2015 年報

ANNUAL REPORT

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China Parenting Network Holdings Limited
中國育兒網絡控股有限公司

(Incorporated in the Cayman Islands with limited liability)

STOCK CODE: 8361

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

This report will remain on the "Latest Company Announcements" page of the GEM website at http://www.hkgem.com for at least 7 days from the date of its posting and be posted on the website of the Company at http://www.ci123.com.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Cheng Li
Mr. Hu Qingyang
Mr. Zhang Lake Mozi

Non-Executive Directors

Ms. Li Juan *(Chairperson)*
Mr. Wu Haiming
Mr. Hsieh Kun Tse

Independent Non-Executive Directors

Mr. Wu Chak Man
Mr. Zhao Zhen
Mr. Ge Ning

BOARD COMMITTEES

Audit Committee

Mr. Wu Chak Man *(Chairperson)*
Ms. Li Juan
Mr. Ge Ning

Nomination Committee

Mr. Li Juan *(Chairperson)*
Mr. Zhao Zhen
Mr. Ge Ning

Remuneration Committee

Mr. Ge Ning *(Chairperson)*
Mr. Zhao Zhen
Mr. Cheng Li

COMPLIANCE OFFICER

Mr. Cheng Li

JOINT COMPANY SECRETARIES

Mr. Zhang Lake Mozi
Ms. Ng Wing Shan

AUTHORISED REPRESENTATIVES

Mr. Cheng Li
Ms. Ng Wing Shan

AUDITORS

Ernst & Young

COMPLIANCE ADVISER

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As to PRC law

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STOCK CODE

8361

COMPANY WEB-SITE

www.ci123.com

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PR Asia Consultants Limited
5/F., Euro Trade Centre
13–14 Connaught Road Central, Hong Kong

HIGHLIGHTS

The following table sets forth the consolidated statements of profit or loss and other comprehensive income of our Group for the year ended 31 December 2015.

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Revenue	**79,774**	53,433
Gross profit	**70,010**	48,684
Profit for the year	**32,660**	19,587
Attributable to:		
Owners of the parent	**34,525**	13,645
Non-controlling interests	**(1,865)**	5,942

CHAIRPERSON'S STATEMENT

Dear shareholders,

On behalf of the board of directors (the "Board") of China Parenting Network Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group"), I am pleased to present to you the annual results of the Group for the year ended 31 December 2015 ("the Review Year").

BUSINESS REVIEW

The Group was successfully listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited on 8 July 2015, becoming the first listed "Children-Babies-Maternity" ("CBM") platform in China. It is an important milestone of the Group's development, demonstrating capital markets' recognition of our achievements and business models, which laid solid foundation for the sustainable development of the Group in the future.

During the Review Year, China's economy maintained an overall stable development, based on which progress and positive results were achieved. The disposable income per capita increased by 7.4% as compared to last year. China's Internet-based mother-child industry carried forward development in a comprehensive way with community platforms continuously improved and revenue streams expanded through multiple dimensions. The market size of the mother-child e-commerce also realized rapid development by major manufacturers' efforts and hence Internet has become younger parents' preferred channel to purchase mother-child products. With a huge number of the post-80s and post-90s generation entering a peak period of marriage and child raising, China officially staged in its fourth baby boom. Meanwhile, China's 0-14 population has recorded positive growth rate since 2012, which is expected to be maintained in the next several years. In 2015, the online market of mother-child products valued US$360.6 billion. Since 2014, the growth rate of online transaction of mother-child products has exceeded the average growth rate of online shopping; and at the end of 2015, the online penetration rate reached 15.5%. With the mini baby boom approaching and the cross-border online shopping market developing, the mother-child market is indicating huge development potential.

The Group is a leading vertical CBM platforms in China, and its platforms include CI Web（育兒網）(www.ci123.com), other mobile Web, mobile APPs and the IPTV APP. Specialized in serving China's younger families, the Group operates platforms integrating online media, information, community, e-commerce, smart hardware, cross-border services, and mother-child value-added services together for online child parenting and education. Since its establishment, CI Web has witnessed rapid development and attracted wide attention from young parents and the media. Fascinating and interesting interactions among members, abundant parenting knowledge, scientific guidance from experts, experience sharing from countless mothers and authoritative science lectures help China's families nurture healthy and smart babies, and enable new parents to enjoy the happiness of raising children.

Under the leadership of the Board and efforts of all employees, the Group grasped driving forces to actively respond to opportunities and challenges in the market. As at the year ended 31 December 2015, the Group realized revenue of RMB79.8 million, representing an increase of 49.4% compared to last year; gross profit reached RMB70.0 million, representing an increase of 43.7% compared to last year. Profit for the year was RMB32.7 million, representing an increase of 66.8% compared to last year.

CONTINUE TO IMPROVE QUALITY PRODUCTS AND SERVICES WITH DIVERSIFIED DEVELOPMENT CREATING GREATER PLATFORM VALUE

During the Review Year, the Company continued its diversified revenue models. Based on major business sectors including online marketing and promotion, e-commerce and sales of smart hardware products, the Group has actively developed multiple online and offline (O2O) platforms, improved brand advantages, promoted business development, expanded customer resources, and achieved synergies with its partners. In 2015, the Group launched a new APP, "Mother-Child Weekend", and upgraded APPs including "Pregnancy reminder", "Mother Zone", and "Baby Plan APP", expanding services to financial management, parent-child activities based on cities, parent-child touring in surrounding regions, parent-child relationship nourishing, children's early education, and family entertainment. Developing parent-child activities based on cities and parent-child touring in surrounding regions is to capture first-mover advantage in the market, providing quality services that satisfy the needs of younger families.

DEPLOYMENT IN CROSS-BORDER SERVICES AND INTRODUCE OF INTERACTION TO STRENGTHEN DIFFERENTIATED ADVANTAGES

"Pregnancy reminder", the Group's APP targeting at pregnant users, presented its overseas edition in 2015. The overseas edition of "Pregnancy Notification" serves as the first bridge for the cross-border services of the Group, marking the Group's entering the Hong Kong market. On 16 November 2015, the Group announced the launching of the Hong Kong edition of the CI Web and the Group established its Hong Kong office for operations of the CI Web in Hong Kong. Meanwhile, the Company, together with Town Health International Medical Group Limited (stock code: 3886.HK) ("Town Health"), the largest healthcare group in Hong Kong, jointly launched smart mother-child healthcare, planning to introduce advanced healthcare information and services and develop healthcare tourism in Hong Kong; at the same time, the Company entered into collaboration with China Life Insurance (Overseas) Company Limited to launch smart family protection plan, proposing to introduce high quality family insurance services from overseas. Through the deployment of cross-border services, the Group plans to provide services of high quality, strengthen the differentiated advantages of CI Web, and accelerate the sound development of the domestic mother-child market.

MAINTAINED SOUND AND CLOSE COOPERATION WITH ITS PARTNERS, SEEKING FOR NEW COOPERATIVE PLATFORM

During the Review Year, the Company signed a strategic cooperative framework agreement with Nanjing Tuniu International Travel Agency Limited*, for expanding members and client groups of the Group in China. Moreover, by entering into collaboration with Yilucaifu Platform (一路財富平台) which is with fund sales qualification, the Group will expand the CBM Internet-based finance services, and establish the novel "mother-child + consumption + finance" scenario-based consumption and financial management. In addition, the Company entered into a service agreement with Beijing UnionPay Merchant Services Company Limited (北京銀聯商務有限公司) for using their UnionPay system and with Shenzhen City Tencent Computer System Company Limited (深圳市騰訊計算機系統有限公司) for using their WeChat payment system (微信支付). The Group maintains sound and close relationship with all of its partners, and the Group is seeking for more appropriate opportunities of cooperation to expand business.

* *For identification purpose only*

CHAIRPERSON'S STATEMENT

OUTLOOK

In 2016, growth rate of global economy is expected to develop at a slightly higher and economic growth will be further recovered. Driven by the two-child policy as well as rapid development of both the economy and the mother-child market, population of new births will maintain stable growth, and the mother-child industry will gradually become an important part of public consumption.

Under such background, the Group will grasp opportunities from the rapid development of the industry. Centered on the needs from users and guided by "Smart Mother-Child Strategies", the Group will present a series of high-quality and transformational programs including "Smart Family Early Education", "Smart Kindergarten", "Smart Early Education Center", "Smart Mother-Child Finance", "Smart Mother-Child Healthcare", "Smart Family Protection Plan", and "Smart Parent-Child Touring", so as to further enlarge the size and improve the profitability of the Group.

In addition, the Company will continue to develop O2O platforms, actively explore opportunities with partners to achieve the maximum of synergies, settle in the Hong Kong market to vigorously develop cross-border services, gradually open up overseas market in the mother-child industry, bring services of higher quality for the domestic mother-child industry, and set up higher industry standards.

Hereby, on behalf of the Board of the Company, I would like to extend my sincere gratitude to all of our employees for their hard work during the past year, and to shareholders for their continuous support.

Chairperson
Li Juan

18 March 2016

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Group is a leading vertical online platform for the Children-Babies-Maternity ("CBM") market in China. Specialized in value-added services such as integrating online media, information, community, e-commerce, smart hardware and cross-border services. Its platforms include CI Web, mobile APPs and the IPTV APP. In 2015, the Group entered the Hong Kong market and develop the cross-border services.

Specifically, in December 2015, the monthly active users ("MAU") of CI Web, the Company's flagship platform, reached 34.8 million and the daily active users ("DAU") reached 1.5 million. For the two years ended 31 December 2014 and 2015, the average MAU of CI Web were 19.0 million and 32.3 million respectively; while the average DAU were 0.9 million and 1.3 million, respectively. In December 2015, the MAU and DAU of the Group's APPs altogether (The Mobile APP's aggregated data are retrieved from two major Group's APPs, "Pregnancy reminder" and "Mother Zone") were 3.7 million and 0.9 million, respectively. For the two years ended 31 December 2014 and 2015, the average MAU of the Group's mobile APPs altogether were 1.6 million and 2.0 million, respectively; while the average DAU for the two years were 0.5 million and 0.5 million, respectively.

The Group has diversified revenue streams during the review year, including providing CBM industry clients with promotional services on the Group's platforms and making profit from advertising agents, non-advertising agents, third-party online shopping platforms, and sales revenue by developing business in Hong Kong. During the year ended 31 December 2015 (the "Review Year"), the Company demonstrated sound performance. The annual revenue amounted to RMB79.8 million, representing an increase of 49.4%; the gross profit reached RMB70.0 million, representing an increase of 43.4%; and the profit for the year was RMB32.7 million, representing an increase of 66.8%.

INDUSTRY REVIEW

The mother-child industry is thriving, indicating infinite market potential

For the year ended 31 December 2015, the online market of mother-child products was valued at US$360.6 billion, among which, the market for babies aged from 0 to 3 years old is expected to exceed US$83.0 billion. At the end of 2015, the online penetration rate had reached 15.5%. With the mini baby boom approaching and the cross-border online shopping market developing, the mother-child market is indicating huge development potential.

New parents of the post-80s and post-90s generations have great consumption potential with upgraded consumption awareness and capability. Since they have higher requirements for mother-child products with their increasing income providing consumption security for their pursuit of high-quality mother-child products, household consumption investment in mother-child products have been increasing. In 2015, against a background of slowdown in China's economic growth, the consumption market of mother-child products was not affected, accounting for 11% of household income. The two major driving forces mentioned above pushed forward the rapid development of the whole industry, and made China the second largest consumer of mother-child products after the United States in the world.

MANAGEMENT DISCUSSION AND ANALYSIS

Favorable policies rolled out frequently, releasing growth for future

With the two-child policy coming into effect, China's mother-child market will further release its market potential over the next several years. According to the data of new births in 2015 released by National Bureau of Statistics of China, the number of new births was 16.55 million in 2015. Encouraged by the two-child policy, the number of new babies is expected to increase by 7.50 million within 5 years, which will contribute to market consumption of RMB trillion yuan during 2015 to 2019. Therefore, the industry sees a more upbeat prospect in the mother-child market.

