducts annual health check for employees for the protection the employees' health. We not only care about the needs of employees, but also highly praise the traditional virtue of the Chinese nation "Respect for the Elderly". The Group established specifically a filial piety and provides filial piety fund to employees for the health check and birthday blessing of our employees's parents, so that the employees will respect the traditional virtues of filial piety in daily life and work, and their parents can feel the filial piety of their son and daughter.

Employee Training

The Group values talent training, actively supports employees' development. Through continuous learning new idea, new knowledge, new method, it can improve the quality and skill of the employees gradually, it can be improved in order to promote the sustainable development of the Group's business and to be successful. We value the feelings of new employees. Apart from arranging training to make new employees understand the basic situation and the development of the Group, being familiar with the organizational structure and corporate culture and learning the system and conduct code of the Group, department head will be assigned to follow the working situation of the new employees in probation period, completion of the objectives and so on, by way of encouraging to point out where needs to be improved and set stages of objectives as well as expectations. Department head is also the mentor of new employees who helps the new employees to be familiar with the internal and surroundings of the Group, knowing about the duties and personnel of each department, helping to solve problems and difficulties encountered and help new employees to adapt to the team at lunch time. We value the sustainable development of employees and expect to improve skills and knowledge of the employees. Our internal mentor will arrange internal training for the employees, including trainings of Professional Image and Business Etiquette, Organizational Management – Responsibility, Time and Target Management etc. We expect to continuously arrange internal training to improve the skills, professional knowledge and management ability of the employees. We provide not only re-designation and promotion training, but also conduct examination of employees in order to ensure the employee who possesses the ability to re-designate or promote. The Group also encourages the employees to participate in study and training with objectives for broadening the horizon and develop more knowledge categories of the employees, along with internal training.

Safety and Health of Employees

Safety and health of employees are assets of the Group. For the vast majority time, our employees work in the office, for instance, reading documents, writing and typing. Therefore, providing a healthy and comfortable working environment for them is extremely important. Apart from focusing on the cleaning of our office, we also put emphasis on the design, maintenance and repair of workplace as well as manual handling operation. In terms of the hygiene condition of the office, employees need to keep clean and tidy in workplace. Smoking, spitting everywhere and littering are prohibited in office. With regard to the design of office, we do not encourage employees to store stuff under their tables. Enough space should be kept above their legs and at their feet, allowing their feet to move intermittently and ensuring users' proper sitting posture. We also understand that being kept in same position is exhausting for employees, so we encourage employees to change their working mode regularly or have mild exercise, releasing stress to improve productivity. In addition to maintaining the furniture in office on a regular basis, for problems in relation to the office furniture brought up by employees, we also fix them in a timely manner. In respect of manual handling operation, we not only remind employees of keeping habitual posture to carry, but also provide them with mechanical aids to conduct long-distance carrying.

Apart from providing the employees with safe and comfortable working environment, we also comply with the regulations such as the Fire Protection Regulation of the PRC, formulate responsibility system on fire safety of the Group to prevent fire and mitigate fire hazards, protect the lives and property of employees and build a harmonious society. We implement the guideline of "Preventioon First, Combination of Fire Prevention", develop annual firefighting plan, organize the implementation of daily fire safety management. Department head, who is responsible for the fire safety work, signs letter of responsibility with the Group, with content covering training of employees on fire prevention and fire extinguishment, familiarizing employees with the fire code, learning the proper use of fire extinguisher and taking the responsibility of properly managing fire extinguisher. Everyone bears the responsibility to prevent fire. Employees have the obligation and responsibility to maintain fire safety, protect firefighting facilities, prevent fire, report of fire and take part in firefighting work.

Cultural Activities

We value the mental health of our employees. Through team activities, we expect to strike an effective balance between employees' work and life and enhance the ability to work in teams. For the purpose of encouraging employees, livening things up and strengthening departmental cohesiveness, the Group finances internal collective activities for every department. In addition to strengthening departmental internal cohesiveness, we also wish to promote employees' cooperation and communication across departments as well as to create a united and harmonious working atmosphere. As a result, we set up team building expenditure, enabling employees of the Group to organize tea party, book club, fellowship, colloquium, chess and card entertainment, cultural and sporting activities, competition and contest, scenic spot visit, etc. During the year, we held 5 outreach activities in total for employees, for example, team outreach training named "Creating the Future, Linking the World". Outreach training can not only promote corporate culture, enrich employees' work and life, expand forms of outreach training, but also enhance the overall cohesiveness of the team. We celebrate holidays with employees, hold competition of making zongzi (rice dumpling) and invite colleague to impersonate Santa Claus and give gifts to co-workers to add a festive atmosphere. In addition, for the purpose of strengthening employees' physical conditions, enriching their leisure time, cultivating teamwork spirit, fostering friendship among employees and creating a confident, bright, vibrant and never-yielding entrepreneurial atmosphere, the Group arranges badminton activity and hiking activity to add our sporty feel.

EARNING RESPECT FROM CLIENTS AND SUPPLIERS

To realize the Group's business philosophy "Client Centered", we commit to providing the clients with high quality services to cater for their needs. For the purpose of protecting our product patents, we have applied for and acquired 30 software copyrights. We also conduct promotion campaigns by strictly abiding by relevant advertising laws and regulations such as the Advertising Law of the PRC. In addition, we also attach importance to the personal privacy of our clients and the cybersecurity. Other than looking forward to gaining the clients' respect, we expect to grow together with suppliers as well. Through adhering to sustainable business conduct and continuous improvement, clean and righteous social climate can be created.

Information Systems Security Management

Network information security is not only related to the operation of our regular business but also related to national security and social stability. With regard to network information security work, the Group complies with the laws and regulations concerning privacy matters such as the Standards for the Assessment of Internet Enterprises' Protection of Personal Information and the Provisions on Protecting the Personal Information of Telecommunications and Internet Users, establishes a sound management system, implements various technological preventive measures, filters the harmful and malicious information in a timely manner and keeps user information strictly confidential so as to ensure the security of network and information. Protecting security, confidentiality and integrity of information, which is of great importance to the Group, is also the commitment made to our clients. In order to protect the data of clients, we not only establish a safe clients management system and configures access privileges for clients information, learning record and payment record etc., but also designate personnel to manage clients information. In addition to improving the security management of system, the Group also signs confidentiality agreement with employees, and carries out secrecy concerning system security, virus prevention, internet use and download. The Group also trains and assesses the employees regarding network information security on a regular basis, enabling the employees to fully understand the importance of network security and to conform to relevant laws and regulations. We establish accountability system for information security and confidentiality as well to pragmatically bear the responsibility of ensuring network and information security confidentiality. We specifically put into practice those responsible and their responsibility, refine working measures and workflow, set up and improve management system and implementation approaches, to guarantee the provision of safe network and information services to customers.

Cybersecurity

Apart from keeping clients' information confidential, we also need to guarantee the Cybersecurity. We have installed software firewall on both web server and workstation, and applied a complete set of precautions against computer virus and malicious attack so as to the website system from disturbance and sabotage of harmful information. Login password of web server is kept by dedicated administrator, while 24-hour surveillance for web server is conducted by surveillance system. Strict access control is implemented for the administration interface. Aside from security management aimed at the system, we are also staffed by high-quality and professional web employee to update the information and content of the website. All the information published on our website is subject to the approval of management. For information collection, employees should scrupulously comply with relevant national laws and regulations as well as relevant provisions. Disseminating content prohibited by related laws and regulations such as the Regulation on Internet Information Service of the PRC through the Group's website and messaging platform is strictly forbidden for employees. The Group formulates and complies with security education and training system to intensify advocacy and education, enhances the clients' awareness of cybersecurity, voluntarily adheres to relevant laws and regulations concerning Internet management and avoids leaking confidential information, producing and disseminating harmful information and linking to webpage containing harmful information.

Management of Supplier

The Group puts emphasis on procurement and adheres to the principle of "Act with Justice, Safeguard The Group's Interest" while purchasing. We understand that the business activity will bring about impacts on economy, environment and society. Therefore, we develop a clear procurement system and uphold five major principles (namely principle of inquiry and price comparison, principle of consistency, principle of seeking for low price, principle of suppliers' evaluation and principle of incorruptibility) to purchase, to mitigate the environmental and social risks caused by supply chain. During the process of selecting suppliers, the Group adheres to principles of openness, equity, fairness and honesty to conduct tendering and bidding. We not only require our suppliers to be legally operated enterprises, but also consider their credibility, financial position, service capacity and service awareness. We also take measures to request the suppliers to ensure that no child labor are hired and no human rights are violated. Signing contract is required when conducting all procurements. Negotiation with suppliers shall be made in the presence of at least two employees, with cash discount and sales discount from suppliers to the Group stipulated in the contract so as to rigorously oversight the implementation of contract and control the disbursement of funds. Apart from paying attention to social risks caused by supply chain, the Group also commits to mitigating the environmental pollution resulted from supply chain. Therefore, for suppliers who share similar conditions, the Group tends to choose supplier based on the principle of proximity to reduce carbon emissions from transport. For instance, during the year, all suppliers of Beijing headquarter are located within Hebei Province. The Group also has a supplier roster to review and update on a regular basis, eliminating suppliers who are not in compliance with the Group's sustainable development principle.

Anti-Corruption

The Group has been upholding the operational principle of incorruptibility. Employees should comply with rigorous ethical requirements, and shall not accept any gift, bribe or all forms of presents or funds from anyone related to the Group's business operation.. For presents that are hard to refuse, employees should hand all of them over to the Group for handling. We also stipulate that employees can neither leak business and occupational secrets nor reap personal gain to carry out corruption and fraud by using their position. When dealing with third party company, on behalf of the Group, our employees have to adhere to the principle of impartiality, and avoid receiving special treatment for specific person by using their own influence or personal preference. In addition to formulating scrupulous management requirements and incorrupt procurement process for employees, we also set up regulatory department to supervise and question procurement activities, preventing the occurrence of any violation in incorruptibility system.

EARNING RESPECT FROM SOCIETY

The Group has won the award "2016 Socially Influential Education Group" given by Xinhua Net, witnessing the powerful brand strength and extensive social impact of the Group as well as endorsing the Group's contribution on enhancing the overall level and quality of education in China through internet services. Except for earning respect from society on business, we also hold community-friendly activities, making the whole community grow with us.

In September 2016, the Group held the seven-day "Dreams Come True in Beijing, Warm Travelling for Children" - Chuanglian Education Caring for children in Impoverished Mountainous Area Voluntary Service, enabling students from central school in Wuke Town, Butuo County, Liangshan Yi Autonomous Prefecture, Sichuan Province to have the opportunity to step out of the mountain and explore the outside world. We gave school supplies and sports goods to the students, and prepared a variety of activities for them. We arranged a visit to Beijing Aquarium for students to see various sea animals, went to Tiananmen Square for solemn flag-raising ceremony and visited the Great Wall to appreciate the splendid sights of our country. We also prepared scientific experiment small class for the children and took them to enjoy miracles in science at China Science and Technology Museum. The children also visited Tsinghua University and Peking University to soak up the learning atmosphere at the best universities in China. They resolved to step out of the mountain and achieve their aspirations by relying on their own efforts. Though the trip was short, we still firmly believe the seed of dream has taken root and burgeoned in the children's heart. Furthermore, the Group held fundraising event for the children to make its own modest contribution.

Apart from concerning about children in Sichuan, the Group also notices there are approximately 100,000 children who are away from their hometown with parents and living in Beijing. They have to live in flimsy houses, enduring the harsh winter of Beijing. In order to make our modest contribution, help the children spend a warm winter and let them feel the tenderness and care in Beijing, we launched a public service activity from 11 to 21 November 2016 to donate clothes to children and warm their heart. Employees at the headquarter of the Group took active part in the activity and sorted out clean clothes, with the hope of sending the blessing to those who are laboring in Beijing and these adrift children. We donated about 260 clothes in total, which would be sent to people in need through a public benefit organization named "Tongxinhuhui" (同心互惠).

The essence of education is to make everyone live a better life. The Group will never lose sight of its mission. We will strive to fulfill social responsibility, spare no effort to let every learner have access to more abundant educational resources and humanistic care.

The Directors hereby present the annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2016.

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 41 to the consolidated financial statements. The Group is principally engaged in 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.

BUSINESS REVIEW

The business review of the Group for the year is set out in the sections of Financial Summary, Chairman's Statement, Management Discussion and Analysis, Environmental, Social and Governance Report and the paragraphs below.

The Group complies with the requirements under the Companies Ordinance, the Listing Rules and the Securities and Futures Ordinance (the "SFO") for the disclosure of information and corporate governance. The Group also complies with the requirements of Employment Ordinance and ordinances relating to occupational safety for the interest of employees of the Group in the PRC. Event affecting the Group occurred since the end of the financial year is set out in the part headed "Event after the reporting period".

Key Risk Factors

The following lists out the key risks and uncertainties facing the Group.

Impact of Local and International Regulations

The business operation of the Group is also subject to government policy, relevant regulations and guidelines established by the regulatory authorities. Failure to comply with the rules and requirements may lead to penalties, amendments or suspension of the business operation by the authorities. The Group closely monitors changes in government policies, regulations and markets as well as conducting studies to assess the impact of such changes.

Third-Party Risks

The Group has been relying on third-party service providers in parts of business to improve performance and efficiency of the Group. While gaining the benefits from external service providers, the management realizes that such operational dependency may pose a threat of vulnerability to unexpected poor or lapses in service including reputation damage, business disruption and monetary losses. To address such uncertainties, the Group engages only reputed third-party providers and closely monitors their performance.

Key Relationships with Employees, Customers and Suppliers

The Group recognizes the accomplishment of the employees by providing comprehensive benefit package, career development opportunities and internal training appropriate to individual needs. The Group provides a healthy and safe workplace for all employees. No strikes and cases of fatality due to workplace accidents are found in the year.

The Group encompasses working relationships with suppliers to meet our customers' needs in an effective and efficient manner. The departments work closely to make sure the tendering and procurement process is conducted in an open, fair and just manner. The Group's requirements and standards are also well-communicated to suppliers before the commencement of a project.

The Group values the views and opinions of all customers through various means and channels, including usage of business intelligence to understand customer trends and needs and regular analysis on customer feedback. The Group also conducts comprehensive tests and checks to ensure that only quality products and services are offered to the customers.

RESULTS

The results of the Group for the year ended 31 December 2016 are set out in the consolidated statement of profit or loss and other comprehensive income on page 58.

DIVIDEND

The Board resolved not to recommend the payment of a final dividend for the year ended 31 December 2016.

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 30 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 60 and 61.

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. Lu Xing *(Chairman)*	
Mr. Li Jia	
Mr. Wu Xiaodong	
Mr. Wang Cheng	
Mr. Li Dongfu	(appointed on 1 July 2016)

Independent Non-executive Directors

Mr. Leung Siu Kee	
Mr. Wu Yalin	(appointed on 30 December 2016)
Ms. Wang Shuping	
Mr. Han Bing	(resigned on 30 December 2016)*

* Mr. Han Bing resigned as independent non-executive Director due to other business commitment.

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. Lu Xing, Mr. Li Jia, Mr. Wu Xiaodong, Mr. Wang Cheng, Mr. Li Dongfu, Mr. Leung Siu Kee, Mr. Wu Yalin and Ms. Wang Shuping 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.

INDEMNITY OF DIRECTORS

The Company has maintained appropriate directors and officers liability insurance and such permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the year.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in this annual report, no transaction, arrangement or contract of significance to which the company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a director of the company or his or her connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

EQUITY-LINKED AGREEMENT

Details of the equity-linked agreement entered into during the year or subsisting at the end of the year are set out below:

Share Option Schemes

The Group has two equity-settled share option schemes which were adopted on 31 October 2004 (the "Share Option Scheme 2004") and 28 May 2014 (the "Share Option Scheme 2014") (collectively, the "Share Option Schemes") 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 Schemes, 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 2004 and Share Option Scheme 2014 are summarised as follows:

The Share Option Scheme 2004 and Share Option Scheme 2014 were adopted for a period of 10 years commencing from 31 October 2004 and 28 May 2014, respectively. The Company had by resolution in the annual general meeting of the Company dated 28 May 2014 resolved to terminate the Share Option Scheme 2004 and to adopt the Share Option Scheme 2014.

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 Schemes, the total number of shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Schemes 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 Schemes may not exceed 30% of the share capital of the Company in issue from time to time.

As at the date of this annual report, no shares are available for issue under the Share Option Scheme 2004.

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 Schemes 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 Schemes 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. The remaining life of the Share Option Scheme 2014 is 7 years.

Movements of share options during the year ended 31 December 2016 under the Share Option Schemes are summarised as follows and details of which are set out in note 34 to the consolidated financial statements:

Movements of Share Option Scheme 2004 during the year

List of Grantees	Balance as at 1 January 2016	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Balance as at 31 December 2016	Exercise Price	Date of Grant	Exercise Period
							HK$		
Directors									
Wang Shuping	500,000	-	-	(500,000)	-	-	0.37	11/09/2013	11/09/2013-10/09/2016
Wu Xiaodong	2,000,000	-	-	(2,000,000)	-	-	0.37	11/09/2013	11/09/2013-10/09/2016
Wang Cheng	1,050,000	-	-	(1,050,000)	-	-	0.37	11/09/2013	11/09/2013-10/09/2016
Subtotal	3,550,000	-	-	(3,550,000)	-	-			
Employees									
In aggregate	27,400,000	-	-	(27,400,000)	-	-	0.37	11/09/2013	11/09/2013-10/09/2016 (Note 1)
Subtotal	27,400,000	-	-	(27,400,000)	-	-			
Consultants									
In aggregate	5,000,000	-	-	(5,000,000)	-	-	0.37	11/09/2013	11/09/2013-10/09/2016
Subtotal	5,000,000	-	-	(5,000,000)	-	-			
Total	35,950,000	-	-	(35,950,000)	-	-			

Note:

1. Not more than 30% of the share options were vested on 11 September 2014. Not more than 60% of the share options were vested on 11 September 2015. Not more than 100% of the share options will be vested on 10 September 2016.

During the year ended 31 December 2016, 35,950,000 share options were lapsed and no share option was granted, exercised and cancelled under the Share Option Scheme 2004.

Movements of Share Option Scheme 2014 during the year

List of Grantees	Balance as at 1 January 2016	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Balance as at 31 December 2016	Exercise Price HK$	Date of grant	Exercise Period
							HK$		
Directors									
Lu Xing	2,000,000	-	-	-	-	2,000,000	0.4	04/05/2015	04/05/2015-03/05/2018
Li Jia	10,000,000	-	-	-	-	10,000,000	0.4	04/05/2015	04/05/2015-03/05/2018
Wu Xiaodong	2,000,000	-	-	-	-	2,000,000	0.4	04/05/2015	04/05/2015-03/05/2018
Li Dongfu (appointed on 1 July 2016)	1,500,000	-	-	-	-	1,500,000	0.4	04/05/2015	04/05/2015-03/05/2018
Leung Siu Kee	1,000,000	-	-	-	-	1,000,000	0.4	04/05/2015	04/05/2015-03/05/2018
Wang Shuping	1,000,000	-	-	-	-	1,000,000	0.4	04/05/2015	04/05/2015-03/05/2018
Han Bing (resigned on 30 December 2016)	1,000,000	-	-	-	-	1,000,000	0.4	04/05/2015	04/05/2015-03/05/2018
Subtotal	18,500,000	-	-	-	-	18,500,000			
Employees									
In aggregate	42,974,000	-	-	(1,200,000)	-	41,774,000	0.4	04/05/2015	04/05/2015-03/05/2018 (Note 2)
	2,510,000	-	-	-	-	2,510,000	0.684	02/07/2015	02/07/2015-01/07/2019 (Note 3)
	-	10,700,000 (Note 5)	-	-	-	10,700,000	0.29	18/05/2016	18/05/2016-17/05/2021 (Note 4)
	-	3,000,000 (Note 6)	-	-	-	3,000,000	0.184	28/10/2016	28/10/2016-27/10/2021 (Note 7)
Subtotal	45,484,000	13,700,000	-	(1,200,000)	-	57,984,000			

List of Grantees	Balance as at 1 January 2016	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Balance as at 31 December 2016	Exercise Price HK$	Date of grant	Exercise Period
							HK$		
Consultants									
In aggregate	159,200,000	-	-	-	-	159,200,000	0.4	04/05/2015	04/05/2015-03/05/2018
	48,000,000	-	-	-	-	48,000,000	0.684	02/07/2015	02/07/2015-01/07/2018
	4,000,000	-	-	-	-	4,000,000	0.261	20/10/2015	20/10/2015-19/10/2018
	-	7,000,000 (Note 5)	-	-	-	7,000,000	0.29	18/05/2016	18/05/2016-17/05/2021 (Note 4)
Subtotal	211,200,000	7,000,000	-	-	-	218,200,000			
Total	275,184,000	20,700,000	-	(1,200,000)	-	294,684,000			

Notes:

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

2. Not more than 30% of the share options will be vested on 4 May 2016. Not more than 60% of the share options will be vested on 4 May 2017. Not more than 100% of the share options will be vested on 3 May 2018. (Such vesting period is not applicable for the chief financial officer, chief operating officer, company secretary, human resources manager and assistant to the chairman of the Company.)

3. Not more than 30% of the share options will be vested on 2 July 2016. Not more than 60% of the share options will be vested on 2 July 2017. Not more than 100% of the share options will be vested on 1 July 2018.

4. Not more than 30% of the share options will be vested on 18 May 2017. Not more than 60% of the share options will be vested on 18 May 2018. Not more than 100% of the share options will be vested on 18 May 2019.

5. The closing price of the shares of the Company immediately before the date on which the share options were granted was HK$0.3.

6. The closing price of the shares of the Company immediately before the date on which the share options were granted was HK$0.175.

7. Not more than 30% of the share options will be vested on 28 October 2017. Not more than 60% of the share options will be vested on 28 October 2018. Not more than 100% of the share options will be vested on 28 October 2019.

During the year ended 31 December 2016, 20,700,000 share options were granted, 1,200,000 share options were lapsed and no share options were exercised or cancelled under the Share Option Scheme 2014.

The total number of shares available for issue under the Share Option Scheme 2014 is 756,936,257, representing approximately 16.27% of the issued shares of the Company as at the date of this annual report.

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 2016, 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
Lu Xing ("Mr. Lu")	Beneficial owner	28,136,000	2,000,000	819,764,323	17.61%
	Held by controlled corporation	789,628,323 (Note 1)	–		
Li Jia	Beneficial owner	7,936,000	10,000,000	17,936,000	0.38%
Wu Xiaodong	Beneficial owner	10,003,000	2,000,000	12,003,000	0.25%
Wang Cheng	Beneficial owner	12,166,000	–	12,166,000	0.26%
Wang Shuping	Beneficial owner	–	1,000,000	1,000,000	0.02%
Leung Siu Kee	Beneficial owner	–	1,000,000	1,000,000	0.02%
Han Bing (resigned on 30 December 2016)	Beneficial owner	1,900,000	1,000,000	2,900,000	0.06%

Note:

1. Of these 789,628,323 shares, 109,628,323 shares are held by Ascher Group Limited; and 680,000,000 shares are held by Headwind Holdings Limited. Ascher Group Limited and Headwind Holdings Limited are companies incorporated in the British Virgin Islands with limited liability and wholly owned by Mr. Lu.

Save as disclosed above, as at 31 December 2016, 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.

ARRANGEMENT FOR DIRECTORS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in "Share Option Schemes", at no time during the year were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director of the Company or their respective spouses or minor children, or were such rights exercised by them, or was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of Shares in, or debt securities(including debentures) of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2016, 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:

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
Headwind Holdings Limited	Beneficial owner	680,000,000 (Note 1)	680,000,000	14.61%
Guo Zhen Bao	Beneficial owner	172,746,032	328,042,032	7.05%
	Held by spouse	155,296,000 (Note 2)		
Ho Wai Kong ("Mr. Ho")	Beneficial owner	500,000	500,000	0.01%
	Held by controlled corporation	241,639,306 (Note 3)	292,359,306	6.28%
	Held by spouse	50,220,000 (Note 4)		
Guo Binni	Beneficial owner	50,220,000 (Note 4)	292,359,306	6.28%
	Held by spouse	242,139,306 (Note 3)		
Rotaland Limited	Beneficial owner	247,139,306 (Note 3)	247,139,306	5.31%

Notes:

1. These 680,000,000 shares are held by Headwind Holdings Limited. which is incorporated in the British Virgin Islands with limited liability and wholly owned by Mr. Lu.

2. These 155,296,000 shares are held by Ms. Ren Jiying who is the spouse of Mr. Guo Zhen Bao.

3. Of these 241,639,306 shares, 240,139,306 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.

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

Save as disclosed above, as at 31 December 2016, 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 2016, none of the Directors, the management shareholders or substantial shareholders of the Company or any of their respective close 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 2016 attributable to the Group's major suppliers is as follows:

	Percentage of purchases
The largest supplier	6.8%
Five largest suppliers combined	14.3%

The percentage of sales for the year ended 31 December 2016 attributable to the Group's major customers is as follows:

	Percentage of sales
The largest customer	23.1%
Five largest customers combined	55.5%

None of the Directors, their close 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.

MANAGEMENT CONTRACTS

Save as disclosed herein, no contracts concerning the management and administration of the whole or any substantial part of the business of the Company or its subsidiaries were entered into or existed during the year.

RELATED PARTY TRANSACTIONS

Related party transactions during the year are disclosed in note 38 to the consolidated financial statements.

** for identification purpose only*

EVENT AFTER THE REPORTING PERIOD

No important events affecting the Group have occurred since the end of the reporting period.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 9 June 2017 to 15 June 2017, both days inclusive, during which period no transfers of shares shall be registered. The holder of shares whose name appears on the register of members of the Company on 15 June 2017 will be entitled to attend and vote at the AGM. In order to qualify for attending and voting at the AGM, 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, Boardroom Share Registrar (HK) Limited, 31/F., 148 Electric Road, North Point, Hong Kong for registration not later than 4:30 p.m. on 8 June 2017.

ANNUAL GENERAL MEETING

The AGM of the Company will be held on Thursday, 15 June 2017 and the notice of AGM will be published and despatched to shareholders of the Company in due course.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 December 2016, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of any listed securities of the Company.

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 19 to 29 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

Lu Xing
Chairman

Hong Kong, 31 March 2017

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

TO THE SHAREHOLDERS OF CHINA CHUANGLIAN EDUCATION GROUP LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China Chuanglian Education Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 58 to 136, which comprise the consolidated statement of financial position as at 31 December 2016, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key Audit Matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

REVENUE RECOGNITION OF ONLINE TRAINING AND EDUCATION SERVICES

Refer to note 7 to the consolidated financial statements and the accounting policies on page 74.

The key audit matter	How the matter was addressed in our audit
Income from online training and education services is recognised on a straight-line basis over the period of the courses. The Group maintains information systems to record the commencement date of service which is the activation date of the customer and the closing date of the courses. We have identified revenue recognition of online training and education services as a key audit matter because revenue is one of the key performance indicators of the Group and because revenue of online training and education services involves complicated information systems, all of which give rise to an inherent risk that revenue could be recorded in the incorrect period or could be subject to manipulation.	Our audit procedures were designed to challenge the accuracy of the amounts recognised as revenue. These procedures included testing controls over the Group's information systems which govern the revenue recognition of online training and education services and performing substantive test on the Group's online training and education services revenue. We had included independent IT audit expert to review the Group's information systems and had challenged and assessed the IT audit expert's review procedures.

IMPAIRMENT OF GOODWILL AND INTANGIBLE ASSETS

Refer to notes 18 and 19 to the consolidated financial statements and the accounting policies on pages 72, 77, 78 and 84.