China's Internet market developing rapidly with O2O model contributing to sustainable business development

With the increasing popularity of mobile terminals like smartphones, mobile Internet has been developing rapidly, which satisfied younger user's need for utilizing fragments of time to acquire information and do shopping. CBM APPs, being more and more popular among young parents, becomes a major tool for them to study pregnancy experience and to have access to experts' answers to related questions. Meanwhile, CBM community also becomes a major platform for young parents to communicate. The ever-growing big data technology also enables CBM platforms to further develop the O2O model and integrate online and offline resources, so as to satisfy differentiated demands from users.

BUSINESS REVIEW

Satisfied users' needs through multiple platforms in a comprehensive way, and consistently optimized contents and services

For the year ended 31 December 2015, new APP "Mother-Child Weekend"(親子週末) and upgraded APP such as "Pregnancy reminder"(孕期提醒), "Mother Zone"(媽媽社區) and "Baby Plan APP"(寶貝雲計劃) have been released. With the Company's services expanding to pan-mother-child regions which include financial management, parent-child activities based on cities, parent-child touring in surrounding regions, parent-child relationship nourishing, children's early education, and family entertainment. Apart from websites, forums, mobile websites, mobile APPs and IPTV, the platforms have also expanded to third-party websites, social networks, discussion boards, and users' blogs, committing to satisfying users' needs from different levels through multiple platforms.

For satisfying user's immediate needs, the Company has invited nutritionists, traditional Chinese medicine practitioners and experts to regularly provide answers on the platform of CI Web for users with more considerate and humanized services. Meanwhile, for making its services more fascinating and establishing differentiated advantages in the industry, the Company has actively presented self-developed content of high quality, including launching a self-developed animated video clip named "Parenting: Do You Know This?"(育兒你造嗎?) which has been uploaded to famous video websites such as Sohu Video(搜狐視頻) to cater for the needs of users of the Group.

In addition, the Group has actively developed e-commerce business through its mobile APPs selling non-edible CBM related services and products. In respect to the development of smart hardware devices, the Group has developed the first smart hardware devices "the fetal heart monitoring device(胎心儀)" to the market during the year, and had been preparing for developing new smart devices. Meanwhile, the Group has continued to develop a number of O2O platforms, provide sponsor for O2O services, and aim at covering broader scope of business.

Enhanced influence on users, clients and industry, exerted brand effect of leading CBM platform

The Group continued to strengthen its operation and influence on users in 2015. Besides providing comprehensive and professional CBM information in a timely manner as well as diversified social networking, the Group also encouraged users' enthusiasm through online and offline activities as well. During the year, over 1,000 online activities and 500 offline activities were held to attract new users. In October 2015, the Group provided exclusive online media support to the largest "Pregnant Women Yoga Guinness Challenge 2015", which was the largest scale yoga challenge of the year that covered thousands of pregnant women at 11 obstetrics and gynecology hospitals in 8 cities across the country.

The Group's influence on the users has been further enhanced. In August 2015, the Group successfully held the "2015 MUM AND MORE, Mother-Child Cross-Industry Cooperation Summit"(2015 MUM AND MORE 母嬰跨界合作峰會) at Jing An Shangri-La Hotel, Shanghai, bringing elites from and out of the industry together. The Group has grasped the cross-industry integration trend in the mother-child industry, pushing the development of the industry to new heights.

Through organizing and participating in public welfare activities, the Group enhanced its influence on the industry and the society. The Group cooperated with China Social Welfare Foundation for concerns about infants and children safety, and collaborated with Female Cancer Prevention Fund of China of Women's Development Foundation for concerns about women's health. Meanwhile, the Group set up the "Yu Jian Ai"(育見愛) program, enabling users to connect with recipient schools and families, which further help the Group establish a brand image with greater social responsibility and public trust.

In addition, the Group has successfully signed Christine Fan (范瑋琪), a famous celebrity from Taiwan, as its spokesperson. Christine's intellectual and bright image as a mother fits perfectly with the Group's professional and quality brand image. The Group also brought up the "CI Web ease your pregnancy and parenting"(輕鬆孕育，上育兒網) slogan, set up standards of using the slogan across all the platforms and enhanced its awareness and recognition among users and in the industry.

Entered the Hong Kong market, deployed cross-border services, and devoted to expanding business geographic reach

During the Review Year, the Group entered the Hong Kong market, and actively developed cross-border services. On 16 November 2015, the Group announced the launching of the Hong Kong edition of the CI Web and the Group established its Hong Kong office for operations of the CI Web.

As a pioneer providing cross-border services within the Group, CI Web Hong Kong, together with Town Health jointly launched smart mother-child healthcare, planning to introduce advanced healthcare information and services and develop cross-border healthcare tourism in Hong Kong. Meanwhile, the Group cooperated with China Life Insurance (Overseas) Company Limited to launch smart family care, planning to introduce advanced overseas family insurance services from overseas, providing mothers and children in mainland China with high-quality cross-border services.

Moreover, "Pregnancy Reminder"(孕期提醒), the first overseas edition of smartphone APP has been released to become the first bridge to provide overseas service to Hong Kong and overseas users. Through cross-border service, the Group is also planning to deepen the services, to differentiate the business, and to boost the healthy development of China's mother-child market.

Targeted at quality partners to achieve win-win results and synergies

The Group also entered into collaboration with Yilucaifu Platform which possesses fund sales qualification. By our network platform, the Group will expand mother-child Internet-based financial services, establish the new "mother-child + consumption + finance" scenario-based mother-child financial management, filling the market gap and increasing user stickiness.

In addition, on 22 December 2015, the Company signed a strategic cooperative framework agreement with Nanjing Tuniu ("Tuniu") for realizing reciprocal recognition of membership and establishing synergies. In the future, the Company, together with Tuniu, will jointly establish "high, refined and deep" smart parent-child tourism, which stands for parent-child tourism of high quality, refinement and deep insight, conduct in-depth collaboration in the parent-child tourism market.

Meanwhile, the Group also collaborated with overseas partners. The Group entered into collaboration with Town Health, who will periodically provide most updated healthcare information and services to CI Web, dispatch Hong Kong medical practitioners to attend seminars held by CI Web in mainland China. Town Health's users in Hong Kong will receive overseas services provided by CI Web, which will assist CI Web to expand its overseas markets. On the other hand, China Life Insurance (Overseas) Company Limited and the Group will jointly launch the smart family protection plan, by customizing family protection products with lower costs, more types, and wider coverage areas. China Life Insurance (Overseas) Company Limited can target the mother-child group in Hong Kong and abroad more precisely, which will boost the expansion of overseas markets for the Company.

Targeting at quality partners, the Company entered into a service agreement with Beijing Union-Pay Merchant Services Company Limited (北京銀聯商務有限公司) for using their UnionPay system and with Shenzhen City Tencent Computer System Company Limited (深圳市騰訊計算機系統有限公司) for using their WeChat payment system (微信支付) which have already been able to use by e-commerce users. Such cooperation has contributed to the Company's development in the e-commerce field, expanding diversified revenue streams.

The business target and actual business progress comparison

The following table shows the comparison between the business target in the Company's prospectus dated 30 June 2015 and the actual business progress as per 31 December 2015:

Business Target	Particulars	Actual business progress as per 31 December 2015
Strengthening Research and Development Capabilities	Increase original contents in Platforms and improve user interface	• Develop several platform of original knowledge content, such as: original animation series.
	Increase the number of downloads and use of our Mobile APPs through obtaining entrances slots in online APP stores	• Develop all forms of platform such as "Mother-Child Weekend" and upgraded APP such as "Pregnancy reminder" and "Mother Zone".
	Marketing of interactive family entertainment system product and early learning	• Expanding to pan-mother-child regions which include parent-child relationship nourishing, children's early education, and family entertainment.

Business Target	Particulars	Actual business progress as per 31 December 2015
Enhance the user base and Internet traffic of our Platform	Increase number of visits of our PC Web through securing entrance slots in search engines and navigation sites Increase the number of downloads and use of our Mobile APPs through obtaining entrances slots in online APP stores Marketing of interactive family entertainment system product and early learning	• By comparing with 2014, the MAU and DAU of CI Web have increased 70% and 40% respectively. • The plan of marketing of interactive family entertainment system product and early learning will be started in 2016.
Develop our e-commerce business and related O2O business	Expand and diversify our e-commerce platform Increase the O2O elements in our Mobile APPs Develop and marketing fetal heart monitoring device（胎心儀）and other smart-hardware devices that can connect with our Mobile APP	The Group has actively developed e-commerce business: • Through the following cooperation and satisfied the user's demand in order to increase the consumer's loyalty and attract new users. • The Group has entered into collaboration with Yilucaifu Platform and expand mother-child Internet-based financial services. • The Group has signed a strategic cooperative framework agreement with Nanjing Tuniu and Town Health. • The Group and China Life Insurance (Overseas) and the Group will jointly launch the smart family protection plan. • During 2015, the group has held over 1,000 online activities and 500 offline activities. • The Group successfully held the "2015 MUM AND MORE, Mother-Child Cross-Industry Cooperation Summit". • Other than developing the first smart hardware device, the Group has started to develop the new smart device. • The Group has started to sell goods in Hong Kong.

Business Target	Particulars	Actual business progress as per 31 December 2015
Acquisition of or investment in other companies engaging in O2O and CBM related businesses	Expand our business through acquisition of or investment in other companies engaging in CBM related business.	• The Group does not have any confirmed acquisition or investment plan.
Enhancing marketing and promotional services	Organise more social activities and expand our marketing and promotion team.	• Marketing and promotional services increased continuously from advertising agencies, non-advertising agencies and third-party online shopping. Meanwhile, these are the major revenue contribution of the Group.
Working capital and other general corporate purposes	Utilise the working capital according to our needs and for other general corporate purpose.	• The working capital has been used on daily operation and general corporate purposes.

PROSPECTS

Through the adoption of two-child policy announced by the China government in 2015, the birth expectancy is expecting to increase at a dramatic rate. Meanwhile, the maternal and infant industry in China is set to bloom over the next couple of years. As one of the leading companies within the industry, we are expecting a great increase in revenue.

Continue to establish the "Smart Mother-Child Strategies", expand uncontested markets

In 2016, the Group will continue to develop the "Smart Mother-Child Strategies"(智慧母嬰戰略) which includes "Smart Pregnancy"(智慧孕期), "Smart Family Early Education"(智慧家庭早教), "Smart Kindergarten"(智慧幼稚園), "Smart Early Education Center"(智慧早教中心), "Smart Mother-Child Finance"(智慧母嬰金融), "Smart Mother-Child Healthcare"(智慧母嬰醫療), "Smart Family Protection Plan"(智慧家庭保障計劃), and "Smart Parent-Child Tour"(智慧親子游), so as to expand new business fields.

The strategies were based on the big data, that the Group has accumulated for years. The current parenting network can only satisfy the general needs of the major parenting group but did not discover and satisfy their deeper demands. By providing the financial, medical, travel, insurance, early education and entertainment sector, the Group will be able to satisfy all kinds of users' deepen needs and demands. Through investigating the parenting Group and internet technology, it may accelerate the integration and upgrading between the new field of Internet and mother-child industry led by the Group and the traditional fields, expand the mother-child industry by crossing platforms, combine upstream and downstream industries, to improve product quality and experience of the mother-child industry, so as to further satisfy the needs for mother-child segmentation groups from consumers and establish a smart mother-child ecosystem that has a better understanding of users. To align with this strategy, the Group will continue to innovate and develop, and to launch new CBM APPs and platforms.