The key audit matter	How the matter was addressed in our audit
The Group has goodwill of approximately RMB88,419,000 and intangible assets with finite useful lives of approximately RMB87,099,000 before impairment loss made for the year ended 31 December 2016. The Group's goodwill and intangible assets are significant to the net assets value of the Group. An assessment is required to establish annually on whether any impairment is required. After assessment, the Group recognised impairment loss on goodwill and intangible assets approximately RMB50,129,000 and RMB37,414,000 respectively for the year ended 31 December 2016. The Group's assessment of impairment of goodwill and intangible assets is a judgemental process which requires estimates concerning the forecast future cash flows associated with the goodwill and intangible assets held, the discount rates and the growth rate of revenue and costs to be applied in determining the value in use. The selection of valuation model, adoption of key assumptions and input data may be subject to management bias and changes in these assumptions and input to valuation model may result in significant financial impact. The extent of judgement and the size of the goodwill and intangible assets resulted in this matter being identified as key audit matter.	In order to address this matter in our audit, we obtained management's assessment prepared by their valuation specialist or the management and challenged the reasonableness of the selection of valuation model, adoption of key assumptions and input data. In particular, we tested the future cash flow forecast on whether it is agreed to the budget approved by the Board of Directors and compared the budget with actual results available up to the report date. We also challenged the appropriateness of the assumptions, including the sales growth rates and gross margin, against latest market expectations. We also challenged the discount rate employed in the calculation of value in use by reviewing its basis of calculation and comparing its input data to market sources. As any changes in these assumptions and input to valuation model may result in significant financial impact, we tested management's sensitivity analysis in relation to the key inputs to the impairment assessment which included changes in sales growth rate, gross margin and discount rate employed.

RECOVERABILITY OF DEPOSITS FOR PRODUCTION OF TV PROGRAMMES

Refer to note 23 to the consolidated financial statements and the accounting policies on page 79 to 81.

The key audit matter	How the matter was addressed in our audit
As at 31 December 2016, included in trade and other receivables were the deposits for production of TV programme of approximately RMB15,549,000 before impairment loss made. After assessment, the Group fully recognised impairment loss on other receivables for the deposits for production of TV programme for the year ended 31 December 2016. We have identified impairment on deposits for production of TV programme as a key audit matter because of the long age of such deposits due to the lengthy production period of TV programme and the significance of its amount, it is of our concern as to its recoverability.	Our procedures were designed to review the management's impairment assessment and challenge the reasonableness of the methods and assumptions used to estimate the allowance for doubtful debts. We have discussed the indicators of possible impairment with the management and, where such indicators were identified, assessing the management's impairment testing; and We challenged the appropriateness for the rationale on the provision for impairment behind management's judgement. We verified whether balances were overdue and whether any post year-end payments had been received up to the date of completing our audit procedures. We also obtained corroborative evidenve including correspondence supporting any disputes between the parties involved and the credit status of significant counterparties where available.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGE WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes 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 responsibilities towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and, obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.

- Conclude on the appropriateness of the Company's directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Wong Chuen Fai.

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

Hong Kong
31 March 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Revenue	7	**89,070**	97,281
Cost of sales and services		**(74,357)**	(34,764)
Gross profit		**14,713**	62,517
Other income	9	**2,635**	7,818
Selling and marketing expenses		**(19,238)**	(19,008)
Administrative expenses		**(80,691)**	(57,426)
Provision for a claim	28	**(2,000)**	-
Impairment loss on goodwill	19	**(50,129)**	(295,433)
Impairment loss on intangible assets	18	**(37,414)**	-
Impairment loss on associates	20	**–**	(1,643)
Unrealised (loss) gain on fair value changes of held for trading investments		**(25,728)**	9,624
Share of result of associates	20	**(320)**	(3)
Finance costs	10	**(368)**	(342)
Loss before tax		**(198,540)**	(293,896)
Income tax credit (expenses)	11	**6,645**	(2,753)
Loss for the year	12	**(191,895)**	(296,649)
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translating foreign operations and other comprehensive income for the year		**3,357**	6,796
Total comprehensive expenses for the year		**(188,538)**	(289,853)
(Loss) profit for the year attributable to:			
Owners of the Company		**(189,233)**	(298,658)
Non-controlling interests		**(2,662)**	2,009
		(191,895)	(296,649)
Total comprehensive (expenses) income for the year attributable to:			
Owners of the Company		**(185,876)**	(291,862)
Non-controlling interests		**(2,662)**	2,009
		(188,538)	(289,853)
Loss per share			
Basic and diluted (RMB cents)	16	**(4.07)**	(6.69)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Non-current assets			
Plant and equipment	17	**33,828**	4,936
Intangible assets	18	**49,685**	92,599
Goodwill	19	**38,290**	83,419
Interests in associates	20	**875**	1,195
Available–for–sale investments	21	**23,498**	-
Deposit paid for acquisition of available–for–sale investment	22	**25,000**	-
Prepayment for acquisition of plant and equipment		**880**	10,651
		172,056	192,800
Current assets			
Trade and other receivables	23	**23,502**	102,632
Held for trading investments	24	**12,578**	28,000
Bank balances and cash	25	**113,181**	191,776
		149,261	322,408
Current liabilities			
Trade and other payables	26	**48,647**	43,705
Amount due to a shareholder	27	**141**	188
Provision for a claim	28	**2,000**	-
Income tax payable		**13,365**	12,433
Bank borrowing	29	**-**	4,990
		64,153	61,316
Net current assets		**85,108**	261,092
Total assets less current liabilities		**257,164**	453,892
Capital and reserves			
Share capital	30	**38,786**	38,786
Reserves		**204,526**	386,969
Equity attributable to owners of the Company		**243,312**	425,755
Non-controlling interests		**2,207**	5,334
Total equity		**245,519**	431,089
Non-current liability			
Deferred tax liability	31	**11,645**	22,803
		257,164	453,892

The consolidated financial statements on pages 58 to 136 were approved and authorised for issue by the board of directors on 31 March 2017 and are signed on its behalf by:

Wang Cheng
Director

Wu Xiaodong
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	Attributable to owners of the Company											
	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000	Translation reserve RMB'000	Capital redemption reserve RMB'000	Share options reserve RMB'000	Contribution from shareholders RMB'000	Other reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
			(Note a)		(Note b)		(Note c)	(Note d)				
At 1 January 2015	34,920	990,929	15,536	(1,486)	595	49,650	1,927	140,761	(668,386)	564,446	2,241	566,687
(Loss) profit for the year	-	-	-	-	-	-	-	-	(298,658)	(298,658)	2,009	(296,649)
Other comprehensive income for the year												
- Exchange differences arising on translating foreign operations	-	-	-	6,796	-	-	-	-	-	6,796	-	6,796
Total comprehensive income (expense) for the year	-	-	-	6,796	-	-	-	-	(298,658)	(291,862)	2,009	(289,853)
Recognition of equity-settled share-based payment expenses (Note 34)	-	-	-	-	-	31,672	-	-	-	31,672	-	31,672
Acquisition of additional interest in a subsidiary (Note 37)	-	-	-	-	-	-	-	(379)	-	(379)	594	215
Issue of shares upon placing (Note 30)	3,789	121,244	-	-	-	-	-	-	-	125,033	-	125,033
Transactions costs attributable to issue of shares	-	(6,252)	-	-	-	-	-	-	-	(6,252)	-	(6,252)
Issue of shares upon exercise of share options (Note 30)	77	4,535	-	-	-	(1,515)	-	-	-	3,097	-	3,097
Capital contribution by non-controlling interest	-	-	-	-	-	-	-	-	-	-	490	490
At 31 December 2015	38,786	1,110,456	15,536	5,310	595	79,807	1,927	140,382	(967,044)	425,755	5,334	431,089

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	Attributable to owners of the Company											
	Share capital RMB'000	**Share premium** RMB'000	**Special reserve** RMB'000	**Translation reserve** RMB'000	**Capital redemption reserve** RMB'000	**Share options reserve** RMB'000	**Contribution from shareholders** RMB'000	**Other reserve** RMB'000	**Accumulated losses** RMB'000	**Total** RMB'000	**Non-controlling interests** RMB'000	**Total** RMB'000
			(Note a)		(Note b)		(Note c)	(Note d)				
At 1 January 2016	38,786	1,110,456	15,536	5,310	595	79,807	1,927	140,382	(967,044)	425,755	5,334	431,089
Loss for the year	-	-	-	-	-	-	-	-	(189,233)	(189,233)	(2,662)	(191,895)
Other comprehensive income for the year												
- Exchange differences arising on translating foreign operations	-	-	-	3,357	-	-	-	-	-	3,357	-	3,357
Total comprehensive income (expense) for the year	-	-	-	3,357	-	-	-	-	(189,233)	(185,876)	(2,662)	(188,538)
Recognition of equity-settled share-based payment expenses (Note 34)	-	-	-	-	-	3,338	-	-	-	3,338	-	3,338
Acquisition of additional interest in subsidiaries (Note 37)	-	-	-	-	-	-	-	95	-	95	(10,285)	(10,190)
Capital contribution by non-controlling interest	-	-	-	-	-	-	-	-	-	-	9,820	9,820
At 31 December 2016	38,786	1,110,456	15,536	8,667	595	83,145	1,927	140,477	(1,156,277)	243,312	2,207	245,519

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 additional equity interest in subsidiaries; and (ii) the difference between the fair value and the conversion price of convertible preference shares issued attributable to the acquisition of a subsidiary.

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	NOTE	2016 RMB'000	2015 RMB'000
OPERATING ACTIVITIES			
Loss before tax		**(198,540)**	(293,896)
Adjustments for:			
Finance costs		**368**	342
Interest income		**(872)**	(1,020)
Reversal of impairment loss on trade and other receivables		**(189)**	(531)
Recovery of written off on trade and other receivables		**-**	(1,305)
Write back of trade and other payables		**-**	(205)
Government subsidies		**(200)**	(100)
Amortisation of intangible assets		**7,865**	11,801
Depreciation of plant and equipment		**3,902**	3,217
Impairment loss on associates		**-**	1,643
Loss on derecognition of other receivables		**-**	1,705
Impairment loss on trade and other receivables		**18,589**	-
Share-based payment expenses		**18,005**	17,476
Loss on disposal of plant and equipment		**21**	403
Impairment loss on goodwill		**50,129**	295,433
Impairment loss on intangible assets		**37,414**	-
Unrealised loss (gain) on fair value changes of held for trading investments		**25,728**	(9,624)
Provision for a claim		**2,000**	-
Share of result of associates		**320**	3
Operating cash flows before movements in working capital		**(35,460)**	25,342
Decrease (increase) in trade and other receivables		**46,537**	(23,618)
Increase in held for trading investments		**(8,895)**	-
Increase in trade and other payables		**4,348**	2,307
Cash generated from operations		**6,530**	4,031
Income tax paid		**(3,594)**	(5,223)
NET CASH FROM (USED IN) OPERATING ACTIVITIES		**2,936**	(1,192)
INVESTING ACTIVITIES			
Purchase of plant and equipment		**(22,097)**	(3,196)
Purchase of available-for-sale investments		**(23,110)**	-
Addition of intangible assets		**(2,365)**	(1,917)
Acquisition of a subsidiary	36	**(4,648)**	-
Acquisition of an associate		**-**	(2,000)
Prepayment for acquisition of plant and equipment		**(880)**	(10,651)
Prepayment for acquisition of available-for-sale investment		**(25,000)**	-
Interest received		**872**	1,020
Proceeds on disposal of plant and equipment		**-**	193
Placement of loan receivables		**(8,000)**	(8,503)
Repayment of loan receivables		**8,000**	8,503
NET CASH USED IN INVESTING ACTIVITIES		**(77,228)**	(16,551)

For the year ended 31 December 2016

	NOTE	2016 RMB'000	2015 RMB'000
FINANCING ACTIVITIES			
Contribution from non-controlling interests of a subsidiary		**9,820**	490
Government subsidies received		**200**	100
Proceeds on issue of shares upon placing		**-**	125,033
New bank borrowings raised		**-**	9,990
Proceeds from issue of shares upon exercise of share options		**-**	3,097
Acquisition of additional interests in subsidiaries	37	**(10,190)**	-
Repayment of bank borrowings		**(4,990)**	(10,000)
Interest paid		**(368)**	(342)
(Repayment to) advance from a shareholder		**(47)**	158
Payment of transaction cost attributable to issue of shares upon placing		**-**	(6,252)
NET CASH (USED IN) FROM FINANCING ACTIVITIES		**(5,575)**	122,274
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(79,867)**	104,531
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**191,776**	83,361
Effect of foreign exchange rate changes		**1,272**	3,884
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, represented by bank balances and cash		**113,181**	191,776

1. GENERAL

China Chuanglian Education 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 41.

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 operate 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)"), amendments and Interpretations ("Int(s)"), issued by the HKICPA.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations

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.

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:

HKFRS 9 (2014)	Financial Instruments [2]
HKFRS 15	Revenue from Contracts with Customers [2]
HKFRS 16	Leases [3]
Amendments to HKAS 7	Disclosure Initiative [1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses [1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial instruments with HKFRS4 Insurance Contracts [2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [4]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions [2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 Cycle [5]

1 Effective for annual periods beginning on or after 1 January 2017.

2 Effective for annual periods beginning on or after 1 January 2018.

3 Effective for annual periods beginning on or after 1 January 2019.

4 Effective date not yet been determined.

5 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.

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

HKFRS 9 (2014) Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 and includes the requirements for the classification and measurement of financial liabilities and for derecognition. In 2013, HKFRS 9 was further amended to bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements. A finalised version of HKFRS 9 was issued in 2014 to incorporate all the requirements of HKFRS 9 that were issued in previous years with limited amendments to the classification and measurement by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain financial assets. The finalised version of HKFRS 9 also introduces an "expected credit loss" model for impairment assessments.

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

HKFRS 9 (2014) Financial Instruments (Continued)

Key requirements of HKFRS 9 (2014) are described below:

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be 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. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. 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 (2014), 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 (2014) 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 fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In the aspect of impairment assessments, the impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit were added. Those requirements eliminate the threshold that was in HKAS 39 for the recognition of credit losses. Under the impairment approach in HKFRS 9 (2014) it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, expected credit losses and changes in those expected credit losses should always be accounted for. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.