Continue to promote O2O cooperative model, identifying direction of resource sharing

The O2O cooperative model has positively contributed to the Group's business development and further expanded the business size and users of the Group. In the coming year, the Group will continue to combine O2O platforms and advanced technology programs to provide premium services and resources for users. Meanwhile, the Group will upgrade and focus on the APPs such as "Mother-Child Weekend"(親子週末), integrating online and offline resourses, and cooperating with appropriate offline merchants in a timely manner, so as to improve the profitability for the Company and provide a comprehensive and premium platform for different types of users.

Actively explore partners, realize the maximum of synergies

In 2015, the Group cooperated with numbers of institutions both in the CBM market and multiple cross-industry areas, which is not only extended the business scope of the Group, but also developed uncontested market, but also providing users with differentiated services and hence benefit the majority of users. In the following year, the Group will continue to explore opportunities of formulating cooperative strategies and plans with appropriate companies and institutions, so as to further improve the Group's brand image and market position, realize the maximum of synergies, and achieve win-win results.

Vigorously develop cross-border services, promote profits within and out of the border

During the Review Year, the Group initiated cross-border business deployment and presented the first overseas edition of one of its APPs. In 2016, the Group will continue to carry out overseas market strategies. In order to attract more overseas users and expand the Group's business, more overseas APPs are expected to be launched. On the other hand, the cross-border deployment aims at introducing quality mother-child services and resources from overseas, establishing higher standards in domestic mother-child industry, and accelerating the organic growth of domestic mother-child market.

Develop value-added services of smart hardware, continue R&D in smart hardware

In 2016, the Group will continue to promote the sales of an existing smart hardware "the fetal heart monitoring device (胎心儀)", further improve and upgrade the data interaction between the device and its APP, and its social networking functions. The Group will continue on researching and developing more useful smart hardware and optimize user's experience, and ultimately increase active users and their participation.

Continue to develop original contents, increase user stickiness

The Group always adheres to providing diversified and quality contents. In the coming year, based on our large database, the Group will continue to further identify users' needs, compose original contents of knowledge in multiple formats, creating hot topics for the market, increase user stickiness, attract more customers from different levels and types, so as to achieve a more comprehensive market coverage.

Moreover, the Group plans to release an original media union which includes traditional parenting media, Wechat, Weibo and all kinds of news channels. This will converge high quality messages resources and provide a professional immediate abundant and easy-under standing message platform for the users; and strengthen the integration of content and influence towards the CBM industry.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The Group's revenue for the year ended 31 December 2015 was approximately RMB79.8 million, representing an increase of approximately 49.4% over approximately RMB53.4 million for the year ended 31 December 2014, primarily due to the increased number of brands placing advertisements on the Group's Platform and the increased average advertising spending by these brands.

Cost of sales

The Group's cost of sales for the year ended 31 December 2015 was approximately RMB9.8 million, representing an increase of approximately 108.5% over approximately RMB4.7 million for the year ended 31 December 2014, primarily due to (i) the increasing purchase cost of goods sold in the Group's e-commerce and sales of goods business; and (ii) the increase in the salaries and welfares, which were driven by the new recruits in e-commerce department and an increase in the number of editorial staff.

Gross profit and gross profit margin

The Group's gross profit for the year ended 31 December 2015 was approximately RMB70.0 million, representing an increase of approximately 43.7% over approximately RMB48.7 million for the year ended 31 December 2014. During the year, the Group's gross profit margin decreased slightly from approximately 91.2% to approximately 87.7% due to higher costs in relation to e-commerce compared to marketing and promotional service.

Other income and gains

The Group's other income and gains for the year ended 31 December 2015 was approximately RMB2.4 million, compared to approximately RMB0.7 million for the year ended 31 December 2014, primarily due to the government grants provided by the local government as a development support funds.

Selling and distribution expenses

The Group's selling and distribution expenses for the year ended 31 December 2015 was approximately RMB8.6 million, representing an increase of approximately 41.0% over approximately RMB6.1 million for the year ended 31 December 2014, primarily attributable to the increase of promotion expense for holding the "2015 MUM AND MORE, Mother-Child Cross-Industry Cooperation Summit" and engaging Ms. Christine Fan as the spokesperson.

Administrative expenses

The Group's administrative expenses for the year ended 31 December 2015 was approximately RMB16.3 million, representing an increase of approximately 109.0% over approximately RMB7.8 million for the year ended 31 December 2014, primarily due to legal and professional expenses incurred from preparation for the Company's listing on GEM.

Research and development costs

The Group's research and development costs for the year ended 31 December 2015 was approximately RMB13.7 million, representing a decrease of approximately 12.7% over approximately RMB15.7 million for the year ended 31 December 2014, primarily attributable to the fact that substantial development work, including graphic art and music design, of the Group's Mobile APPs was outsourced to third parties in 2014, and also, with the accumulation of experience of the Group's developing personal, more development works were performed by the Group's in-house staffs in 2015.

Income tax expense

The Group's income tax expense for the year ended 31 December 2015 was approximately RMB1.0 million, representing an increase of approximately 233.3% over approximately RMB0.3 million for the year ended 31 December 2014, primarily attributable to the increase in profit before tax.

Profit for the year

As a result of the factors described above, the Group's net profit for the year ended 31 December 2015 was approximately RMB32.7 million, representing an increase of approximately 66.8% over approximately RMB19.6 million for the year ended 31 December 2014.

Earnings per Share

Earnings per Share rose by 122.8% from RMB0.0171 in 2014 to RMB0.0381 in 2015.

Gearing ratio

As at 31 December 2015, the gearing ratio of the Group, calculated as total liabilities, divided by total assets, was 8.0% (31 December 2014: 52.6%).

Capital Expenditure

Our capital expenditure was RMB0.7 million for the year ended 31 December 2015 (31 December 2014: RMB0.2 million). The Group's capital expenditures were mainly related to the purchases of servers, computers and office equipment.

Liquidity and Capital Resources

As at 31 December 2015, the Group had net current assets of approximately RMB265.3 million (31 December 2014: approximately RMB18.5 million) and the cash and cash equivalents of approximately RMB247.8 million (31 December 2014: approximately RMB9.6 million).

As at 31 December 2015, the Group had bank borrowing of RMB10.0 million (31 December 2014: nil). The Group's bank borrowings were denominated in RMB and unsecured. The table below sets forth selected cash flow data from our consolidated statement of cash flows:

	2015 **RMB'000**	2014 RMB'000
Net cash flows from operating activities	**11,089**	17,018
Net cash (used in)/from investing activities	**(20,064)**	183
Net cash flows from/(used in) financing activities	**233,546**	(18,515)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**224,571**	(1,314)
Cash and cash equivalents at beginning of year	**9,618**	10,932
Effect of foreign exchange rate changes, net	**13,606**	–
CASH AND CASH EQUIVALENTS AT END OF YEAR	**247,795**	9,618
Cash and cash equivalents as stated in the statement of financial position	**247,795**	9,618

Operating activities

Net cash flows from operating activities decreased from approximately RMB17.0 million in 2014 to RMB11.1 million in 2015, which was primarily attributable to payment for listing-related expenses.

Investing activities

Net cash flows used in investing activities was approximately RMB20.1 million in 2015, compared to net cash flows from investing activities of RMB0.2 million in 2014, which was primarily attributable to (i) purchase of available-for-sale investments with the amount of RMB12.0 million and; and (ii) net cash outflow for sale and finance leaseback of RMB7.5 million.

Financing activities

Net cash flows from financing activities was approximately RMB233.5 million in 2015, compared to net cash flows used in financing activities of approximately RMB18.5 million in 2014, which was primarily attributable to the net proceeds from the the Company's listing on 8 July 2015.

Foreign exchange exposure

The Group's transactions are mainly denominated in RMB. Certain of the Group's cash and bank deposits are denominated in Hong Kong dollars. The Group did not experience any material impact or difficulties in liquidity on its operations resulting from the fluctuation in exchange rate, and no hedging transaction or forward contract arrangement was made by the Group during the Review Year. However, the management closely monitors foreign exchange exposure to ensure appropriate measures are implemented in a timely and effective manner. In this respect, the Group is not exposed to any significant foreign currency exchange risk in its operation.

Capital structure

The shares of the Company (the "Shares") have been listed on GEM of the Stock Exchange since 8 July 2015. The capital structure of the Group comprised ordinary shares.

Capital Commitment

As at 31 December 2015, the Group had no capital commitment (31 December 2014: Nil).

Employees, training and remuneration policy

The remuneration committee of the Company will review and determine the remuneration and compensation packages of Directors with reference to their responsibilities, workload, the time devoted to the Group and the performance of the Group. Directors may also receive options to be granted under the share option scheme adopted by the Company on 19 June 2015 (the "Share Option Scheme"). In general, the Group determines employees' salaries based on their performance and length of services. The Directors believe the salaries and benefits provided to the employees are competitive with local market standards. The Group also contributes to the social insurance in the PRC.

The Group has implemented training for new employees during their course of employment in order to ensure that employees are able to meet the job requirements. In addition, the Group will occasionally arrange internal and external trainings for the Group's employees. For external trainings, external speakers who have extensive experience in information technology may be invited to attend the Group's office to perform the training, and for internal trainings, the topics may include finance, accounting, risk management or information technology and such trainings will be conducted by the relevant department. The Group considers these on job trainings are necessary for the employees to handle issues which may arise in their day to day operations and can enhance their ethic and morale.

As at 31 December 2015, the Group has a total of 162 employees including executive Directors (31 December 2014: 163 employees). Total staff costs were approximately RMB22.9 million for the Year (31 December 2014: approximately RMB20.5 million).

Material acquisitions and disposals of subsidiaries

During the review Year, the Group did not have any material acquisitions or disposals of subsidiaries.

Available-for-sale financial assets

The Group has contributed RMB2.0 million accounting for 10% of the registered capital. A company mainly engaged in researching, developing and selling intelligent robots, which is introduced to early education industry initiatively and fill up this blank in the industry.

Another investment of the Group amounting to RMB10.0 million accounting for 10% of the registered capital of a company which develops rapidly particularly in animation process and sales of accompanying toys. It owns professional animation team and can develop, produce, and communicate 2D/3D cartoon and accompanying toys. Sales channels cover all 1st and 2nd tier of cities in PRC with more than 100 distributors, covering thousands of primary schools and terminal sales outlet.

The Group is positive of the prospects of the above companies due to the continuing growth in markets of both intelligent robots and cartoon, which will bring new opportunities to our Group.

Charges of assets

As at 31 December 2015, the Group did not make any pledged bank deposit (31 December 2014: Nil).

Contingent Liabilities

As at 31 December 2015, the Group did not have any significant contingent liabilities (31 December 2014: Nil).

Dividends

The Board does not recommend the payment of a final dividend for the year ended 31 December 2015 (for the year ended 31 December 2014: Nil).

DIRECTORS AND SENIOR MANAGEMENT'S PROFILE

DIRECTORS

Executive Directors

Mr. Cheng Li（程力）, aged 33, is an executive Director, our chief executive officer and compliance officer. Mr. Cheng was appointed as a Director on 11 February 2015. He is also a director of Nanjing Xihui, Nanjing Xinchuang and Nanjing Fuyuan, and a member of the remuneration committee. Mr. Cheng is responsible for management of the day-to-day operations of our Group. Mr. Cheng joined our Group as a graduate program engineer of Nanjing Xinchuang in April 2005. Mr. Cheng has more than 9 years of working experience in the information technology industry. During his employment with our Group in the past 10 years, Mr. Cheng was initially responsible for website development and maintenance and has been gradually promoted to the management level of our Group responsible for overseeing the general operation and management of our Group. Mr. Cheng obtained a bachelor degree in management majoring in e-commerce in June 2006 from Southeast University（東南大學）in the PRC. Mr. Cheng is also the sole shareholder and director of Victory Glory Holdings Limited, a corporation interested in 120,000,000 shares.