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

HKFRS 9 (2014) Financial Instruments (Continued)

- HKFRS 9 (2014) introduces a new model which is more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. As a principle-based approach, HKFRS 9 (2014) looks at whether a risk component can be identified and measured and does not distinguish between financial items and non-financial items. The new model also enables an entity to use information produced internally for risk management purposes as a basis for hedge accounting. Under HKAS 39, it is necessary to exhibit eligibility and compliance with the requirements in HKAS 39 using metrics that are designed solely for accounting purposes. The new model also includes eligibility criteria but these are based on an economic assessment of the strength of the hedging relationship. This can be determined using risk management data. This should reduce the costs of implementation compared with those for HKAS 39 hedge accounting because it reduces the amount of analysis that is required to be undertaken only for accounting purposes.

HKFRS 9 (2014) will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The directors of the Company anticipate that the adoption of HKFRS 9 (2014) in the future may have 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.

HKFRS 15 Revenue from Contracts with Customers

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Thus, HKFRS 15 introduces a model that applies to contracts with customers, featuring a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

i) Identify the contract with the customer;
ii) Identify the performance obligations in the contract;
iii) Determine the transaction price;
iv) Allocate the transaction price to the performance obligations; and
v) Recognise revenue when (or as) the entity satisfies a performance obligation.

HKFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

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

HKFRS 15 Revenue from Contracts with Customers (Continued)

HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

HKFRS 15 will become effective for annual periods beginning on or after 1 January 2018 with early application permitted. The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

HKFRS 16 Leases

HKFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessors and lessees.

In respect of the lessee accounting, the standard introduces a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases with the lease term of more than 12 months, unless the underlying asset has a low value.

At the commencement date of the lease, the lessee is required to recognise a right-of-use asset at cost, which consists of the amount of the initial measurement of the lease liability, plus any lease payments made to the lessor at or before the commencement date less any lease incentives received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee. A lease liability is initially recognised at the present value of the lease payments that are not paid at that date.

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. Lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payment made, and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. Depreciation and impairment expenses, if any, on the right-of-use asset will be charged to profit or loss following the requirements of HKAS 16 Property, Plant and Equipment, while interest accrual on lease liability will be charged to profit or loss.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17 Leases. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

HKFRS 16 will supersede the current lease standards including HKAS 17 Leases and the related Interpretations when it becomes effective.

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

HKFRS 16 Leases (Continued)

HKFRS 16 will be effective for annual periods beginning on or after 1 January 2019 with early application permitted provided that the entity has applied HKFRS 15 Revenue from Contracts with Customers at or before the date of initial application of HKFRS 16. The directors of the Company are in the process of assessing their impact on the consolidated financial statements of these requirements. However, it is not practicable to provide a reasonable estimate of the effect until the Group performs a detailed review.

Amendment to HKAS 7 Disclosure Initiative

The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments do not prescribe a specific method to fulfill the new disclosure requirements. However, the amendments indicate that one way is to provide a reconciliation between the opening and closing balances for liabilities arising from financing activities.

Amendments to HKAS 7 will become effective for annual periods beginning on or after 1 January 2017 with early application permitted.

The directors of the Company anticipate that the application of Amendments to HKAS 7 will result in additional disclosures on the Group's financing activities, especially reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities will be provided on application.

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.

Income and expenses of subsidiaries 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

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.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity including reserves and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted after re-attribution of the relevant equity component, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Business combinations

Businesses combinations are accounted for by applying 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 incurred to effect a business combination are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities arising from the assets acquired and liabilities assumed in the business combination are recognised and measured in accordance with HKAS 12 Income Taxes;

- assets or liabilities related to the acquiree's employee benefit arrangements are recognised and measured in accordance with HKAS 19 Employee Benefits;

- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of the acquiree's share-based payment transactions with the share-based payment transactions of the Group are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations (Continued)

Goodwill is measured as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the Group'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 aggregate 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 gain on bargain purchase. Non-controlling interests, unless as required by another standards, are measured at acquisition-date fair value except for 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 are measured either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets on a transaction-by-transaction basis.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business 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, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) 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 (or group of cash-generated units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

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.

The Group's policy for goodwill arising on the acquisition of an associate is set out in "investments in associates" below.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 associates

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 associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates 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.

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 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.

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. Goodwill that forms part of the carrying amount of an investment in an associate is not separately recognised. When necessary, the entire carrying amount of the investment 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.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate. The difference between the carrying amount of the associate at the date the equity method was discontinued and any proceeds from disposing of the interest in the associate is included in the determination of the gain or loss on disposal of the associate.

When a group entity transacts with an associate of the Group, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

Financial consultancy fee income is recongnised when services are provided.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Plant and equipment (Continued)

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 lease term.

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 at 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 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.

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).

Borrowing costs

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee benefits

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.

Short-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that services.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

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 deferred tax 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (Continued)

Internally-generated intangible assets - research and development expenditure

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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 financial assets at fair value through profit or loss ("FVTPL"), 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.

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.

Financial assets at FVTPL

Financial assets at FVTPL has two subcategories, including financial assets held for trading and those designated as at FVTPL on initial recognition.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. Fair value is determined in the manner described in note 24.

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, deposit paid for acquisition of available-for-sale investment 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 as available-for-sale or are not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments. The Group designated certain items as available-for-sale financial assets on initial recognition of those items are seeking long-term profit-taking.

The fair value of available-for-sale monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

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 in respect of impairment loss on financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets

Financial assets, other than those at FVTPL are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when 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 asset 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.

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, 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 is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

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 asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

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 an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Other financial liabilities

Other financial liabilities including trade and other payables, amount due to a shareholder and bank borrowing are subsequently measured at amortised cost, using the effective interest method.

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.

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, 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 have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions

Provisions are 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.

Provisions are measured at 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).

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 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), 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 unit, 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 of disposal 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 the 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 the cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

4. CRITICAL ACCOUNTING JUDGMENTS 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 judgments, 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.

Critical judgments in applying accounting policies

The following are the critical judgments, 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.

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

Critical judgments in applying accounting policies (Continued)

De facto control over subsidiaries

Notwithstanding the lack of equity ownership in 北京創聯教育投資有限公司(Beijing Chuanglian Education Investment Company Limited*) ("Chuanglian Education") and its subsidiary, 北京中人光華教育科技有限公司 (Beijing Zhongren Guanghua Education Technology Company Limited*) ("Zhongren Guanghua"), (hereinafter collectively referred to as "Chuanglian Education Group"), the Group is able to exercise control over Chuanglian Education Group through the contractual arrangements.

The directors of the Company assessed whether or not the Group has control over Chuanglian Education Group based on whether the Group has the practical ability to direct the relevant activities of Chuanglian Education Group unilaterally. In making their judgement, the directors of the Company considered the Group's rights through the contractual arrangements. After assessment, the directors of the Company concluded that the Group has sufficiently dominant voting interest to direct the relevant activities of Chuanglian Education Group and therefore the Group has control over Chuanglian Education Group.

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

At the end of the reporting period, the directors of the Company review the carrying amounts of its plant and equipment with finite useful lives of approximately RMB33,828,000 (2015: RMB4,936,000) and identified there is indication that those assets may suffer an impairment loss. The recoverable amounts of plant and equipment have been determined based on value-in-use calculations or fair value less costs of disposal. 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 2016, the carrying values of plant and equipment were approximately RMB33,828,000 (2015: RMB4,936,000), net of accumulated impairment loss of approximately RMB1,587,000 (2015: RMB1,587,000).

** For identification purposes only*

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

Key sources of estimation uncertainty (Continued)

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 3. 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 2016, the carrying values of intangible assets were approximately RMB49,685,000 (2015: RMB92,599,000), net of accumulated impairment loss of approximately RMB651,588,000 (2015: RMB614,174,000). Details of the recoverable amount calculation are disclosed in Note 18.

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 2016, the carrying value of goodwill was approximately RMB38,290,000 (2015: RMB83,419,000), net of accumulated impairment loss of approximately RMB345,562,000 (2015: RMB295,433,000). Details of the assumption used are disclosed in Note 19.

Estimated impairment loss on trade and other receivables

The policy for impairment of trade and other receivables 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 2016, the carrying amount of trade and other receivables was approximately RMB17,959,000 (2015: RMB85,104,000), net of accumulated impairment loss of approximately RMB19,534,000 (2015: RMB1,046,000).

Estimated impairment loss on available-for-sale investments

In determining whether the Group's available-for-sale investments are impaired requires an estimation of the recoverable amount. Impairment assessment had been carried out at the end of the reporting period on the investments in their entirety with reference to the investee companies' financial performance and financial position. In the opinion of the directors, no impairment is considered necessary. As at 31 December 2016, the carrying amount of the Group's available-for-sale investment is RMB23,498,000 (2015: Nil).

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

Key sources of estimation uncertainty (Continued)

Share-based payment expenses

The fair value of share options granted at the grant date to the directors, employees and consultants is expensed on a straight-line basis over the vesting period or 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.

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 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.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2016 **RMB'000**	2015 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**157,914**	278,639
Financial assets at fair value through profit or loss		
Held for trading investments	**12,578**	28,000
Available-for-sale investments	**23,498**	-
Financial liabilities		
At amortised cost	**30,765**	32,155

6. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies

The Group's major financial instruments include deposit paid for acquisition of available-for-sale investment, available-for-sale investments, trade and other receivables, held for trading investments, bank balances and cash, trade and other payables, amount due to a shareholder and bank borrowing. 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 2016 and 2015, no transaction denominated in currencies other than the respective functional currencies of the relevant group entities, i.e. RMB or HK$, except for certain available-for-sale investments, bank balances and other payables 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.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of the reporting period are as follows:

	Assets		**Liabilities**	
	2016 RMB'000	2015 RMB'000	**2016 RMB'000**	2015 RMB'000
RMB	**7**	20	**1,009**	953
United States Dollar ("USD")	**3,498**	-	**-**	-
HK$	**21,891**	17,025	**-**	-

Sensitivity analysis

The Group is mainly exposed to RMB, USD and HK$. No analysis presented in USD as HKD is pegged to USD, management believes the exchange fluctuation is insignificant.

The following table details the Group's sensitivity to a 10% (2015: 10%) increase and decrease in the functional currencies of the relevant group entities, RMB or HK$, against the relevant foreign currencies. 10% (2015: 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% (2015: 10%) change in foreign currency rates.

6. FINANCIAL INSTRUMENTS (Continued)

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

Market risk (Continued)

(i) *Currency risk* (Continued)

Sensitivity analysis (Continued)

A negative number below indicates a decrease in post-tax loss for the year where the respective functional currency (HK$ or RMB) strengthens 10% (2015: 10%) against the relevant foreign currency (RMB or HK$). For a 10% (2015: 10%) weakening of respective functional currency (HK$ or RMB) against the relevant foreign currency (RMB or HK$), there would be an equal and opposite impact on the loss for the year and the balances below would be positive.

	Effect on profit or loss	
	2016 **RMB'000**	2015 RMB'000
HK$ strengthen against RMB by 10%	**(84)**	(78)
RMB strengthen against HK$ by 10%	**1,642**	1,277

(ii) *Interest rate risk*

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings (see Note 29 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 25 for details) and variable-rate on payable of litigation claim 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 and payable of litigation claim 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.

6. FINANCIAL INSTRUMENTS (Continued)

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

Market risk (Continued)

(ii) *Interest rate risk* (Continued)

Sensitivity analysis

The sensitivity analysis 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 (2015: 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.

If interest rates had been 50 basis points (2015: 50 basis points) higher / lower and all other variables were held constant, the Group's loss for the year ended 31 December 2016 would decrease / increase by approximately RMB260,000 (2015: RMB414,000).

(iii) *Other price risk*

The Group is exposed to equity price risk through its investments in listed equity securities. The Group does not have a price risk hedging policy. However, the management monitors equity volatility exposure and will consider hedging the potential price risk exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to equity price risks at the end of the reporting period.

If the prices of the respective equity instruments had been 10% (2015: 10%) higher / lower, the post-tax loss for the year ended 31 December 2016 would decrease / increase by HK$1,050,000 (2015: HK$2,338,000) as a result of the changes in fair value of held for trading investments.

6. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk

As at 31 December 2016, 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 recoverability 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.

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 in the PRC, which accounted for 100% (2015: 100%) of the total trade receivables as at 31 December 2016.

The Group has concentration of credit risk as 53% (2015: 4%) and 79% (2015: 64%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively within educational consultancy and online training and education segment.

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

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 aims to maintain flexibility in funding by keeping committed credit lines available.

6. FINANCIAL INSTRUMENTS (Continued)

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

Liquidity risk (Continued)

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	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
As at 31 December 2016			
Non-derivative financial liabilities			
Trade and other payables	30,624	30,624	30,624
Amount due to a shareholder	141	141	141
	30,765	30,765	30,765
As at 31 December 2015			
Non-derivative financial liabilities			
Trade and other payables	26,977	26,977	26,977
Amount due to a shareholder	188	188	188
Bank borrowing	5,356	5,356	4,990
	32,521	32,521	32,155

6. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurements of financial instruments

The following table provides an analysis of financial instruments that are measured at fair value at the end of each reporting period for recurring and non-recurring measurement, grouped into Levels 1 to 3 based on the degree to which the fair value is observable in accordance to the Group's accounting policy.

	Level 1	
	2016	2015
	RMB'000	RMB'000
Financial assets at FVTPL		
Held for trading investments	**12,578**	28,000

Fair value of financial assets that are measured at fair value on a recurring basis

The valuation techniques and inputs used in the fair value measurements of each financial instrument on a recurring basis are set out below:

Financial Instruments	Fair value hierarchy	Fair value as at		Valuation technique and key inputs
		31/12/2016 RMB'000	31/12/2015 RMB'000	
Equity securities listed in Hong Kong	Level 1	**12,578**	28,000	Quoted bid prices in an active market

Except the financial assets listed in above, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated 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 for the year. An analysis of the Group's revenue for the year is as follows:

	2016	2015
	RMB'000	RMB'000
Media business consultancy and TV programmes distribution income	**783**	10,389
Educational consultancy and online training and education services income	**88,287**	86,892
	89,070	97,281

An analysis of the Group's revenue by segments is set out in Note 8.