Mr. Hu Qingyang（胡慶楊）, aged 39, is an executive Director. Mr. Hu was appointed as a Director on 11 February 2015. Mr. Hu is responsible for management of the day-to-day operations of our Group. Mr. Hu has more than 11 years of working experience in relation to education services (including on-line education and education project management). From April 2004 to January 2008, Mr. Hu worked as the vice general manager of Jiangsu Wenxue Education Development Company Limited（江蘇問學教育發展有限公司）responsible for overseeing the planning and execution of education projects. Mr. Hu joined our Group in April 2008 as the vice president of Nanjing Xinchuang mainly responsible for developing our CBM educational information and products. Mr. Hu completed a long-distance learning course in economic administration（大專班經濟管理專業）issued by the Correspondence Institute of the Party School of the Central Committee of C.P.C（中共中央黨校函授學院）in the PRC in June 2007. Mr. Hu was awarded the title of excellent association staff（優秀學會工作者）by Nanjing Association of Social Science（南京市社會科學界聯合會）in December 2004.

Mr. Zhang Lake Mozi, aged 30, is an executive Director and our chief financial officer. Mr. Zhang was appointed as a Director on 11 February 2015. Mr. Zhang is responsible for management of finance and investors' relationship of our Group. Mr. Zhang is currently a director of CHINA MA Investment Limited（香港中馬投資有限公司）which he co-founded in August 2012. From February 2011 to August 2012, Mr. Zhang worked as a marketing director in Beijing Xuyihe Culture Media Co., Ltd.（北京旭羿和文化傳媒有限公司）. Mr. Zhang obtained a bachelor degree of arts majoring in economics and minoring in mathematics from the University of Alberta in Canada in June 2009. Mr. Zhang is the sole shareholder and the director of Sharp Knight Limited which holds 84,000,000 Shares on trust for Zhongchengma Beijing Investment Consultation Company Limited* which is wholly-owned by Ms. Wang Rong, the spouse of Mr. Zhang.

Non-executive Directors

Ms. Li Juan（李娟）, aged 37, is a non-executive Director, our chairperson and the founder of our Group. Ms. Li is the spouse of Mr. Wu Haiming, a non-executive Director. She is also a director of Shining World Investments Limited, Star Universal Holdings Limited and Xibai (Nanjing) Information Technology Company Limited*, and the chairperson of the nomination committee and a member of the audit committee. Ms. Li is responsible for supervising the overall management and strategic planning of our Group. Ms. Li was appointed as a Director on 13 October 2014. Ms. Li currently works as a project manager with China Hewlett-Packard Co., Ltd.（中國惠普有限公司）, which she has joined since October 2006. Ms. Li obtained a bachelor degree of science majoring in computer science and technology from China University of Geoscience（中國地質大學）in June 2000. Ms. Li Juan is also the sole shareholder and director of Loyal Alliance Limited and Prime Wish Holdings Limited, the controlling shareholders of the Company.

* *For identification purpose only*

DIRECTORS AND SENIOR MANAGEMENT'S PROFILE

Mr. Wu Haiming（吳海明）, aged 48, is a non-executive Director. Mr. Wu was appointed as a Director on 11 February 2015. Mr. Wu is the spouse of Ms. Li Juan, our chairperson and a non-executive Director. Mr. Wu is responsible for formulating and directing the overall operations and development strategy of our Group. Mr. Wu has been participating in the management of our Group since our first operating subsidiary, Nanjing Xinchuang, was established in April 2005. Mr. Wu had worked as an engineer and program manager of Lightwaves 2020, Inc. in Silicon Valley of the United States. Mr. Wu has more than 15 years of working experience in the information technology industry. Mr. Wu obtained a bachelor degree majoring in radio technology in July 1990, and a PhD degree in engineering majoring in physical electronics and optoelectronics in April 1997, both from Southeast University（東南大學）in the PRC respectively. From February 1997 to December 1998, Mr. Wu was a post-doctoral fellow and research student in the University of Yamanashi in Japan and from April 2000 to March 2001, Mr. Wu worked as a researcher in the Research Institute of Innovative Technology for the Earth (RITE) in Kyoto, Japan. Mr. Wu was appointed as the director of the key laboratory for the development and study of science and media technology of children in Suzhou（蘇州市兒童發展與學習科學媒體技術重點實驗室）by the Suzhou Research Institute of Southeast University（東南大學蘇州研究院）in December 2007.

Mr. Hsieh Kun Tse（謝坤澤）, aged 51, is a non-executive Director. Mr. Hsieh was appointed as a Director on 11 February 2015. Mr. Hsieh is responsible for supervising the overall management and strategic planning of our Group. Mr. Hsieh is currently the general manager of Shanghai AMVC Investment Management Centre（上海早鳥投資管理中心（有限合伙））, which he co-founded in November 2013. Mr. Hsieh worked as the vice president of Sunchime Cartoon Group Company Limited（三辰卡通集團有限公司）from January 2003 to June 2006. Mr. Hsieh worked as the general manager of content and image business department of Guangdong Alpha Animation & Culture Co., Ltd.（廣東奧飛動漫文化股份有限公司）from January 2008 to August 2013. Mr. Hsieh has been appointed as a supervisor for master students and a visiting professor of school of animation and digital arts of the Community University of China（中國傳媒大學動畫與數字藝術學院）since May 2007. Mr. Hsieh obtained a bachelor degree in information engineering from Chung Yuan Christian University（中原大學）in Taiwan in January 1990. Mr. Hsieh obtained a master degree in commerce from the Research Institute for corporate management of Chinese Culture University（中國文化大學）in Taiwan in June 1992 and another master degree of business administration from National Taiwan University（國立臺灣大學）in June 2006. Mr. Hsieh is the sole owner and director of Properous Commitment Holdings Limited and Winner Zone Enterprises Limited which are interested in 51,600,000 and 104,400,000 shares respectively.

Independent Non-executive Directors

Mr. Wu Chak Man（胡澤民）, aged 43, is an independent non-executive Director. Mr. Wu was appointed as a Director on 19 June 2015. Mr. Wu is the chairperson of the audit committee. Mr. Wu has been appointed since 30 October 2014 and is currently a director of MFund GP. Ltd., which is involved in mobile internet investment in the PRC. Mr. Wu has been appointed since 16 June 2014 and is currently an independent non-executive director of Tian Ge Interactive Holdings Limited, a HK-listed company engaged in operating social video platforms in the PRC (stock code:1980). Mr. Wu worked as the chief executive officer of 91 Wireless Websoft Limited (now known as Baidu 91 Wireless), a company engaged in the development and operating of smartphone application distribution platforms from January 2011 to February 2014 and was responsible for the overall management and strategic planning of the company. Mr. Wu joined NetDragon group in 2004 and acted as the vice president and chief financial officer of NetDragon Websoft Inc. ("NetDragon"), a companywhose shares were initially listed on the GEM in November 2007 and were subsequently listed on the main board of the Stock Exchange (stock code: 0777) in 2008. NetDragon is principally engaged in online games and mobile Internet business, and hence he has more than 6 years of financial management experience in public company. Mr. Wu retired from the position of vice president and chief financial officer of NetDragon in 2013. From 1995 to 1999, Mr. Wu served as the vice president, in charge of marketing, in Beco Biological Research Inc. a company engaged in health food and nutrition supplements business. Mr. Wu graduated with a bachelor degree in economics from the University of California, Berkeley in the United States in August 1994, and a master degree in business administration from Duke University in the United States in May 2004.

DIRECTORS AND SENIOR MANAGEMENT'S PROFILE

Mr. Zhao Zhen (趙臻), aged 47, is an independent non-executive Director. Mr. Zhao was appointed as a Director on 19 June 2015. Mr. Zhao is a member of the remuneration committee and the nomination committee. Mr. Zhao worked as a Manager of System/Software Engineering in Hewlett-Packard from March 2004 to March 2008. Mr. Zhao obtained a bachelor degree majoring in aero-engine from Nanjing University of Aeronautics and Astronautics (南京航空航天大學) (formally known as Nanjing Aeronautics College (南京航空學院)) in July 1990. He obtained a master degree of science in January 1996 and a master degree of science in October 1997 both from Rutgers, The State University of New Jersey in the United States.

Mr. Ge Ning (葛寧), aged 57, is an independent non-executive Director. Mr. Ge was appointed as a Director on 19 June 2015. Mr. Ge is the chairperson of the remuneration committee and a member of the audit committee and the nomination committee. Mr. Ge is a director of Wiscom System Co., Ltd. (江蘇金智科技股份有限公司), a PRC company listed on the Shenzhen Stock Exchange (stock code: 002090), which is principally engaged in the design, development, manufacturing and operation of power grid business. Mr. Ge is also the chairman of Jiangsu Jinzhi Holding Co., Ltd., (江蘇金智集團有限公司), a shareholder of Wiscom System Co., Ltd. (江蘇金智科技股份有限公司). Mr. Ge graduated from Nanjing Science College (南京工學院) (now known as Southeast University (東南大學)) and completed a two-year course in electronic technology in January 1981. Mr. Ge completed an executive MBA programme and was awarded a master degree of business administration by China Europe International Business School (中歐國際工商學院) in November 2004.

Save as disclosed above, there are no other directorships held by our Directors in any listed company whose securities are listed on any stock exchange in Hong Kong or overseas within the three years preceding the date of this annual report.

SENIOR MANAGEMENT

Mr. Zhang Hua (張華), aged 32, is one of our technology directors and is responsible for planning strategic development and management of the development department of our Group. Mr. Zhang joined our Group in June 2006. Mr. Zhang obtained a bachelor degree of science majoring in applied mathematics in Southeast University (東南大學), the PRC in June 2006.

Mr. Jiang Nan (江南), aged 33, is one of our technology directors and is responsible for setting direction for technology development, strategic planning and management of the technology department of our Group. Mr. Jiang joined our Group in July 2006. Mr. Jiang obtained a bachelor degree in science majoring in applied mathematics in Southeast University (東南大學) in July 2006.

Mr. Shen Tonghui (沈彤輝), aged 33, is the product director and is responsible for planning the development direction and operation of the business department of our Group. Mr. Shen joined our Group in September 2007. Prior to joining our Group, Mr. Shen worked as a project engineer in Nanjing Hanweb Co., Ltd (南京大漢網絡有限公司) from November 2005 to November 2006. From November 2006 to August 2007, Mr. Shen worked in Nanjing Skytech Co., Limited (南京擎天科技有限公司) and was responsible for testing work. Mr. Shen obtained a bachelor degree of arts majoring in artistic designing in the Institute of Adult Higher Education of Nanjing University of the Arts (南京藝術學院成人教育學院) in January 2011 and a master degree in engineering majoring in software engineering (digital media art) in Wuhan University (武漢大學) in June 2014.

DIRECTORS AND SENIOR MANAGEMENT'S PROFILE

Mr. Qin Chuan (秦川), aged 32, is one of our technology directors and is responsible for setting direction for technology development and product planning of the research and development department of our Group. Mr. Qin joined our Group in August 2007. Mr. Qin majored in e-commerce and graduated from Southeast University (東南大學) in June 2007.

Ms. Wei Honghong (韋紅紅), aged 30, is the sales director and is responsible for the overall planning and management of advertising sales and customer services of our Group. Ms. Wei joined our Group in July 2007. Ms. Wei obtained her bachelor degree in management majoring in information management and information system from Nanjing University (南京大學) in June 2007.

Mr. Huang Chaozi (黃朝滋), aged 31, is the product director and is responsible for planning the development direction and operation of the business department of our Group. Mr. Huang joined our Group in October 2008. Mr. Huang graduated from Nanjing Agricultural University (南京農業大學) (adult higher education 成人高等教育) majoring in information management and information system in January 2008.

CORPORATE GOVERNANCE REPORT

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company believes that good corporate governance practices are most essential for maintaining and promoting investor confidence as well as the sustainable growth of the Group. The Board sets appropriate policies and implements relevant corporate governance practices with a view to further development and achieve business growth for the Group. The Board is committed to strengthening the Group's corporate governance practices, to ensure transparency and accountability of the Company's operations.

The Company has adopted the code provisions of the Corporate Governance Code ("Corporate Governance Code") set out in Appendix 15 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules"). In the opinion of the directors, the Company has complied with all the code provisions as set out in the Corporate Governance Code during the period from the listing of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited on 8 July 2015 (the "Listing Date") up to 31 December 2015.

The Company regularly reviews its corporate governance practices to ensure compliance with the Corporate Governance Code.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the required standard of the code of conduct regarding dealings in securities by the director (the "Model Code") as set out in Rule 5.48 to Rule 5.67 of the GEM Listing Rules as its code of conduct regarding the directors' securities transactions. The Directors, having made specific enquiry to all the directors of the Company, confirm that during the period from the Listing Date up to 31 December 2015, they have complied with the required standard regarding directors' securities transactions as set out in the Model Code.

WRITTEN GUIDELINES FOR RELEVANT EMPLOYEES OF THE COMPANY IN RESPECT OF THEIR DEALINGS IN SECURITIES

The Company has also established written guidelines on the employees' securities transactions on no less exacting terms than the Model Code (the "Employees Written Guidelines") to regulate securities transactions by employees (including the Directors or employees of the subsidiaries or holding company of the Company) who are likely to possess inside information of the Company and/or its securities. The Company is not aware of any non-compliance of the Employees Written Guidelines by the employees.

Should the Company becomes aware of any restricted period for dealings in the Company's securities, the Directors and relevant employees shall be notified in advance.

BOARD OF DIRECTORS

The Board consists of nine Directors, including three executive Directors: Mr. Cheng Li, Mr. Zhang Lake Mozi and Mr. Hu Qingyang; three non-executive Directors: Ms. Li Juan, Mr. Wu Haiming and Mr. Hsieh Kun Tse; three independent non-executive Directors: Mr. Wu Chak Man, Mr. Zhao Zhen and Mr. Ge Ning.

CORPORATE GOVERNANCE REPORT

The Board supervises the management of the business and affairs of the Company and ensures that it is managed in the best interests of the shareholders as a whole while taking into account the interest of other stakeholders. The Board is primarily responsible for formulating the business strategy, reviewing and monitoring the business performance of the Group, approving the financial statements and annual budgets as well as directing and supervising the management of the Company. Execution of operational matters and the powers thereof are delegated to the management by the Board with clear directions. The Board is provided with management and reports updated on a regular basis to give a balanced and understandable assessment of the performance, position, recent development and prospect of the Group in sufficient details.

The biographical details of the Directors of the Company are set out in the section headed "Directors and Senior Management's profile" in this annual report. Other than the spousal relationship between Mr. Wu Haiming and Ms. Li Juan, there is no other relationship between the members of the Board. Each executive Director is suitably qualified for his/her position, and has sufficient experiences to hold the position so as to carry out his/her duties effectively and efficiently.

Details of each Director's remuneration for the year ended 31 December 2015 are set out in note 8 of the financial statements.

CHAIRPERSON AND THE CHIEF EXECUTIVE OFFICER

The Company supports the division of responsibilities of the Chairperson of the Board and the Chief Executive Officer in order to ensure balance of power and authorities. Ms. Li Juan is the Chairperson, and Mr. Cheng Li is the Chief Executive Officer.

The Chairperson provides leadership and is responsible for the effective functioning of the Board in accordance with good corporate governance practice, while the Chief Executive Officer focuses on the daily management of the businesses of the Group, and implements such objectives, policies, strategies and business plans as approved and instructed by the Board.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Independent non-executive Directors play a significant role in the Board by bringing their independent judgment at the Board meeting and scrutinizing the Group's performance. Their views carry significant weight in the Board's decisions, in particular, they bring an impartial view to bear on issues of the Group's strategy, performance and control. The independent non-executive Directors possess various skills and experiences in their respective fields and have provided their independent advices on the Group's business strategies, results and management so that all interests of Shareholders have been taken into account, and the interests of the Company and its Shareholders are protected.

During the period from the Listing Date up to 31 December 2015, the Company has appointed at least three independent non-executive directors as required under Rule 5.05(1) of the GEM Listing Rules. Furthermore, one of the independent non-executive director, namely Mr. Wu Chak Man possesses professional financial management expertise as required by Rule 5.05(2) of the GEM Listing Rules.

The Company has received the annual confirmations of independence from each of the existing independent non-executive Directors in accordance with Rule 5.09 of the GEM Listing Rules. Based on the contents of such confirmations, the Company considers that all the independent non-executive Directors are independent and that they have met the specific independence guidelines as set out in Rule 5.09 of the GEM Listing Rules.

BOARD DIVERSITY POLICY

Pursuant to the Corporate Governance Code, the Board adopted a board diversity policy on 19 June 2015. The Company recognises and embraces the benefits of diversity of Board members. While all Board appointments will continue to be made on a merit basis based on its business needs from time to time while taking into account of diversity, the Company will ensure that the Board has a balance of skills, experience and diversity of perspectives necessary to enhance the effectiveness of the Board and to maintain high standards of corporate governance. Selection of candidates will be based on a range of diversity perspectives with reference to the Company's business model and specific needs, including but not limited to gender, race, language, cultural background, educational background, industry experience and professional experience. The nomination committee of the company will also give consideration to the board diversity policy when identifying suitably qualified candidates to become members of the Board, and the Board will review the board diversity policy on a regular basis to ensure its effectiveness.

TRAINING AND SUPPORT FOR DIRECTORS

All Directors are responsible for their collective responsibilities. Any newly appointed Director would receive an induction package covering the Group's operations, businesses, governance policies and the statutory regulatory obligations and responsibilities of a director of a listed company. The Directors have been informed of the requirement under code provision A.6.5 of the Corporate Governance Code regarding continuous professional development. According to the records maintained by the Company, the existing Directors have received the following training during the year ended 31 December 2015 with an emphasis on the roles, functions and duties of a director of a listed company in compliance with the requirement of the Corporate Governance Code on continuous professional development:

	Updates on Corporate Governance/Laws, Rules and Regulations		Accounting/Financial/ Management/Industry or Other	
	Attend Seminars/Webinars			
	Attend Seminars		Webinars	
Name of Director	**Read materials**	**Briefings**	**Read materials**	**Briefings**
Executive Directors				
Mr. Cheng Li	✓	✓	✓	✓
Mr. Zhang Lake Mozi	✓	✓	✓	✓
Mr. Hu Qingyang	✓	✓	✓	✓
Non-executive Directors				
Ms. Li Juan	✓	✓	✓	✓
Mr. Wu Haiming	✓	✓	✓	✓
Mr. Hsieh Kun Tse	✓	✓	✓	✓
Independent non– executive Directors				
Mr. Wu Chak Man	✓	✓	✓	✓
Mr. Zhao Zhen	✓	✓	✓	✓
Mr. Ge Ning	✓	✓	✓	✓

DIRECTORS' AND OFFICERS' INSURANCE

The Company has arranged appropriate insurance coverage in respect of potential legal actions against its Directors and officers.

MEETINGS

The Board meets to discuss the overall strategy as well as the operation and financial performance of the Group from time to time. Directors may participate either in person or through electronic means of communications. During the year ended 31 December 2015, the Board has held 2 meetings.

The individual attendance record of each Director at the meetings of the Board for the year ended 31 December 2015 is set out below:

Name of Director	Attendance/Number of meetings of the Board Number of Board Meeting(s)
Executive Directors	
Mr. Cheng Li	2/2
Mr. Zhang Lake Mozi	2/2
Mr. Hu Qingyang	2/2
Non-executive Directors	
Ms. Li Juan	2/2
Mr. Wu Haiming	2/2
Mr. Hsieh Kun Tse	2/2
Independent non– executive Directors	
Mr. Wu Chak Man	2/2
Mr. Ge Ning	2/2
Mr. Zhao Zhen	2/2

During the period from the Listing Date to 31 December 2015, the Company has yet to convene any general meeting.

All Directors are provided with relevant materials relating to the matters brought before the meetings. Where queries are raised by Directors, steps would be taken to respond as promptly and fully as possible. All Directors have the opportunity to include matters in the agenda for Board meetings. Notices of the regular Board meetings are given to the Directors at least 14 days in advance and Board procedures comply with the Articles of Association of the Company, as well as relevant rules and regulations.

APPOINTMENTS, RE-ELECTION AND REMOVAL OF DIRECTORS

Each of the executive Directors and non-executive Directors has entered into a service contract with the Company for three years commencing from the Listing Date and can be terminated by not less than three months' notice in writing served by either party on the other.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company for three years commencing from the Listing Date and can be terminated by not less than three months' notice in writing served by either party on the other.

The above service contracts are subject to retirement by rotation and re-election of the each Directors at an annual general meeting at least once every three years in accordance with the Articles of Association. According to provisions in the Articles, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit. The Articles of Association provide that any Director appointed by the Board to fill a casual vacancy in the Board shall hold office until the first general meeting of the Company after his/her appointment and be subject to re-election at such meeting, and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

At the upcoming annual general meeting of the Company (the "2016 AGM"), Ms. Li Juan, Mr. Cheng Li and Mr. Hu Qingyang shall retire by rotation on the 2016 AGM in accordance with Articles of Association. All of the said retiring Directors are eligible and are willing to be re-elected at the 2016 AGM. The Board and the Nomination Committee recommends the reappointment of these Directors. The circular of the Company containing the detailed information of the above retiring Directors as required by the GEM Listing Rules will be sent with this annual report.

No Director proposed for re-election at the forthcoming annual general meeting has entered into a service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than the normal statutory obligations.

BOARD COMMITTEES

The Board has established (i) an audit committee, (ii) a remuneration committee; and (iii) a nomination committee, with defined terms of reference. The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice and other assistance under the appropriate circumstances, at the Company's expenses.

Audit Committee

Our Company established an audit committee pursuant to a resolution of the Board passed on 19 June 2015 in compliance with Rule 5.28 of the GEM Listing Rules. Written terms of reference in compliance with paragraph C3.3 of the Corporate Governance Code. The primary duties of the audit committee are mainly to make recommendations to the Board on the appointment and removal of external auditor; review the financial statements and material advice in respect of the financial reporting matters; and oversee internal control procedures of our Company. At present, the audit committee of our Company consists of three members, namely the independent non-executive director Mr. Wu Chak Man, the non-executive director Ms. Li Juan and the independent non-executive director Mr. Ge Ning. Mr. Wu Chak Man is the chairman of the audit committee.

The audit committee had reviewed the Group's audited annual results for the year ended 31 December 2015, and was of the opinion that the relevant financial statements have been prepared in accordance with the applicable accounting standards and requirements and that adequate disclosure has been made. The audit committee has also reviewed the accounting principles and practices adopted by the Group, and the selection and appointment of the external auditor. In addition, the audit committee have reviewed the risk management and internal control system of the Group for Year 2015.

For the year ended 31 December 2015, two meetings were held by the audit committee. The individual record of each member of the audit committee at the meeting is set out below:

Name of Director	Attendance/ Number of Audit Committee Meeting(s)
Mr. Wu Chak Man	2/2
Mr. Ge Ning	2/2
Ms. Li Juan	2/2

Remuneration Committee

Our Company established a remuneration committee in accordance with Rule 5.34 of the GEM Listing Rules and the resolution passed by the Board on 19 June 2015, with written terms of reference in compliance with paragraph B1.2 of the Corporate Governance Code. The primary duties of the remuneration committee are to make recommendation to the Board on the overall remuneration policy and structure of all Directors and senior management of our Group; to review performance-based remuneration; and to ensure none of our Directors or any of their associates (as defined under the GEM Listing Rules) determine their own remuneration. The remuneration committee consists of three members, namely the independent non-executive director Mr. Ge Ning, the independent non-executive director Mr. Zhao Zhen and the executive director Mr. Cheng Li. Mr. Ge Ning is the chairman of the remuneration committee.

As at the date of this annual report, the remuneration committee had surveyed peer companies' remuneration package and reviewed the remuneration packages of the executive Directors and the senior management. The remuneration committee also reviewed granting of share options under the Share Option Scheme and granting of awarded shares under the Share Award Scheme, as well as the benefit plans to the key employees. No remuneration committee meetings were held for the year ended 31 December 2015.