8. SEGMENT INFORMATION

Information reported to the executive 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. Other media – provision of consultancy and media business operation services and TV programmes distribution services;

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

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

The executive directors of the Company, after considering the status of the advertising media, decided that no information of the advertising media is reported for the purposes of resources allocation and assessment of segment performance and it is no longer the Group's reportable and operating segment. The relevant segment information for the year ended 31 December 2015 was restated and included in unallocated information.

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 2016

	Other media RMB'000	Securities trading RMB'000	Educational consultancy and online training and education RMB'000	Total RMB'000
REVENUE				
External sales	**783**	**–**	**88,287**	**89,070**
Segment loss	**(66,476)**	**(25,728)**	**(67,264)**	**(159,468)**
Unallocated other income				**2,236**
Unallocated corporate expenses				**(41,308)**
Loss before tax				**(198,540)**

8. SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

For the year ended 31 December 2015

	Other media RMB'000	Securities trading RMB'000	Educational consultancy and online training and education RMB'000	Total RMB'000
				(Restated)
REVENUE				
External sales	10,389	–	86,892	97,281
Segment (loss) profit	10,276	9,624	(279,052)	(259,152)
Unallocated other income				1,225
Unallocated corporate expenses				(35,969)
Loss before tax				(293,896)

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, write back of other payables, loss on derecognition of other receivables, certain write off of other receivables and depreciation of certain plant and equipment. This is the measure reported to the executive 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:

	2016 RMB'000	2015 RMB'000 (Restated)
Segment assets		
Other media	**12**	75,572
Securities trading	**14,376**	39,054
Educational consultancy and online training and education	**135,778**	191,984
Total segment assets	**150,166**	306,610
Unallocated corporate assets	**171,151**	208,598
Consolidated assets	**321,317**	515,208
Segment liabilities		
Other media	**1,072**	11,094
Securities trading	**-**	-
Educational consultancy and online training and education	**31,792**	23,892
Total segment liabilities	**32,864**	34,986
Unallocated corporate liabilities	**42,934**	49,133
Consolidated liabilities	**75,798**	84,119

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, available-for-sale investments, deposit paid for acquisition of available-for-sale investment, prepayment for acquisition of plant and equipment, 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 shareholder, income tax payable and deferred tax liability.

8. SEGMENT INFORMATION (Continued)

Other segment information

For the year ended 31 December 2016

	Other media RMB'000	Securities trading RMB'000	Educational consultancy and online training and education RMB'000	Unallocated RMB'000	Total RMB'000
Amounts included in the measure of segment profit or loss or segment assets:					
Additions to non-current assets (Note)	-	-	29,428	914	30,342
Depreciation and amortisation	9	-	11,244	514	11,767
Loss on disposal of plant and equipment	-	-	21	-	21
Share of result of associates	-	-	320	-	320
Interest in associates	-	-	875	-	875
Reversal of impairment loss on trade and other receivables	(189)	-	-	-	(189)
Impairment loss on goodwill	19,113	-	31,016	-	50,129
Impairment loss on intangible assets	-	-	37,414	-	37,414
Impairment loss on trade and other receivables	16,834	-	1,755	-	18,589
Unrealised loss on fair value change of held for trading investments	-	25,728	-	-	25,728
Provision for a claim	-	-	-	2,000	2,000
Interest expense	368	-	-	-	368
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:					
Interest income	-	-	(92)	(780)	(872)
Share-based payment expenses	-	-	-	18,005	18,005
Income tax (credit) expenses	-	-	(6,912)	267	(6,645)

8. SEGMENT INFORMATION (Continued)

Other segment information (Continued)

For the year ended 31 December 2015

	Other media RMB'000	Securities trading RMB'000	Educational consultancy and online training and education RMB'000	Unallocated RMB'000	Total RMB'000
Amounts included in the measure of segment profit or loss or segment assets:					
Additions to non-current assets (Note)	-	-	17,763	1	17,764
Depreciation and amortisation	12	-	13,993	1,013	15,018
Loss on disposal of plant and equipment	-	-	12	391	403
Write back of trade and other payables	-	-	-	(205)	(205)
Share of result of associates	-	-	3	-	3
Loss on derecognition of other receivables	-	-	-	1,705	1,705
Reversal of impairment loss on trade and other receivables	(531)	-	-	-	(531)
Interest in associates	-	-	1,195	-	1,195
Recovery of written off on trade and other receivables	(1,305)	-	-	-	(1,305)
Impairment loss on goodwill	-	-	295,433	-	295,433
Impairment loss on associates	-	-	1,643	-	1,643
Unrealised gain on fair value change of held for trading investments	-	(9,624)	-	-	(9,624)
Interest expense	342	-	-	-	342
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:					
Interest income	-	-	-	(1,020)	(1,020)
Share-based payment expenses	-	-	-	17,476	17,476
Income tax expenses	258	-	2,495	-	2,753

Note: Non-current assets excluded available-for-sale investments and deposit paid for acquisition of available-for-sale investment.

8. SEGMENT INFORMATION (Continued)

Geographical information

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

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	
	2016	2015
	RMB'000	RMB'000
PRC	**123,276**	192,059
Hong Kong	**282**	741
	123,558	192,800

Note: Non-current assets excluded available-for-sale investments and deposit paid for acquisition of available-for-sale investment.

Information about major customers

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

	2016	2015
	RMB'000	RMB'000
Customer A[1]	**20,611**	12,200
Customer B[1]	**11,789**	14,663
Customer C[1]	**N/A[2]**	10,009

1 Revenue from educational consultancy and online training and education.

2 Revenue from customers in 2016 was contributed less than 10% of the total revenue of the Group.

9. OTHER INCOME

	2016	2015
	RMB'000	RMB'000
Reversal of impairment loss on trade and other receivables	**189**	531
Recovery of written off on trade and other receivables	**–**	1,305
Bank interest income	**780**	910
Other interest income (Note a)	**92**	110
Government subsidies (Note b)	**200**	100
Write back of trade and other payables	**–**	205
Financial consultancy fee income	**–**	3,812
Net foreign exchange gain	**1,167**	845
Others	**207**	–
	2,635	7,818

9. OTHER INCOME (Continued)

Notes:

(a) Other interest income was arising from loan receivables of RMB8,000,000 (2015: RMB8,503,000) to an individual third party during the year ended 31 December 2016 and 2015. In 2016, the loan carried fixed-rate interest at 6% per annum and had been fully settled in September 2016. In 2015, the loan carried fixed-rate interest at 6% per annum and had been fully settled in April 2015.

(b) Government subsidies 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 both years.

10. FINANCE COSTS

	2016 **RMB'000**	2015 RMB'000
Interest on bank borrowing	**368**	342

11. INCOME TAX (CREDIT) EXPENSES

	2016 **RMB'000**	2015 RMB'000
PRC Enterprise Income Tax		
– current year	**4,246**	4,813
Hong Kong Profits Tax		
– under provision in prior years	**267**	–
Deferred tax (Note 31)	**(11,158)**	(2,060)
	(6,645)	2,753

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years. During the years ended 31 December 2016 and 2015, a PRC subsidiary, Chuanglian Zhongren, of the Group was recognised as high technology enterprise and entitled a preferential tax rate of 15%.

Provision for PRC Enterprise Income Tax has been made for the years ended 31 December 2016 and 2015 based on the estimated assessable profit derived from the PRC subsidiaries.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the year ended 31 December 2016. No provision for Hong Kong Profits Tax has been made for the year ended 31 December 2015 as the Group did not have any assessable profit subject to Hong Kong Profits Tax for the year ended 31 December 2015.

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.

11. INCOME TAX (CREDIT) EXPENSES (Continued)

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

	2016 RMB'000	2015 RMB'000
Loss before tax	**(198,540)**	(293,896)
Tax at the domestic income tax rate of 25% (2015: 25%)	**(49,635)**	(73,474)
Tax effect of expenses not deductible for tax purpose	**23,708**	80,797
Tax effect of share of losses of associates	**80**	1
Tax effect of income not taxable for tax purpose	**(158)**	(2,909)
Tax effect of utilisation of tax losses previously not recognised	**-**	(550)
Tax effect of tax losses not recognised	**21,641**	2,802
Tax effect of tax concession period	**(2,548)**	(3,914)
Under provision in respect of prior years	**267**	-
Income tax (credit) expenses for the year	**(6,645)**	2,753

Note: The domestic tax rate of 25% (2015: 25%) in the jurisdiction where the operation of the Group is substantially based is used.

Movement of deferred tax liabilities are stated in Note 31.

12. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

	2016 RMB'000	2015 RMB'000
Directors' emoluments (Note 13)	**4,107**	4,640
Other staff costs (excluding directors' and chief executive's emoluments)	**38,429**	21,338
Share-based payment expenses (excluding directors' and chief executive's emoluments)	**2,928**	4,868
Retirement benefits scheme contributions (excluding directors' and chief executive's emoluments)	**2,342**	1,387
Total staff costs	**47,806**	32,233
Auditor's remuneration	**1,267**	977
Share-based payment expenses granted to consultants (Note a)	**14,992**	9,955
Depreciation of plant and equipment	**3,902**	3,217
Amortisation of intangible assets (included in cost of services)	**7,865**	11,801
Loss on derecognition of other receivables (Note b)	**–**	1,705
Impairment loss on trade and other receivables	**18,589**	–
Loss on disposal of plant and equipment	**21**	403
Operating lease rentals in respect of rented premises	**9,377**	12,158

12. LOSS FOR THE YEAR (Continued)

Notes:

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

(b) On 3 August 2015, Top Succeed Holdings Limited ("Top Succeed"), a wholly-owned subsidiary of the Company, and China Public Procurement Limited ("CPP"), a company listed in Hong Kong (Stock code: 1094), entered into the loan capitalisation agreement in relation to the subscription of 149,677,419 ordinary shares of HK$0.01 each in the issued share capital of CPP by Top Succeed (or its nominee(s)) at HK$0.155 per share for capitalising the debts amounted to HK$23,200,000 (equivalent to approximately RMB18,591,000) owed by CPP to Top Succeed. On completion date, the fair value of CPP shares was HK$0.141 totalling approximately HK$21,105,000 (equivalent to approximately RMB16,886,000), loss on derecognition has been recognised at approximately HK$2,095,000 (equivalent to approximately RMB1,705,000).

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the nine (2015: eight) directors and chief executive were as follows:

Year ended 31 December 2016	Executive directors					Independent non-executive directors				Total
	Lu Xing	Li Jia	Wu Xiao Dong	Wang Cheng	Li Dong Fu[1]	Leung Siu Kee	Han Bing[2]	Wang Shu Ping	Wu Yalin[3]	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertakings										
- Fees	309	515	309	309	155	103	103	103	-	1,906
- Salaries and other benefits	100	118	100	72	1,523	29	29	29	-	2,000
- Contributions to retirement benefits scheme	27	27	28	14	20	-	-	-	-	116
- Share-based payment	-	-	-	-	85	-	-	-	-	85
	436	660	437	395	1,783	132	132	132	-	4,107

1 Appointed on 1 July 2016.

2 Resigned on 30 December 2016.

3 Appointed on 30 December 2016.

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

Year ended 31 December 2015	Executive directors					Independent non-executive directors			Total
	Lu Xing	Li Jia	Liu Zhong Hua[1]	Wu Xiao Dong[2]	Wang Cheng[3]	Leung Siu Kee	Han Bing	Wang Shu Ping	
	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertakings									
- Fees	293	488	131	220	69	98	98	98	1,495
- Salaries and other benefits	84	92	83	62	5	30	30	30	416
- Contributions to retirement benefits scheme	23	26	7	20	-	-	-	-	76
- Share-based payment	302	1,383	277	277	-	138	138	138	2,653
	702	1,989	498	579	74	266	266	266	4,640

1 Resigned on 12 June 2015

2 Appointed on 1 April 2015.

3 Appointed on 6 October 2015.

None of the directors waived or agreed to waive any emoluments paid by the Group during the two years ended 31 December 2016. No emoluments were paid by the Group to any directors or the chief executive of the Group as an inducement to join or upon joining the Group, or as compensation for loss of office for the two years ended 31 December 2016.

The Company did not appoint a chief executive during the years ended 31 December 2016 and 2015. Mr. Lu Xing (2015: Mr. Lu Xing) performed the duties of chief executive for the years ended 31 December 2016 and 2015. The emolument of Mr. Lu Xing disclosed above included those services rendered by him.

14. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2015: two) were directors and chief executive of the Company whose emoluments are included in the disclosures in Note 13 above. The emoluments of the remaining three (2015: three) individuals were as follows:

	2016 **RMB'000**	2015 RMB'000
Salaries and other benefits	**3,071**	2,576
Retirement benefits scheme contributions	**30**	36
Share-based payment expenses	**97**	285
	3,198	2,897

14. EMPLOYEES' EMOLUMENTS (Continued)

Their emoluments were within the following bands:

	Number of employees	
	2016	2015
Nil to HK$1,000,000 (equivalent to approximately RMB859,000 (2015: RMB814,000))	**2**	2
HK$1,000,001 (equivalent to approximately RMB859,001 (2015: RMB814,001)) to HK$1,500,000 (equivalent to approximately RMB1,288,000 (2015: RMB1,221,000))	**-**	1
HK$2,000,001 (equivalent to approximately RMB1,718,001 (2015: RMB1,628,001)) to HK$2,500,000 (equivalent to approximately RMB2,147,000 (2015: RMB2,035,000))	**1**	-

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 2016.

15. DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2016, nor has any dividend been proposed since the end of the reporting period (2015: Nil).

16. 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:

Loss	**2016 RMB'000**	2015 RMB'000
Loss for the year attributable to owners of the Company for the purpose of basic and diluted loss per share	**(189,233)**	(298,658)

Number of shares	**2016 '000**	2015 '000
Weighted average number of ordinary shares for the purpose of basis loss per share	**4,652,523**	4,464,893

Diluted loss per share is same as basic loss per share for the year ended 31 December 2016 and 2015. The computation of diluted loss per share does not assume the exercise of the Company's share options since their exercise would result in a decrease in loss per share.