Nomination Committee

Our Company established a nomination committee in accordance with the resolution passed by the Board on 19 June 2015 with written terms of reference. The primary duties of the nomination committee are to review the structure, size and composition of the Board on regular basis; identify individuals suitably qualified to become Board members; assess the independence of the independent non-executive Directors; and make recommendations to the Board on matters related to the appointment or re-appointment of Directors. The nomination committee consists of three members, namely the non-executive director Ms. Li Juan, the independent non-executive director Mr. Ge Ning and the independent non-executive director Mr. Zhao Zhen. Ms. Li Juan is the chairperson of the nomination committee.

As at the date of this annual report, the nomination committee reviewed the structure, size and composition of the Board for the Year 2015. No nomination committee meeting was held by the Company during the year ended 31 December 2015.

DELEGATION OF THE CORPORATE GOVERNANCE FUNCTION

The Board has delegated the responsibilities of corporate governance as set out under Code Provision D.3.1 of the Corporate Governance Code ("CG Code") to the Audit Committee. During the reporting period, the Audit Committee has reviewed and monitored the corporate governance policies and practices of the Company; the training and continuous professional development of the Directors and senior management; the compliance status of the Company on such policies and practices as required by the laws and regulations, the Model Code and the Employees' Written Guidance; the compliance status of the Company on the CG Code; and the disclosure set out in this Corporate Governance Report.

JOINT COMPANY SECRETARIES

The joint company secretaries of the Company are Mr. Zhang Lake Mozi and Ms. Ng Wing Shan. Ms. Ng Wing Shan, an assistant vice president of SW Corporate Services Group Limited, an external service provider, has been engaged by the Company as its company secretary to act jointly with Mr. Zhang Lake Mozi (appointed on 11 February 2015). Ms. Ng Wing Shan is a fellow member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom. The primary contact person of Ms, Ng Wing Shan in the Company is our executive director and financial controller Mr Zhang Lake Mozi, his biographical details are set out in the section headed "Biographical Details of Directors and Senior Management" in this annual report. Both Mr. Zhang Lake Mozi and Ms. Ng Wing Shan have informed the Company that they have received no less than 15 hours of professional training covering the corporate governance and accounting matters satisfy the requirements under the Rule 5.15 of the GEM Listing Rules for the Year 2015. The Company considers the training of each of the joint company secretaries during Year 2015 is in compliance with the requirements under Rule 5.15 of the GEM Listing Rules.

FINANCIAL REPORTING

The Board, supported by the chief financial officer and the finance department, is responsible for the preparation of the financial statements of the Company and the Group for each financial year which shall give a true and fair view of the financial position, performance and cash flow of the Company and its subsidiaries for that period.

The Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern. The responsibilities of Ernst & Young, the Company's external auditors, on the financial statements are set out in the section headed "Independent Auditor's Report" in this annual report.

AUDITOR'S REMUNERATION

The audit committee is responsible for making recommendation to the Board on the appointment, re-appointment and removal of the authorised external auditors, to approve the remuneration and terms of engagement of the external auditors, and to deal with any questions regarding the resignation or dismissal of the external auditors. The Company engages Ernst & Young as its external auditors. For the year ended December 31, 2015, apart from the provisions of annual audit services, Ernst & Young was also the reporting accountants of the Company in relation to listing. During the year ended December 31, 2015, the total fee paid/payable in respect of audit and non-audit services provided by the Group's external auditors is set out below:

Items of auditor's services	**Amount** RMB'000
Audit services:	
Audit service in relation to listing	2,180
Annual audit service	1,700
Non-audit services：	
Tax advisory services	210
Total	4,090

INTERNAL CONTROLS

The Board acknowledges its responsibility to ensure that sound and effective internal control systems are maintained so as to safeguard the Group's assets and the interest of Shareholders. The Board has developed its systems of internal control and risk management and is also responsible for reviewing and maintaining an adequate internal control system to safeguard the interests of the shareholders and the assets of the Company.

During the year of 2015, the Board has conducted reviews of the internal control system of the Company through the Audit Committee considered the internal control system of the Company has been implemented effectively. Such review covered the financial, compliance and operational controls as well as the risk management mechanisms.

SHAREHOLDERS' RIGHTS

Procedures for Shareholders to convene an extraordinary general meeting and putting forward proposals at Shareholders' meeting

Pursuant to the Article 58 of the Articles of Association, the Board may convene an extraordinary general meetings whenever it thinks fit. Any one or more Members holding at the date of deposit of the requisition no less than one-tenth 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 convened by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) 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.

Procedures for Shareholders to send their enquiries and concerns to the Board

Shareholders may send their enquiries and concerns to the Board by addressing them to Mr. Zhang Lake Mozi, one of the joint company secretaries of the Company via following:

Recipient: Mr. Zhang Lake Mozi
Address: Unit 1906, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.
Telephone number: +852 3751 7101
Fax number: +852 3153 4867

The joint company secretary of the Company is responsible for forwarding communications relating to matters within the Board's direct responsibilities to the Board and communications relating to ordinary business matters, such as suggestions and inquiries, to the chief executive officer of the Company.

CONSTITUTIONAL DOCUMENTS

The Company has passed a resolution on 19 June 2015 to approve and adopt the new Articles of Association which came into effect on the Listing Date. The amended and restated Articles of Association has been posted on the website of The Stock Exchange of Hong Kong Limited. Save for the abovementioned, there has been no material change in the Company's constitutional documents for the year ended 31 December 2015.

COMMUNICATIONS WITH SHAREHOLDERS

The Board recognises the importance of maintaining clear, timely and effective communication with the shareholders and investors of the Company. Therefore, the Group is committed to maintaining a high degree of transparency to ensure the investors and the shareholders of the Company receiving accurate, clear, comprehensive and timely information of the Group by the publication of annual reports, interim reports and quarterly reports, announcements and circular. The Company also publishes all corporate correspondence on the Company's website www.ci123.com. The Board maintains regular dialogues with institutional investors and analysts from time to time to keep them informed of the Group's strategies, operations, management and plans. Members of the Board and of the various Board committees will attend the annual general meeting of the Company and answer questions raised during the meeting. Separate resolutions would be proposed at the general meeting on each substantially separate issue.

The chairman of the general meetings of the Company would explain the procedures for conducting poll before putting a resolution to vote. The results of the voting by poll will be declared at the meeting and published on the websites of The Stock Exchange of Hong Kong Limited and the Company respectively.

INTERESTS OF THE COMPLIANCE ADVISER

As at the date of this annual report, save and except for the compliance adviser agreement entered into between the Company and China Everbright Capital Limited (the "Compliance Adviser") dated 16 February 2015, neither the Compliance Adviser nor its directors, employees or close associates had any interests in relation to the Company which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules.

DIRECTORS' REPORT

The Directors have pleasure in presenting their annual report and the audited accounts of the Group for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The principal activities of the Company is investment holding. Principal activities of its subsidiaries are set out in Note 1 to the financial statements.

USE OF PROCEEDS

The Company has received net proceeds from the placing in the sum of HK$276.4 million, after taking into account the partial exercise of over-allotment option in respect of an aggregate of 26,500,000 Shares.

As disclosed in the announcement dated 26 February 2016, for the purpose of better utilization of the Group's financial resources, the Company has reallocated its use of net proceeds yet to utilize for the year ended 31 December 2015 and the remaining from acquisition of or investment in other companies engaging in O2O and CBM related businesses for the funding of a loan facility agreement. Details of the original allocation of net proceeds and the revised allocation of net proceeds set out in the prospectus and the announcement of the Company dated 30 June 2015 and 26 February 2016 respectively, are revised as follows:

Use of Net Proceeds	**Original allocation** HK$ million	**Revised allocation** HK$ million
Strengthening research and development capabilities	55.3	52.8
Enhance user base and Internet traffic of our platform	55.3	49.6
Develop our e-commerce business and related O2O business	55.3	44.9
Acquisition of or investment in other companies engaging in O2O and CBM related businesses	55.3	19.3
Enhancing marketing and promotional services	27.6	24.9
Working capital and other general corporate purposes	27.6	24.9
Funding of Loan Facility	–	60.0
Total	**276.4**	**276.4**

The Directors consider that the change of use of the unutilized net proceeds from the Placing is beneficial to the Company as it allows the Group to broaden its revenue stream and generate a steady flow of interest income to the Group, and therefore is in the interests of the Company and its shareholders as a whole.

As disclosed in the announcement 26 February 2016, Star Universal Holding Limited under the Company (the "Lender") entered into a loan facility agreement with the borrower, Lofty Force Limited (the "Borrower") and the Sole Shareholder of the Borrower as guarantor (the "Guarantor"), pursuant to which the Lender agreed to grant to the Borrower, an Independent Third Party, a loan facility of HK$60,000,000, bearing interest at a rate of 6.0% per annum for a period of 36 months commencing from the date of the Borrower's receipt of the funds under the Loan Facility, together with an option, exercisable by the Lender, to subscribe for 10% to 51% of the enlarged issued share capital of the Borrower or purchase 10% to 51% of the issued share capital of the Borrower from the sole shareholder of the Borrower, an independent third party at a consideration to be determined by a valuation to be conducted by an independent professional valuer. The Loan Facility is secured by a guarantee and at the request of the Lender, the Loan Facility will be secured by a charge on assets of the Borrower.

The Directors are of the view that the terms of the Loan Facility Agreement were entered into on normal commercial terms. The Directors, having taken into account (i) the financial background of the Borrower and the Guarantor; and (ii) no bankruptcy petition filed against the Borrower and the Guarantor, consider the credit risk relating to the entering into of the Loan Facility Agreement is relatively low. Based on the foregoing, expected stable revenue and cash flow stream from the interest income and the option to invest in the business granted to the Lender, the Directors consider that the terms of the Loan Facility Agreement are fair and reasonable and the entering into of the Loan Facility Agreement is in the interests of the Company and its shareholders as a whole.

Up to the date of this annual report, apart from the above loan facility to the Borrower, the net proceeds are yet to ultilised and the remaining amounts of approximately HK$216.4 million are deposited into licensed banks in Hong Kong.

SUMMARY FINANCIAL INFORMATION

A summary of the published results, assets and liabilities of the Group for the last three financial years is set out on page 114 of the annual report. The summary does not form part of the audited financial statements.

RESULTS AND DIVIDEND

The Group's results for the year ended 31 December 2015 are set out in the consolidated financial statement on page 61.

No interim dividend was paid during the financial year.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2015.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the annual general meeting to be held on Monday, 9 May 2016, the register of members of the Company will be closed from Thursday, 5 May 2016 to Monday, 9 May 2016, both dates inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the annual general meeting, unregistered holders of shares of the Company should ensure that all share transfer documents, accompanied by the relevant share certificates, are lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 4 May 2016.

PROPERTY, PLANT AND EQUIPMENT

Details of the movement in the Group's property, plant and equipment during the year are set out in Note 12 to the financial statements.

BANK BORROWINGS

Particulars of the bank borrowings of the Group as at 31 December 2015 are set out in Note 23 to the financial statements.

SHARE CAPITAL

Details of the movement in the Company's share capital during the year are set out in Note 24 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association of the Company or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders of the Company.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the period from the Listing Date and up to 31 December 2015.

RESERVES

Details of the movement in reserves of the Company and the Group during the year are set out in Notes 24 and 26 to the financial statements and the consolidated statement of changes in equity on page 64 respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2015, the Company's reserves available for distribution, calculated in accordance with the Companies Law of the Cayman Islands (the "Companies Law") amounted to approximately RMB213.1 million (2014: nil), of which none has been proposed as final dividend for the year.

DIRECTORS' REPORT

DIRECTORS

The Directors during the period from the Listing Date to 31 December 2015 and up to the date of this report are:

Executive Directors
Mr. Cheng Li
Mr. Hu Qingyang
Mr. Zhang Lake Mozi

Non-executive Directors
Ms. Li Juan *(Chairperson)*
Mr. Wu Haiming
Mr. Hsieh Kun Tse

Independent non-executive Directors
Mr. Wu Chak Man
Mr. Zhao Zhen
MR. Ge Ning

Pursuant to Article 83(3) of the Company's Articles of Association, three directors of the Company, including Ms. Li Juan, Mr. Cheng Li and Mr. Hu Qingyang shall retire at the 2016 general meeting and, being eligible, offer themselves for re-election at the 2016 annual general meeting.

DIRECTORS' SERVICE CONTRACTS

Each of our executive and non-executive Directors entered into a service contract with the Company for a term of three years commencing from 8 July 2015 (the "Listing Date"), which may be terminated by not less than three months' notice in writing served by either party on the other.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company for three years commencing from the Listing Date, which may be terminated by not less than three months' notice in writing served by either party on the other.

Save as disclosed above, none of the directors proposed to be re-elected at the forthcoming annual general meeting of the Company has entered into a service contract that are not determinable within one year without payment of compensation (other than statutory compensation).

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Save as disclosed in the section headed "Connected Transactions" in this report and Note 29 (Related Party Transactions) to the financial statements, no director or any entity related to the directors had a material interest, either directly or indirectly, in any transactions, arrangements and contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party during the year.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURE

During the year were any rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them, or was the Company, its holding company, or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 December 2015, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which have been recorded in the register required to be kept pursuant to Section 352 of the SFO, or which have been notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Name of Director	Nature of Interest		Number of Shares or Underlying Shares	Approximate Percentage of Shareholding
Ms. Li Juan[(1)(5)]	Interest in a controlled corporation		409,200,000	
	Interest of concert party		120,000,000	
		Total:	529,200,000	51.55%
Mr. Wu Haiming[(1)(5)]	Interest of spouse		529,200,000	51.55%
Mr. Cheng Li[(2)(5)]	Interest in a controlled corporation		120,000,000	
	Interest of concert party		409,200,000	
		Total:	529,200,000	51.55%
Mr. Hsieh Kun Tse [(3)]	Interest in a controlled corporation		156,000,000	15.20%
Mr. Zhang Lake Mozi [(4)]	Interest in a controlled corporation		84,000,000	8.18%

Note:

(1) Each of Loyal Alliance Management Limited ("Loyal Alliance") and Prime Wish Holdings Limited ("Prime Wish") is directly and wholly owned by Ms. Li Juan, who is therefore deemed to be interested in all the shares held by Loyal Alliance and Prime Wish, respectively. Ms. Li Juan and Mr. Cheng Li entered into a concert party agreement dated 19 June 2015, and are therefore deemed to be interested in the interests of each other. Mr. Wu Haiming, a non-executive Director, is the spouse of Ms. Li Juan, and therefore deemed to be interested in the interests of Ms. Li Juan.

(2) Victory Glory Holdings Limited ("Victory Glory") is directly and wholly owned by Mr. Cheng Li, who is therefore deemed to be interested in all the shares held by Victory Glory. Ms. Li Juan and Mr. Cheng Li entered into a concert party agreement dated 19 June 2015, and are therefore deemed to be interested in the interests of each other.

(3) Each of Properous Commitment Holdings Limited ("Properous Commitment") and Winner Zone Enterprises Limited ("Winner Zone") is directly and wholly owned by Mr. Hsieh Kun Tse, a non-executive Director, who is therefore deemed to be interested in all the shares held by each of Properous Commitment and Winner Zone. The issued share capital of our Company held by Properous Commitment will be used for implementation of future share incentive schemes set up for eligible employees of our Group at the direction and pursuant to the instructions of the Board.

(4) Sharp Knight Limited ("Sharp Knight") holds the shares as trustee for and on behalf of Zhongchengma (Beijing) Investment Consultation Company Limited* ("Beijing Zhongchengma"), which is wholly owned by Ms. Wang Rong, the spouse of Mr. Zhang Lake Mozi, an executive Director. Sharp Knight is directly and wholly owned by Mr. Zhang Lake Mozi, who is therefore deemed to be interested in all the shares held by Sharp Knight. Mr. Zhang Lake Mozi and Ms. Wang Rong are therefore deemed to be interested in the interests of each other.

(5) As disclosed in the prospectus dated 30 June 2015 (the "Prospectus"), Ms Li Juan and Mr. Cheng Li, the controlling shareholders of the Company, have undertaken to maintain shareholding interests of not less than 51% in the Company. In view of the dilution effect when the over-allotment option is exercised, Loyal Alliance, which is wholly-owned by Ms. Li Juan, has purchased in aggregate 19,200,000 shares from investors before the exercise of the over-allotment option in order to maintain shareholding interests of not less than 51% in the Company.

INTERESTS IN OTHER MEMBERS OF THE GROUP (LONG POSITION)

Name of Director	Name of Subsidiary	Nature of Interest	Approximate percentage of shareholding
Ms. Li Juan(1)	Nanjing Xihui Information Technology Company Limited*(2) (南京矽滙信息技術有限公司) ("Nanjing Xihui")(2)	Beneficial owner	85%
	Nanjing Xinchuang Micro Machinery and Electronic Technology Company Limited*(2) (南京芯創微機電技術有限公司) ("Nanjing Xinchuang")(2)	Beneficial owner	85%
Mr. Wu Haiming(1)	Nanjing Xihui	Interest of spouse	85%
	Nanjing Xinchuang	Interest of spouse	85%
Mr. Cheng Li	Nanjing Xihui	Beneficial owner	15%
	Nanjing Xinchuang	Beneficial owner	15%

Note:

(1) Mr. Wu Haiming, a non-executive Director, is the spouse of Ms. Li Juan, and is therefore deemed to be interested in the interests of Ms. Li Juan.

(2) Pursuant to the Contractual Arrangement, each of Nanjing Xinchuang and Nanjing Xihui is deemed to be a wholly-owned subsidiary of our Company.

Save as disclosed, as at 31 December 2015, none of the Directors nor chief executive of the Company had registered any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which have been notified to the Company and the Stock Exchange pursuant to the requirements of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which have been recorded in the register required to be kept pursuant to Section 352 of the SFO, or which have been notified to the Company and the Stock Exchange pursuant to the required standard in respect of Directors' dealings under Rules 5.46 to 5.67 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND/OR SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2015, so far as is known to the Directors, the following persons (other than a Director or a chief executive of the Company) would have or be deemed to or taken to have, an interest and/or short position in the shares or underlying shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or an interest and/or short position in the shares or underlying shares which are required to be recorded in the register kept under Section 336 of the SFO and/or directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

LONG POSITION IN THE SHARES OF THE COMPANY

Name of Director	Nature of interest	Number of shares or underlying shares	Approximate percentage of shareholding
Loyal Alliance[(1)(6)]	Beneficial owner	193,200,000	18.82%
Prime Wish[(1)]	Beneficial owner	216,000,000	21.04%
Victory Glory[(2)]	Beneficial owner	120,000,000	11.69%
Properous Commitment[(3)]	Beneficial owner	51,600,000	5.03%
Winner Zone[(3)(4)]	Trustee	104,400,000	10.17%
Sharp Knight[(5)]	Trustee	84,000,000	8.18%
Ms. Wang Rong[(5)]	Beneficial owner; Interest of spouse	84,000,000	8.18%
Shanghai AMVC Culture Investment Management Center (A LimitedPartnership)* （上海早鳥文化投資管理中心（有限合夥））[(4)]	Beneficiary of a trust	104,400,000	10.17%
Shanghai AMVC Investment Management Center (A Limited Partnership) （上海早鳥投資管理中心（有限合夥））[(4)]	Interest in controlled corporation	104,400,000	10.17%
Beijing Zhongchengma [(5)]	Beneficiary of a trust	84,000,000	8.18%

Note:

(1) Each of Loyal Alliance and Prime Wish is directly and wholly owned by Ms. Li Juan, who is therefore deemed to be interested in all the shares held by Loyal Alliance and Prime Wish, respectively. Ms. Li Juan and Mr. Cheng Li entered into a concert party agreement dated 19 June 2015, and are therefore deemed to be interested in the interests of each other. Mr. Wu Haiming, a non-executive Director, is the spouse of Ms. Li Juan, and is therefore deemed to be interested in the interests of Ms. Li Juan.

(2) Victory Glory is directly and wholly owned by Mr. Cheng Li, who is therefore deemed to be interested in all the shares held by Victory Glory. Ms. Li Juan and Mr. Cheng Li entered into a concert party agreement dated 19 June 2015, and are therefore deemed to be interested in the interests of each other.

(3) Each of Properous Commitment and Winner Zone is directly and wholly owned by Mr. Hsieh Kun Tse, a non-executive Director, who is therefore deemed to be interested in all the shares held by each of Properous Commitment and Winner Zone. The issued share capital of our Company held by Properous Commitment will be used for implementation of future share incentive schemes set up for eligible employees of our Group at the direction and pursuant to the instructions of the Board.

(4) Winner Zone held the shares of our Company as trustee for and on behalf of 上海早鳥文化投資管理中心（有限合夥）(Shanghai AMVC Culture Investment Management Center (A Limited Partnership)), the general partner of which is 上海早鳥投資管理中心（有限合夥）(Shanghai AMVC Investment Management Center (A Limited Partnership)), which is in turn co-founded and controlled by Mr. Hsieh Kun Tse, a non-executive Director.

(5) Sharp Knight holds the shares as trustee for and on behalf of Beijing Zhongchengma, which is wholly owned by the spouse of Mr. Zhang Lake Mozi, an executive Director. Sharp Knight is directly and wholly owned by Mr. Zhang Lake Mozi, who is therefore deemed to be interested in all the shares held by Sharp Knight. Mr. Zhang Lake Mozi and Ms. Wang Rong are therefore deemed to be interested in the interests of each other.

(6) As disclosed in the Prospectus, Ms Li Juan and Mr. Cheng Li, the controlling shareholders of the Company, have undertaken to maintain shareholding interests of not less than 51% in the Company. In view of the dilution effect when the over-allotment option is exercised, Loyal Alliance, which is wholly-owned by Ms. Li Juan, has purchased in aggregate 19,200,000 shares from investors before the exercise of the over-allotment option in order to maintain their shareholding interests of not less than 51% in the Company.

Save as disclosed above, as at 31 December 2015, no person, other than the Directors of the Company whose interests and short positions are set out in the section headed "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures" above, had registered an interest or a short position in the shares or underlying shares of the Company as recorded in the register of interests required to be kept pursuant to Section 336 of the SFO.

Proposed Share Award Plan

As stated in the Prospectus, the Company intends to adopt a share award plan within 12 months from the Listing Date. To safeguard the interests of eligible employees as well as the Company before its adoption, Properous Commitment Holdings Limited ("Properous Commitment") and Mr. Hsieh Kun Tse, the non-executive Director who wholly owns Properous Commitment, has undertaken to, inter alia, hold on trust and in escrow the shares of the Company held by it and any related dividends and other distributions for the benefit of the eligible employees of the Group. Details of the proposed share award plan are set out in the paragraph headed "Proposed Share Award Plan" in the section headed "Statutory and General Information" of the Prospectus.

As at the date of this report, no share award plan has been adopted by the Company.

As far as the Directors are aware of, as at the date of this report, each of Properous Commitment and Mr. Hsieh Kun Tse has complied with their respective undertakings.

Compliance with Qualification Requirements and the Contractual Arrangement

The Group's primary business is considered to be value-added telecommunications services, a sector where foreign investment is subject to significant restrictions under the present PRC laws and regulations. Accordingly, with the restriction of the current PRC laws and regulations and the implementation of local competent authorities, the Company cannot acquire Nanjing Xihui and Nanjing Xinchuang, which hold certain licenses and permits required for our primary business. As a result the Group entered into a series of contractual arrangement with Nanjing Xihui and Nanjing Xinchuang and their respective registered shareholders (the "Structured Contracts") in order to conduct the said business, and to assert management control over the operations of and enjoy the economic benefits derived from Nanjing Xihui and Nanjing Xinchuang. For details of the Contractual Arrangement please refer to the section headed "Contractual Arrangement" of this annual report.