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 2015	9,435	1,010	4,700	5,133	1,587	21,865
Exchange realignment	123	10	10	137	-	280
Additions	-	1,631	1,310	255	-	3,196
Disposals	-	-	(1,470)	(2,268)	-	(3,738)
At 31 December 2015	9,558	2,651	4,550	3,257	1,587	21,603
Exchange realignment	124	10	12	107	-	253
Additions	27,343	279	3,844	1,282	-	32,748
Acquired on acquisition of a subsidiary (Note 36)	-	-	47	-	-	47
Disposals	(993)	(401)	(32)	-	-	(1,426)
At 31 December 2016	36,032	2,539	8,421	4,646	1,587	53,225
DEPRECIATION AND IMPAIRMENT						
At 1 January 2015	7,611	548	3,502	3,083	1,587	16,331
Exchange realignment	102	10	10	95	-	217
Charge for the year	1,321	453	722	721	-	3,217
Eliminated on disposals	-	-	(1,426)	(1,672)	-	(3,098)
At 31 December 2015	9,034	1,011	2,808	2,227	1,587	16,667
Exchange realignment	122	10	11	90	-	233
Charge for the year	1,552	645	1,355	350	-	3,902
Eliminated on disposals	(993)	(381)	(31)	-	-	(1,405)
At 31 December 2016	9,715	1,285	4,143	2,667	1,587	19,397
CARRYING VALUES						
At 31 December 2016	26,317	1,254	4,278	1,979	-	33,828
At 31 December 2015	524	1,640	1,742	1,030	-	4,936

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	10% - 20%

Included in the disposals during the year ended 31 December 2015, the Group has transferred 4 LED panel in computers and equipment with cost approximately RMB1,470,000 and aggregate depreciation approximately RMB1,426,000 to non-controlling interest holder for acquired an additional 49% issued shares of subsidiary, 上海晟彩文化傳播有限公司. Further details on acquisition of additional interest in a subsidiary are set out in Note 37.

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 2015	680,320	42,403	1,144	9,418	108,281	841,566
Additions	–	–	–	1,917	–	1,917
Written off	–	–	(1,144)	–	–	(1,144)
At 31 December 2015	680,320	42,403	–	11,335	108,281	842,339
Additions	–	–	–	2,365	–	2,365
At 31 December 2016	680,320	42,403	–	13,700	108,281	844,704
AMORTISATION AND IMPAIRMENT						
At 1 January 2015	680,320	42,403	1,144	5,366	9,850	739,083
Charge for the year	–	–	–	4,583	7,218	11,801
Eliminated on written off	–	–	(1,144)	–	–	(1,144)
At 31 December 2015	680,320	42,403	–	9,949	17,068	749,740
Charge for the year	–	–	–	647	7,218	7,865
Impairment loss recognised	–	–	–	–	37,414	37,414
At 31 December 2016	680,320	42,403	–	10,596	61,700	795,019
CARRYING VALUES						
At 31 December 2016	–	–	–	3,104	46,581	49,685
At 31 December 2015	–	–	–	1,386	91,213	92,599

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") in 2010.

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

In prior years, the Group recognised a full impairment loss in relation to LED display advertising right as no revenue expected to be generated in the future. No material revenue generated from the LED displays advertising right as at 31 December 2016 and 2015.

(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") in 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.

In prior years, the Group recognised a full impairment loss in relation to consultancy service contracts as the directors of the Company expected that there was a significant decline in income derived from providing consultancy services upon the change in business plan of its customers in 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 2016 and 2015.

18. INTANGIBLE ASSETS (Continued)

(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.

At 31 December 2015, the directors of the Company considered that the advertising right will not put into use in the future and was written-off during the year ended 31 December 2015.

(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 Holding Limited and its subsidiaries (collectively referred as "Housden Group") in 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 directors of the Company were in the view that the customer relationship has an useful life of 15 years with reference to turnover rate of the customers.

As at 31 December 2016, 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 (2015: 4-year) period and a pre-tax discount rate of 31.20% (2015: 28.98%). Cash flows beyond 4-year (2015: 4-year) period are assumed constant with 3% (2015: 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 recognised for the year ended 31 December 2015. As the recoverable amount of the customer relationship was approximately RMB 46,581,000 as at 31 December 2016, there is an indicator which the customer relationship previously recognised has been lost on the online training and education segment. Therefore, an impairment loss of approximately RMB 37,414,000 has been provided for the year ended 31 December 2016.

19. GOODWILL

	RMB'000
COST	
At 1 January 2015 and 31 December 2015	378,852
Arising on acquisition of a subsidiary (Note 36)	5,000
At 31 December 2016	383,852
IMPAIRMENT	
At 1 January 2015	–
Impairment loss recognised during the year	295,433
At 31 December 2015	295,433
Impairment loss recognised during the year	50,129
At 31 December 2016	345,562
CARRYING VALUES	
At 31 December 2016	38,290
At 31 December 2015	83,419

The carrying amounts of goodwill as at 31 December 2016 and 2015 allocated to these units are as follows:

	2016 RMB'000	2015 RMB'000
Other media – Bold Champion	**-**	19,113
Educational consultancy and online training and education – Housden Holdings	**38,290**	64,306
Educational consultancy and online training and education – CL Xinghui	**-**	-
	38,290	83,419

Bold Champion

Goodwill was arising on the acquisition of Bold Champion during the year ended 31 December 2011. In 2015, 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 34.69%. Cash flows beyond 5-year period are assumed constant with 0% growth rate. 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 year ended 31 December 2015.

19. GOODWILL (Continued)

Bold Champion (Continued)

In 2016, the management considered that the consultancy service income and TV programmes distribution services income had slowed down. The recoverable amount of Bold Champion is nil. The Group was fully recognised an impairment loss of approximately RMB19,113,000 in relation to the goodwill during the year ended 31 December 2016 as no significant revenue expected to be generated in the foreseeable future.

Housden Holdings

Goodwill was arising on the acquisition of Housden Holdings in 2013. The recoverable amount of Housden Holdings is approximately RMB121,903,000 and 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 (2015: 4-year) period and a pre-tax discount rate of 31.20% (2015: 28.98%). Cash flows beyond 4-year (2015: 4-year) period are assumed constant with 3% (2015: 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. During the year ended 31 December 2015, impairment loss of approximately RMB295,433,000 has been provided as the actual results of the Housden Holdings did not meet the management's expectations and the recoverable amount of Housden Holdings is determined to be approximately RMB295,433,000 lower than the carrying amount of goodwill. During the year ended 31 December 2016, impairment loss of approximately RMB26,016,000 has been further provided as the actual results of the Housden Holdings still not meet the management's expectations.

CL Xinghui

Goodwill was arising on the acquisition of CL Xinghui during the year ended 31 December 2016. The recoverable amount of CL Xinghui is nil and 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 33.2%. Cash flows beyond 5-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 online training and education services income and expected gross margins during the budget period. Expected cash inflows / outflows, which include budgeted online training and education services income and gross margin have been determined based on 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. During the year ended 31 December 2016, impairment loss of approximately RMB5,000,000 has been further provided as the recoverable amount of CL Xinghui is nil as at 31 December 2016.

20. INTERESTS IN ASSOCIATES

	2016	2015
	RMB'000	RMB'000
Cost of investment in associates		
Unlisted equity interest	**1,050**	3,050
Share of post-acquisition results	**(175)**	(212)
Less: impairment loss recognised	**-**	(1,643)
	875	1,195

As at 31 December 2016 and 2015, the Group had interests in the following associates:

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
					2016	2015	
CL Xinghui	Incorporated	The PRC	The PRC	Registered capital	**-**	20%	Provision of online education development service
廣西北部灣國聯集創教育投資有限公司	Incorporated	The PRC	The PRC	Registered capital	**35%**	35%	Provision of financial, technical or educational consultancy services

On 28 April 2015, the Group entered into a capital injection agreement with independent third parties to contribute capital in CL Xinghui. CL Xinghui was incorporated in the PRC with limited liability which engaged in online education development services. The Group injected RMB2,000,000 representing 20% interest of CL Xinghui.

At the date of acquisition, the fair value of net assets of CL Xinghui was approximately RMB1,785,000. The Group recognised 20% of CL Xinghui's net assets of RMB357,000 and goodwill of RMB1,643,000 at the date of acquisition. At 31 December 2015, the management reviewed the recoverable amount of interest in CL Xinghui with reference to the valuation prepared by an independent professional valuer. Impairment loss of approximately RMB1,643,000 was provided for the year ended 31 December 2015.

On 23 March 2016, the Group entered into a sales and purchase agreement to acquire additional 50% issued shares of CL Xinghui from its shareholder. On 31 March 2016, the acquisition was completed. The Group has obtained control over CL Xinghui and became the Group's subsidiary. The Group has accounted for the 20% interest as part of the consideration on acquisition of subsidiary which the fair value was nil at the date of disposal. The fair value was determined using the discounted cash flow model with reference to the valuation prepared by an independent professional valuer which no cash inflow expected to be generated in the future. No gain or loss has been recognised in profit or loss as the carrying amount as at the date of disposal was nil. Details on the acquisition of a subsidiary are disclosed in Note 36.

20. INTERESTS IN ASSOCIATES (Continued)

The financial information and carrying amount, in aggregate, of the Group's interests in associates that are not individually material and are accounted for using the equity method are set out below:

	2016 RMB'000	2015 RMB'000
The Group's share of loss and total comprehensive expense	**(320)**	(3)
Carrying amount of the Groups' interests in the associates	**875**	1,195

21. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprise:

	2016 RMB'000	2015 RMB'000
Unlisted equity securities, at cost	**23,498**	-

The above unlisted equity investments represent investments in unlisted equity securities issued by private entities incorporated in the PRC and the Cayman Islands. 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.

Included in the available-for-sale investments are the following amounts denominated in a currency other than the functional currency of relevant group entities:

	2016 RMB'000	2015 RMB'000
USD	**3,498**	-

22. DEPOSIT PAID FOR ACQUISITION OF AVAILABLE-FOR-SALE INVESTMENT

On 25 December 2015, an indirect wholly-owned subsidiary entered into an agreement with eight independent third parties in relation to incorporation of a company (the "Insurance Company") which will be engaged in mutual insurance business and the registered capital will be RMB1,000,000,000. The Group will contribute 2.5% of the total registered capital.

On 25 November 2016, the Group had paid RMB25,000,000, which represents 2.5% of the registered capital of the Insurance Company. However, as the incorporation procedures of the Insurance Company were still in progress up to 31 December 2016, such costs were recognised as deposit paid for acquisition of available-for-sale investment as at 31 December 2016.

23. TRADE AND OTHER RECEIVABLES

	2016 RMB'000	2015 RMB'000
Trade receivables	**12,144**	21,070
Less: impairment loss recognised	**(3,803)**	(903)
	8,341	20,167
Deposits for production of TV programmes (Note a)	**15,634**	52,739
Other receivables	**9,715**	12,341
Less: impairment loss recognised	**(15,731)**	(143)
	9,618	64,937
Deposits	**1,774**	1,759
Prepayments	**3,769**	15,769
	23,502	102,632

The Group does not hold any collateral over these receivables.

Notes:

a) The balance represented the deposits for production of TV programmes paid to TV programmes production companies. The balance is unsecured, non-interest bearing and refundable upon cancellation of TV programmes production.

Trade receivables are due according to the terms on the relevant contacts as at 31 December 2016 and 2015. The following is an aged analysis of trade receivables net of accumulated impairment losses presented based on the invoice date at the end of reporting period which approximate the respective revenue recognition date.

	2016 RMB'000	2015 RMB'000
Within 30 days	**3,102**	13,859
31 to 60 days	**367**	–
61 to 180 days	**43**	1,188
181 to 365 days	**–**	5,120
Over 365 days	**4,829**	–
	8,341	20,167

As at 31 December 2016, included in the Group's trade receivables balances were approximately RMB3,258,000 (2015: RMB15,047,000) 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.

23. TRADE AND OTHER RECEIVABLES (Continued)

Ageing of trade receivables which are past due but not impaired

	2016 RMB'000	2015 RMB'000
31 to 60 days	**211**	-
61 to 180 days	**43**	-
181 to 365 days	**-**	5,120
Over 365 days	**4,829**	-
	5,083	5,120

As at 31 December 2016, included in the Group's trade receivables balances are debtors with aggregate carrying amount of approximately RMB5,083,000 (2015: RMB5,120,000) 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.

Movement in the impairment losses on trade receivables

	2016 RMB'000	2015 RMB'000
1 January	**903**	4,183
Amounts written off during the year as uncollectible	**-**	(2,749)
Acquired on acquisition of a subsidiary	**134**	-
Impairment losses recognised	**2,955**	-
Impairment losses reversed	**(189)**	(531)
31 December	**3,803**	903

As at 31 December 2016, included in the impairment loss on trade receivables are individually impaired trade receivables with an aggregate balance of approximately RMB3,803,000 (2015: RMB903,000). The individually impaired receivables are recognised based on the credit history of its customer and current market conditions.

23. TRADE AND OTHER RECEIVABLES (Continued)

Movement in the impairment losses on other receivables

	2016 RMB'000	2015 RMB'000
1 January	**143**	137
Amounts written off during the year as uncollectible	**(51)**	-
Impairment losses recognised	**15,634**	-
Exchange realignment	**5**	6
31 December	**15,731**	143

As at 31 December 2016, included in the impairment loss on other receivables are individually impaired long outstanding other receivables with an aggregate balance of approximately RMB15,731,000 (2015: RMB143,000), which their recoverability is considered doubtful by the directors of the Company.

24. HELD FOR TRADING INVESTMENTS

The investments are recognised as follows:

Held for trading investments include:

	2016 RMB'000	2015 RMB'000
Listed securities:		
- Equity securities listed in Hong Kong	**12,578**	28,000

25. BANK BALANCES AND CASH

Bank balances carried interest at market rates which range from 0.01% to 1.75% (2015: 0.01% to 1.37%) 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:

	2016 RMB'000	2015 RMB'000
RMB	**7**	20
HK$	**21,891**	17,025

26. TRADE AND OTHER PAYABLES

	2016 RMB'000	2015 RMB'000
Trade payables	**3,516**	1,000
Other payables	**5,768**	6,556
Fund advance for TV programmes production (note a)	**–**	4,790
Payable of litigation claim (note b)	**12,115**	11,602
Receipts in advance	**18,023**	16,728
Accruals	**9,225**	3,029
	48,647	43,705

Notes:

(a) The balance was unsecured, non-interest bearing and repayable on demand. The balance had been settled during the year ended 31 December 2016.

(b) Payable of litigation claim represents payable to a supplier regarding to the dispute over the contractual undertakings in relation to the construction of a light-emitting diode ("LED") display panel at cash consideration of approximately RMB12,378,000 located in the PRC. As at 31 December 2016, the carrying value of such LED display panel recognised as construction in progress was nil (2015: nil), net of accumulated impairment loss of approximately RMB1,587,000 (2015: RMB1,587,000).

On 9 April 2014, 河北省高級人民法院 (the "High Court") promulgated the final decision which is final and conclusive, that the indirectly-owned subsidiary of the Company has to pay an amount of approximately RMB10,342,000 plus the accrued interest with reference to the loan interest rate determined by the People's Bank of China as from 16 April 2008 until payment thereon to the plaintiff and borne the related court expenses of approximately RMB206,000.

The total payable for the litigation claims in the consolidated financial statement of the Group as at 31 December 2016 was approximately RMB12,115,000 (2015: RMB11,602,000), which including litigation claim of approximately RMB10,342,000 (2015: RMB10,342,000) plus the estimated accrued interest of approximately RMB1,650,000 (2015: RMB1,137,000) and the related court expenses of approximately RMB123,000 (2015: RMB123,000).

26. TRADE AND OTHER PAYABLES (Continued)

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

	2016 **RMB'000**	2015 RMB'000
Within 30 days	**3,190**	1,000
Over one year	**326**	–
	3,516	1,000

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 2016 and 2015, the Group's other payables that are denominated in currency other than the functional currency of the relevant group entities are set out below:

	2016 **RMB'000**	2015 RMB'000
RMB	**1,009**	953

27. AMOUNT DUE TO A SHAREHOLDER

The amount is unsecured, non-interest bearing and repayable on demand.

28. PROVISION FOR A CLAIM

On 29 December 2016, a legal case between a subsidiary, 創智利德(北京)科技發展有限公司 ("Chuangzhi Lide") and 廊坊市時代廣場管理處 ("Management Office") was brought to the first court hearing at 廊坊市廣陽區人民法院. Management Office sued ChuangZhi LiDe for breach of rental agreement and claimed for the outstanding amount for rental payable RMB649,600, utilities payable RMB38,466.72 and payment of liquidated damage RMB8,000,000. The court case is still in process and do not have adjudication until now.

With reference to a legal opinion obtained from the legal advisor as at 16 March 2017, likelihood of an unfavorable outcome is probable and the amount of the loss of RMB2,000,000 can be reasonably estimated. As a result, a provision of RMB2,000,000 in respect of such claim was made for the year ended 31 December 2016.

29. BANK BORROWING

	2016 RMB'000	2015 RMB'000
Bank borrowing, unsecured	-	4,990

As at 31 December 2015, the unsecured bank borrowing carried fixed-rate interest at 8% per annum and was repayable within one year. The amount due is based on scheduled repayment dates set out in the loan agreements. During the year ended 2016, the loan had been fully settled.

30. SHARE CAPITAL

	Number of shares		Share capital		Equivalent nominal value of ordinary shares	
	2016 '000	2015 '000	**2016 HK$'000**	2015 HK$'000	**2016 RMB'000**	2015 RMB'000
Ordinary shares of HK$0.01 each (2015: HK$0.01 each)						
Authorised:						
At beginning and end of the year	**100,000,000**	100,000,000	**1,000,000**	1,000,000	**879,100**	879,100
Issued and fully paid:						
At beginning of the year	**4,652,523**	4,169,023	**46,525**	41,690	**38,786**	34,920
Issue of share upon exercise of share options (Note a & b)	**-**	9,700	**-**	97	**-**	77
Issue of shares upon placing (Note c)	**-**	473,800	**-**	4,738	**-**	3,789
At end of the year	**4,652,523**	4,652,523	**46,525**	46,525	**38,786**	38,786

Notes:

(a) On 24 June 2015, an employee of the Company exercised 450,000 and 1,950,000 share options under equity-settled share option schemes (Note 34(a)) with exercise price of HK$0.37 and HK$0.40 respectively.

(b) On 15 June 2015, 29 June 2015, 30 June 2015, three consultants of the Company exercised 3,300,000, 3,000,000 and 1,000,000 share options under equity-settled share option schemes (Note 34(a)) with exercise price of HK$0.4.

(c) On 22 May 2015, arrangements were made for a private placement to independent private investors of 473,800,000 shares of HK$0.01 each in the Company, at a price of HK$0.33 per share representing a discount of approximately 38% to the closing market price of the Company's shares on 22 May 2015.

The proceeds were used as general working capital and for any possible business development or investment of the Group. These new shares were issued under the general mandate granted to the directors by the shareholders at the annual general meeting of the Company held on 28 May 2014 and rank pari passu with other shares in issue in all respects.

All the ordinary shares issued during the year ended 31 December 2015 rank pari passu with the then existing shares in all respects.

31. DEFERRED TAX LIABILITY

The movements in the deferred tax liability during the current and prior years were as follows:

	Fair value adjustment on intangible assets arising from acquisition RMB'000
At 1 January 2015	24,863
Credit to profit or loss	(2,060)
At 31 December 2015 and 1 January 2016	22,803
Credit to profit or loss	(11,158)
At 31 December 2016	11,645

As at 31 December 2016, the Group has unused tax losses of approximately RMB167,153,000 (2015: RMB109,857,000) 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$107,729,000 (equivalent to approximately RMB96,940,000) (2015: HK$64,691,000 (equivalent to approximately RMB55,007,000)) may be carried forward indefinitely while the tax losses of approximately RMB70,213,000 (2015: RMB54,850,000) 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 the 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 RMB5,308,000 (2015: RMB5,811,000) 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.

32. 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 which fall due as follows:

	2016 **RMB'000**	2015 RMB'000
Within one year	**9,520**	6,528
In the second to fifth year inclusive	**25,026**	1,373
Over five years	**24,792**	-
	59,338	7,901

32. OPERATING LEASES (Continued)

Operating lease payments represent rentals payable by the Group for certain of its office premises and plant and machinery. Leases are negotiated for terms ranged from one to ten (2015: one to eight) years with fixed rentals.

33. CAPITAL COMMITMENTS

	2016 RMB'000	2015 RMB'000
Commitments contracted but not provided for in respect of:		
- Capital contribution to associates	**4,890**	1,050
- Acquisition of plant and equipment	**1,914**	1,683
	6,804	2,733

34. 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 28 May 2014 (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 21 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 closing price of the shares as stated in the Stock Exchange's daily quotation sheet for trade in one or more board lots of the shares on the date of grant of the options, and (iii) the nominal value of the shares.

The share options are exercisable at any time during the option period, 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.

34. 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
11 September 2013	Note	11 September 2013 to 10 September 2016	HK$0.37	HK$0.14
11 September 2013	11 September 2013 to 10 September 2014	11 September 2014 to 10 September 2016	HK$0.37	HK$0.14
11 September 2013	11 September 2013 to 10 September 2015	11 September 2015 to 10 September 2016	HK$0.37	HK$0.16
4 May 2015	Note	4 May 2015 to 3 May 2018	HK$0.40	HK$0.17
4 May 2015	Note	4 May 2015 to 3 May 2018	HK$0.40	HK$0.13
4 May 2015	Note	4 May 2015 to 3 May 2018	HK$0.40	HK$0.15
4 May 2015	4 May 2015 to 4 May 2016	5 May 2016 to 3 May 2018	HK$0.40	HK$0.17
4 May 2015	4 May 2015 to 4 May 2017	5 May 2017 to 3 May 2018	HK$0.40	HK$0.18
2 July 2015	Note	2 July 2015 to 1 July 2018	HK$0.684	HK$0.18
2 July 2015	Note	2 July 2015 to 1 July 2019	HK$0.684	HK$0.23
2 July 2015	2 July 2015 to 2 July 2016	3 July 2016 to 1 July 2019	HK$0.684	HK$0.27
2 July 2015	2 July 2015 to 2 July 2017	3 July 2017 to 1 July 2019	HK$0.684	HK$0.29
20 October 2015	Note	20 October 2015 to 19 October 2018	HK$0.261	HK$0.09
18 May 2016	18 May 2016 to 18 May 2017	19 May 2017 to 17 May 2021	HK$0.290	HK$0.136
18 May 2016	18 May 2016 to 18 May 2018	19 May 2018 to 17 May 2021	HK$0.290	HK$0.155
18 May 2016	18 May 2016 to 18 May 2019	19 May 2019 to 17 May 2021	HK$0.290	HK$0.169
28 October 2016	28 October 2016 to 28 October 2017	29 October 2017 to 27 October 2021	HK$0.184	HK$0.076
28 October 2016	28 October 2016 to 28 October 2018	29 October 2018 to 27 October 2021	HK$0.184	HK$0.089
28 October 2016	28 October 2016 to 28 October 2019	29 October 2019 to 27 October 2021	HK$0.184	HK$0.099

Note:

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

34. 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 2016

Date of grant	Outstanding at 1 January 2016	Granted during the year	Exercised during the year	Forfeited during the year (note a)	Transferred during the year (note b)	Outstanding at 31 December 2016
Directors						
11 September 2013	3,550,000	-	-	(3,550,000)	-	-
4 May 2015	17,000,000	-	-	-	1,500,000	18,500,000
Employees						
11 September 2013	27,400,000	-	-	(27,400,000)	-	-
4 May 2015	46,474,000	-	-	(1,200,000)	(3,500,000)	41,774,000
2 July 2015	2,510,000	-	-	-	-	2,510,000
18 May 2016	-	10,700,000	-	-	-	10,700,000
28 October 2016	-	3,000,000	-	-	-	3,000,000
Consultants						
11 September 2013	5,000,000	-	-	(5,000,000)	-	-
4 May 2015	157,200,000	-	-	-	2,000,000	159,200,000
2 July 2015	48,000,000	-	-	-	-	48,000,000
20 October 2015	4,000,000	-	-	-	-	4,000,000
18 May 2016	-	7,000,000	-	-	-	7,000,000
	311,134,000	20,700,000	-	(37,150,000)	-	294,684,000
Exercisable at the end of the year						244,381,000
Weighted average exercise price	HK$0.44	HK$0.27	-	HK$0.37	-	HK$0.44

Notes:

a) During the year ended 31 December 2016, aggregate number of 1,200,000 share options was forfeited due to early termination of those share options in regards on resignation of employees and aggregate number of 35,950,000 share options was forfeited due to the expiry of those share options.

b) During the year ended 31 December 2016, an employee who have outstanding balance of 1,500,000 share options granted on 4 May 2015 were appointed as executive director on 1 July 2016. In addition, an employee who was granted 2,000,000 share options was resigned and employed as consultant on 14 May 2016.

34. 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 2015

Date of grant	Outstanding at 1 January 2015	Granted during the year	Exercised during the year	Forfeited during the year (note a)	Transferred during the year (note b)	Outstanding at 31 December 2015
Directors						
11 September 2013	2,500,000	-	-	-	1,050,000	3,550,000
4 May 2015	-	19,000,000	-	-	(2,000,000)	17,000,000
Employees						
11 September 2013	30,900,000	-	(450,000)	-	(3,050,000)	27,400,000
4 May 2015	-	49,230,000	(1,950,000)	(806,000)	-	46,474,000
2 July 2015	-	2,510,000	-	-	-	2,510,000
Consultants						
11 September 2013	3,000,000	-	-	-	2,000,000	5,000,000
4 May 2015	-	162,500,000	(7,300,000)	-	2,000,000	157,200,000
2 July 2015	-	48,000,000	-	-	-	48,000,000
20 October 2015	-	4,000,000	-	-	-	4,000,000
	36,400,000	285,240,000	(9,700,000)	(806,000)	-	311,134,000
Exercisable at the end of the year						268,844,000
Weighted average exercise price	HK$0.37	HK$0.45	HK$0.40	HK$0.40	-	HK$0.44

Notes:

a) During the year ended 31 December 2015, aggregate number of 806,000 share options was forfeited due to early termination of those share options in regards on resignation of employees.

b) During the year ended 31 December 2015, an executive director who was granted 4,000,000 share options was resigned and employed as consultant on 12 June 2015. In additions, two employees who have outstanding balance of 2,000,000 and 1,050,000 share options granted on 11 September 2013 were appointed as executive directors on 1 April 2015 and 6 October 2015.

34. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

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

(a) Share option scheme (Continued)

The fair values of share options granted in 2016 and 2015 were calculated using the Binomial Option Pricing Model. The inputs into the model were as follows:

	Date of grant					
	18 May 2016	18 May 2016	18 May 2016	28 October 2016	28 October 2016	28 October 2016
Share price on the date of grant	HK$0.290	HK$0.290	HK$0.290	HK$0.177	HK$0.177	HK$0.177
Exercise price	HK$0.290	HK$0.290	HK$0.290	HK$0.184	HK$0.184	HK$0.184
Expected volatility	79.09%	79.09%	79.09%	78.67%	78.67%	78.67%
Expected life	5 years	5 years	5 years	5 years	5 years	5 years
Risk-free rate	0.953%	0.953%	0.953%	0.654%	0.654%	0.654%
Expected dividend yield	0%	0%	0%	0%	0%	0%

	Date of grant									
	4 May 2015	4 May 2015	4 May 2015	4 May 2015	4 May 2015	2 July 2015	2 July 2015	2 July 2015	2 July 2015	20 October 2015
Share price on the date of grant	HK$0.40	HK$0.40	HK$0.40	HK$0.40	HK$0.40	HK$0.59	HK$0.59	HK$0.59	HK$0.59	HK$0.26
Exercise price	HK$0.40	HK$0.40	HK$0.40	HK$0.40	HK$0.40	HK$0.684	HK$0.684	HK$0.684	HK$0.684	HK$0.261
Expected volatility	69.53%	69.53%	69.53%	69.53%	69.53%	73.61%	74.26%	74.26%	74.26%	82.92%
Expected life	3 years	3 years	3 years	3 years	3 years	3 years	4 years	4 years	4 years	3 years
Risk-free rate	0.735%	0.735%	0.735%	0.735%	0.735%	0.624%	0.872%	0.872%	0.872%	0.533%
Expected dividend yield	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$20,962,000 (equivalent to approximately RMB18,005,000) for the year ended 31 December 2016 (2015: HK$21,473,000 (equivalent to approximately RMB17,476,000)) and prepayment of approximately HK$367,000 (equivalent to approximately RMB330,000) (2015: HK$17,442,000 (equivalent to approximately RMB14,831,000)) in relation to the above share options granted by the Company.

34. 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 2016, no options were granted and outstanding of options under the Share Incentive Scheme.

35. 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$1,500 per month since 1 June 2014 onwards. During the year ended 31 December 2016, 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 RMB169,000 (2015: RMB119,000).

The PRC

As stipulated by rules and regulations in the PRC, subsidiaries in the PRC are required to contribute to a state-managed retirement plan for all its employees at a certain percentage of the basic salaries of its employees. The state-managed retirement plan is responsible for the entire pension obligations payable to all retired employees. Under the state-managed 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 2016, 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 RMB2,289,000 (2015: RMB1,344,000).

36. ACQUISITION OF A SUBSIDIARY

On 31 March 2016, the Group acquired additional 50% of the issued share capital of CL Xinghui for consideration of RMB5,000,000. Together with the 20% of the issued share capital of CL Xinghui held by the Group, the Group hold 70% of the issued share capital of CL Xinghui after the further acquisition on 31 March 2016. This acquisition has been accounted for using purchase method. The amount of goodwill arising as a result of the acquisition was approximately RMB5,000,000. CL Xinghui is engaged in online education development services. CL Xinghui was acquired so as to continue the expansion of the Group's online education operations.

Consideration transferred	RMB'000
Cash	5,000
Fair value on 20% shareholding of CL Xinghui	-
	5,000

As part of the consideration for the acquisition of CL Xinghui, the 20% shareholdings in CL Xinghui which previously acquired were included. The fair value of the 20% shareholdings in CL Xinghui was based on valuation report from an independent qualified professional valuer at the date of the acquisition, amounted to nil.

Acquisition-related costs amounting to approximately RMB6,000 have been excluded from the consideration transferred and have been recognised as an expense in the current year, within the administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

Assets acquired and liabilities recognised at the date of acquisition are as follows:	RMB'000
Plant and equipment	47
Trade and other receivables	26
Bank balances and cash	352
Trade and other payables	(425)
	-

Goodwill arising on acquisition:	RMB'000
Cash	5,000
Fair value interest in associate	-
Consideration transferred	5,000
Add: non-controlling interests (30% in CL Xinghui)	-
Less: net assets acquired	-
Goodwill arising on acquisition	5,000

36. ACQUISITION OF A SUBSIDIARY (Continued)

Goodwill arose in the acquisition of CL Xinghui because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of CL Xinghui. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

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

Net cash outflow on acquisition of CL Xinghui:	RMB'000
Cash consideration paid	5,000
Less: Bank balances and cash acquired	(352)
	4,648

Included in the loss for the year is a loss of approximately RMB1,444,000 attributable to the additional business incurred by CL Xinghui. Revenue for the year includes approximately RMB14,000 generated from CL Xinghui.

Had the acquisition been completed on 1 January 2016, total group revenue for the year would have been approximately RMB89,070,000 and loss for the year would have been approximately RMB199,926,000. 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 2016, nor is it intended to be a projection of future results.

In determining the pro-forma's revenue and loss of the Group had CL Xinghui been acquired at the beginning of the current year, the directors of the Company have calculated depreciation of plant and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements at the date of acquisition.

37. CHANGES IN OWNERSHIP INTEREST IN A SUBSIDIARY

During the year, the Group has the following changes in its ownership interests in subsidiaries that do not result in a gain of control.

Acquisition of additional interests in subsidiaries

(i) On 23 February 2016, the Group acquired an additional 24.99% issued shares of 北京創聯無錫培訓服務有限公司 ("創聯無錫") through its subsidiary 北京創聯資產管理有限公司 ("創聯資產"), increasing its ownership interest to 75.99%. The consideration was satisfied by cash consideration of RMB490,000 to the non-controlling shareholder. The carrying value of the net assets of 創聯無錫 was approximately RMB869,000. A schedule of the effect of acquisition of additional interest is as follow:

	2016 RMB'000
Carrying amount of non-controlling interest acquired	217
Consideration for acquisition of additional interest in 創聯無錫	(490)
Difference recognised in other reserve within equity	(273)

(ii) On 2 September 2016, the Group acquired an additional 48.5% issued shares of 創聯資產, increasing its ownership interest to 99.5%. The consideration was satisfied by cash consideration of RMB9,700,000 to the non-controlling shareholder. The carrying value of the net assets of 創聯資產 was approximately RMB20,759,000. A schedule of the effect of acquisition of additional interest is as follow:

	2016 RMB'000
Carrying amount of non-controlling interest acquired	10,068
Consideration for acquisition of additional interest in 創聯資產	(9,700)
Difference recognised in other reserve within equity	368

37. CHANGES IN OWNERSHIP INTEREST IN A SUBSIDIARY (Continued)

Acquisition of additional interests in subsidiaries (Continued)

(iii) On 28 February 2015, the Group acquired an additional 49% issued shares of 上海晟彩文化傳播有限公司 ("上海晟彩"), increasing its ownership interest to 97.82%. The consideration was satisfied by transferring the plant and equipment with net book value approximately RMB44,000, rental payable of approximately RMB266,000, amount due from non-controlling interest holder of approximately RMB203,000 together with accumulated impairment loss of approximately RMB203,000 and the direct transactions costs of approximately RMB7,000 to the non-controlling shareholders. The carrying value of the net liabilities of 上海晟彩 was approximately RMB1,240,000. A schedule of the effect of acquisition of additional interest is as follow:

	2015 RMB'000
Carrying amount of non-controlling interest acquired	(594)
Consideration for acquisition of additional interest in 上海晟彩	215
Difference recognised in other reserve within equity	(379)

38. 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:

	2016 **RMB'000**	2015 RMB'000
Short-term benefits	**6,463**	5,179
Post-employment benefits	**138**	114
Share-based payment expenses	**85**	3,144
	6,686	8,437

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.

39. MAJOR NON-CASH TRANSACTIONS

(i) On 2 February 2015, a subsidiary, Chuangzhi Lide, entered into a sale and purchase agreement with the non-controlling interest holder of the Group to transfer all the LED advertising business related assets and liabilities to the non-controlling interest holder in exchange of 49% equity interest of a subsidiary, 上海晟彩. The consideration were transfer the plant and equipment with net book value approximately RMB44,000, rental payable of approximately RMB266,000, amount due from non-controlling interest holder of approximately RMB203,000 together with accumulated impairment loss of approximately RMB203,000 and the direct transactions costs of approximately RMB7,000. As there is no change of control on上海晟彩, difference of approximately RMB215,000 was recognised in the other reserve during current year. Further details on acquisition of additional interest in a subsidiary are set out in Note 37.

(ii) During the year ended 31 December 2015, the Group entered into a loan capitalisation agreement in relation to the subscription of ordinary shares in the issued share capital of CPP for capitalising the debts amounted to HK$23,200,000. Further details of the capitalisation are set out in Note 12.

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	NOTES	2016 RMB'000	2015 RMB'000
Non-current assets			
Plant and equipment		-	269
Investments in subsidiaries	(a)	13	13
Available-for-sale investment	(b)	3,498	-
		3,511	282
Current assets			
Other receivables		3,727	26,956
Amounts due from subsidiaries	(c)	194,882	589,945
Held for trading investments	(d)	12,578	28,000
Bank balances and cash		16,832	33,511
		228,019	678,412
Current liability			
Other payables		2,137	946
Net current assets		225,882	677,466
Net assets		229,393	677,748
Capital and reserves			
Share capital		38,786	38,786
Reserves	(e)	190,607	638,962
Total equity		229,393	677,748

Notes:

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

(b) Available-for-sale investment is carried at cost less accumulated impairment losses, if any.

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

(d) The amount of held for trading investments is measured at fair value at the end of each reporting period.

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Notes: (Continued)

(e)

	Share premium RMB'000	Special reserve RMB'000	Translation 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 2015	990,929	57,814	2,265	141,000	595	49,650	1,927	(753,074)	491,106
Loss for the year	-	-	-	-	-	-	-	(41,246)	(41,246)
Other comprehensive expense for the year - Exchange differences arising on translating foreign operations	-	-	39,418	-	-	-	-	-	39,418
Total comprehensive income (expense) for the year	-	-	39,418	-	-	-	-	(41,246)	(1,828)
Recognition of equity-settled share-based payment expenses (Note 34)	-	-	-	-	-	31,672	-	-	31,672
Issue of shares upon placing (Note 30)	121,244	-	-	-	-	-	-	-	121,244
Transactions costs attributable to issue of shares	(6,252)	-	-	-	-	-	-	-	(6,252)
Issue of shares upon exercise of share options (Note 30)	4,535	-	-	-	-	(1,515)	-	-	3,020
At 31 December 2015	1,110,456	57,814	41,683	141,000	595	79,807	1,927	(794,320)	638,962
At 1 January 2016	1,110,456	57,814	41,683	141,000	595	79,807	1,927	(794,320)	638,962
Loss for the year	-	-	-	-	-	-	-	(469,013)	(469,013)
Other comprehensive expense for the year - Exchange differences arising on translating foreign operations	-	-	17,319	-	-	-	-	-	17,319
Total comprehensive income (expense) for the year	-	-	17,319	-	-	-	-	(469,013)	(451,694)
Recognition of equity-settled share-based payment expenses (Note 34)	-	-	-	-	-	3,339	-	-	3,339
At 31 December 2016	1,110,456	57,814	59,002	141,000	595	83,146	1,927	(1,263,333)	190,607

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Company's principal subsidiaries as at 31 December 2016 and 2015 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
				2016		2015		
				Directly	**Indirectly**	Directly	Indirectly	
上海美視文化傳播有限公司	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(北京)文化傳播有限公司	The PRC	Registered capital	RMB2,000,000	**-**	**97.82%**	-	97.82%	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	**-**	**97.82%**	-	97.82%	Operating and broadcasting across LED displays
China Oriental Culture (Hong Kong) Limited	Hong Kong	Ordinary	HK$1	**100%**	**-**	100%	-	Acts as administrative center of the Group
China Oriental Culture Limited	Hong Kong	Ordinary	HK$1	**100%**	**-**	100%	-	Acts as administrative center of the Group
Housden Holdings Limited	The BVI	Ordinary	US$2	**-**	**100%**	-	100%	Investment holding
CL Education Limited	Hong Kong	Ordinary	HK$28,146,300	**-**	**100%**	-	100%	Investment holding
北京創聯中人技術服務有限公司	The PRC	Registered capital	RMB64,669,804	**-**	**100%**	-	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	**-**	**- (note a)**	-	- (note a)	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	RMB2,550,000	**-**	**- (note a)**	-	- (note a)	Provision of internet information services and the promotion of technologies

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

Notes:

(a) The Group does not have legal ownership in equity of the subsidiaries. The PRC regulations restrict foreign ownership of companies that provide telecommunications and information services. In order to enable the Group to operate such services, the Group has signed certain contractual agreements on 25 March 2011 with the registered owners of the subsidiaries to owned subsidiary control by way of controlling the voting rights, governing its financial and operating policies, appointing or removing the majority of the members of their controlling authorities, and casting the majority of votes at meetings of such authorities. In addition, such contractual agreements also transfer the risks and rewards of the company to the Group and/or its other legally owned subsidiaries. As a result, they are presented as controlled structured entities of the Group. As at 31 December 2016 and 2015, the Group has 100% of voting right for 北京創聯教育投資有限公司 and 51% of voting right for 北京中人光華教育科技有限公司.

(b) 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**	
		31/12/2016	31/12/2015
Inactive	Hong Kong	**2**	2
	BVI	**1**	1
	PRC	**5**	4
Provision of consultancy services	Hong Kong	**-**	1
Investment holding	Hong Kong	**3**	2
	BVI	**5**	5
		16	15

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

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

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

The table below shows details of non-wholly owned subsidiary 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		(Loss) profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2016	2015	**2016 RMB'000**	2015 RMB'000	**2016 RMB'000**	2015 RMB'000
北京中人光華教育科技有限公司	The PRC	**49%**	49%	**(858)**	1,723	**(647)**	211
Individually immaterial subsidiaries with non-controlling interests				**(1,804)**	286	**2,854**	5,123
				(2,662)	2,009	**2,207**	5,334

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

Summarised financial information in respect of each of the Group's subsidiary 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

	2016 RMB'000	2015 RMB'000
Current assets	19,133	20,521
Non-current assets	3,900	3,675
Current liabilities	24,354	23,767
Equity attributable to owners of the Company	(674)	218
Non-controlling interests	(647)	211
Revenue	43,444	61,101
Expenses	(45,194)	(57,585)
(Loss) profit and total comprehensive (expenses) income for the year	(1,750)	3,516
(Loss) profit attributable to owners of the Company	(892)	1,793
(Loss) profit attributable to non-controlling interests	(858)	1,723
Total (loss) profit and total comprehensive (expenses) income for the year	(1,750)	3,516
Net cash inflow from operating activities	1,782	3,750
Net cash outflow from investing activities	(1,470)	(3,348)
Net cash (outflow) inflow from financing activities	(1,722)	4,752
Net cash (outflow) inflow	(1,410)	5,154