In addition, under the current PRC laws and regulations, a foreign investor wishing to acquire any equity interest in a value-added telecommunications business in the PRC must also demonstrate a good track record and operating experience in providing value-added telecommunications services overseas ("Qualification Requirements").

As far as the Directors are aware of, as at the date of this report, the Company has taken all reasonable steps to ensure that such Qualification Requirements are met if and when the PRC laws and competent authorities substantially allow foreign investors to invest in value-added telecommunications services in the PRC. The Company will continue to communicate with the relevant governmental authorities and provide updates where necessary.

SHARE OPTION SCHEME

The Company adopted a share option scheme on 19 June 2015 (the "Share Option Scheme") for the purpose of providing incentive or rewarding eligible persons (including director or employee (whether full time or part time), consultant or advisor of our Group) for their contribution to, and continuing efforts to promote the interests of our Group and for such other purposes as the Board may approve from time to time. No share option has been granted under the Share Option Scheme since its adoption by the Company.

The Share Option Scheme became effective on the date of the Company's listing (8 July 2015) and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of shares which may be issued upon exercise of all options granted and to be granted under the Share Option Scheme is 100,000,000 shares, representing 10% of the shares of the Company in issue as at the date of adoption of the Share Option Scheme and 9.74% of the shares of the Company in issue as at the date of this annual report. The maximum number of shares issuable under share options granted to each eligible participant in the Share Option Scheme (including both exercised and outstanding options) within any 12-month period is limited to 1% of the shares of the Company in issue. Any grant or further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting. A grant of share options under the Share Option Scheme to a director, chief executive or substantial shareholder of the Company, or to any of their associates, is subject to approval in advance by the independent non-executive directors (excluding any independent non-executive director who is the grantee of the Option). In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, which would result in the shares issued and to be issued, upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding), to such person in the 12-month period up to and including the date of the grant in excess of 0.1% of the shares of the Company in issue and with an aggregate value (based on the closing price of the Company's shares at the date of grant) in excess of HK$5 million, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 30 days from the date of offer upon payment of a nominal consideration of RMB1 in total by the grantee. The exercise period of the share options granted is determined by the directors, save that such a period shall not be more than 10 years from the date of offer of the share options and subject to the provisions for early termination as set out in the Share Option Scheme. There is no requirement of a minimum period for which an option must be held before it can be exercised.

The exercise price of the share options shall be not less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options, which must be a date on which the Stock Exchange is open for business of dealing in securities; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer; and (iii) the nominal value of a share of the Company on the date of offer.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

No contract of significance has been entered into between the Company or any of its subsidiaries and the Controlling Shareholders during the year ended 31 December 2015.

DEED OF NON-COMPETITION

The controlling shareholders of the Company, namely Ms. Li Juan, Mr. Cheng Li, Mr. Wu Haiming, Loyal Alliance Management Limited, Prime Wish Holdings Limited and Victory Glory Holdings Limited (the "Controlling Shareholders") have entered into a deed of non-competition (the "Deed of Non-Competition") on 19 June 2015. Pursuant to the Deed of Non-Competition, each of the Controlling Shareholders will not and will procure each of their respective close associates not to, directly or indirectly participate in, or hold any right or interest, or otherwise be involved in any business which may be in competition with our businesses. Relevant information on the Deed of Non-Competition was set out in the section headed "Relationship with our Controlling Shareholders" in the Prospectus and the Deed of Non-Competition became effective since the date of listing.

The Company has received confirmations from the Controlling Shareholders of their compliance with the terms of the Deed. The Controlling Shareholders declared that they have fully complied with the Deed of Non-Competition for the Review Year. The independent non-executive directors have reviewed the confirmations from the Controlling Shareholders and concluded that the Deed of Non-Competition has been complied with and has been effectively enforced.

DIRECTOR'S INTEREST IN COMPETING BUSINESS

None of the Directors or their respective associate interested in any business that competes or competed or is or was likely to compete, either directly or indirectly, with the Group's business at any time during the year ended 31 December 2015.

CONNECTED TRANSACTIONS

As disclosed in the section headed "Contractual Arrangement" in this annual report, the business operations of the PRC Contractual Entities constitute a business restricted to foreign investment in the PRC, therefore, we cannot directly acquire equity interests in the PRC Contractual Entities. As a result, our Group has entered into Structured Contracts narrowly tailored to provide our Group with control over the PRC Contractual Entities and grant our Group the right to acquire the equity interests of the PRC Contractual Entities when and to the extent permitted by the PRC laws and regulations. Under the Contractual Arrangement, our Group supervises and controls the business operations of the PRC Contractual Entities and derives economic benefit from the PRC Contractual Entities.

The independent non-executive Directors of the Company have, for the purpose of Rule 20.53 of the GEM Listing Rules, reviewed the continuing connected transactions set out above and confirmed that these continuing connected transactions have been entered into by the Group (i) in the ordinary and usual course of its business; (ii) on normal commercial terms or better; and (iii) according to the agreements governing such transactions on terms that are fair and reasonable and in the interests of the Company's shareholders as a whole.

Moreover, our independent non-executive Directors have reviewed the Contractual Arrangement and confirmed that: (i) the transactions carried out during the year ended 31 December 2015 have been entered into in accordance with the relevant provisions of the Contractual Arrangement so that the revenue generated by the PRC Contractual Entities have been mainly retained by our Group; and (ii) no dividends or other distributions have been made by the PRC Contractual Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group.

Pursuant to Rule 20.54 of the GEM Listing Rules, the Company's auditors were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 20.54 of the GEM Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Contractual Arrangement

Nanjing Xihui is deemed to be a wholly-owned subsidiary of our Company pursuant to the Contractual Arrangement and is principally engaged in the provision of marketing and promotional services the licensing of smart-hardware devices. It was established as a limited liability company in the PRC on 24 May 2013.

Nanjing Xinchuang is deemed to be a wholly-owned subsidiary of our Company pursuant to the Contractual Arrangement and is principally engaged in the provision of marketing and promotional services and e-commerce business. It was established as a limited liability company in the PRC on 14 April 2005.

Summary of the information in relation to the Contractual Arrangement and the Operating Companies are as follows.

1. The PRC Contractual Entities (i.e., Nanjing Xihui and Nanjing Xinchuang)

1.1 Information on the Operating Companies and their Registered Owners

Nanjing Xinchuang and Nanjing Xihui are deemed to be the wholly-owned subsidiaries of the Company pursuant to the Contractual Arrangement.

The registered shareholders of Nanjing Xinchuang and Nanjing Xihui are Ms. Li Juan and Mr. Cheng Li, holding 85% and 15% of their interest respectively (the "Relevant Shareholders").

1.2 Business Overview of the Operating Companies

Nanjing Xihui is principally engaged in the provision of marketing and promotional services the licensing of smart-hardware devices.

Nanjing Xinchuang is principally engaged in the provision of marketing and promotional services and e-commerce business.

The PRC Contractual Entities hold certain licences and permits required for the operation of abovementioned principal business (including the value-added telecommunications business operation Licence(s); referred to as the "Internet Content Provider Licence(s)" "(ICP Licence(s))". Our WFOE, namely Nanjing Xibai, entered into the Contractual Arrangement with our PRC Contractual Entities and the Relevant Shareholders (being the registered shareholders of our PRC Contractual Entities) in order to conduct the Principal Business in the PRC and to assert management control over the operations of, and enjoy all economic benefits of, each of our PRC Contractual Entities.

Pursuant to the Guiding Catalogue for Foreign Investment Industries (Amended in 2015)（外商投資產業指導目錄（2015年修訂））jointly promulgated by the National Development and Reform Commission of the People's Republic of China and the MOFCOM on 10 March 2015, which took effect on 10 April 2015, a foreign investor is prohibited from owning more than 50% of the equity interest in a PRC entity that provides value-added telecommunications services (excluding e-commerce).

We are primarily engaged in operation of online platform focusing on the CBM market (the "Principal Business"), which is considered to be value-added telecommunications services, a sector where foreign investment is subject to significant restrictions under PRC laws and regulations. Accordingly, we cannot acquire equity interest in Nanjing Xihui and Nanjing Xinchuang (the "PRC Contractual Entities"), which hold certain licences and permits required for the operation of our Principal Business.

As a result, our WFOE, namely Nanjing Xibai, entered into the Contractual Arrangement with our PRC Contractual Entities and the Relevant Shareholders (being the registered shareholders of our PRC Contractual Entities) in order to conduct the Principal Business in the PRC and to assert management control over the operations of, and enjoy all economic benefits of, each of our PRC Contractual Entities. Pursuant to the Contractual Arrangement, all substantial and material business decisions of the PRC Contractual Entities will be instructed and supervised by our Group, through Nanjing Xibai, and all risks arising from the business of the PRC Contractual Entities are also effectively borne by Nanjing Xibai.

1.3 Summary of the Major Terms of the Structured Contracts under the Contractual Arrangement

Business Cooperation Agreement

Nanjing Xibai entered into a business cooperation agreement with our PRC Contractual Entities and the Relevant Shareholders on 30 December 2014 (the "Business Cooperation Agreement"), pursuant to which Nanjing Xibai, our PRC Contractual Entities and the Relevant Shareholders agreed to enter into the Structured Contracts for the establishment of business cooperation among the parties and implementation of the Contractual Arrangement, and Nanjing Xibai agreed to provide various services such as management consultancy, technology and software research and development, technical consultation, promotion planning and market promotion necessary for the operations of our PRC Contractual Entities and our PRC Contractual Entities agreed to pay service fees to Nanjing Xibai according to the Structured Contracts.

The Business Cooperation Agreement provides, among others, that:

- each of our PRC Contractual Entities and the Relevant Shareholders has agreed, among others:
  - to follow recommendations of Nanjing Xibai on the day-to-day management of our PRC Contractual Entities;
  - to cause persons recommended by Nanjing Xibai to be elected as the board members or assume senior management positions of our PRC Contractual Entities; and
  - any dividends and other distributions of our PRC Contractual Entities payable to the Relevant Shareholders, shall be unconditionally paid to Nanjing Xibai.
- each of our PRC Contractual Entities and the Relevant Shareholders has undertaken not to, without the prior written consent of Nanjing Xibai or its designated person(s), among others:
  - engage in activities outside their normal business scopes or change their modes of business operation;
  - incur any indebtedness over a certain threshold amount;
  - remove or change the directors, supervisors or senior management of our PRC Contractual Entities or their subsidiaries;
  - dispose of, transfer, lend, authorize the use of, or create any encumbrance over any material assets or rights of our PRC Contractual Entities or their subsidiaries to any third party other than Nanjing Xibai or its designated person(s), or purchase any material assets or rights from any third party;
  - dispose of any equity interest of our PRC Contractual Entities or their subsidiaries to any third party other than Nanjing Xibai or its designated person(s), or alter their registered capitals or shareholding structures;
  - alter the articles of association or business scope, or any important internal policies and rules of our PRC Contractual Entities or their subsidiaries;
  - enter into any contract except those entered in the ordinary course of business;
  - declare any dividend;
  - conduct any activity which may adversely affect the ability of our PRC Contractual Entities or their subsidiaries to make payment to Nanjing Xibai; and
  - transfer any rights under the Business Cooperation Agreement or other underlying agreements to the Contractual Arrangement to, or enter into similar contractual arrangement with, any third party other than Nanjing Xibai or its designated person(s).

The Business Operation Agreement became effective upon execution and shall, subject to the applicable PRC laws or regulations, be effective for an indefinite period unless (a) Nanjing Xibai has acquired the entire equity interests or assets of our PRC Contractual Entities pursuant to its rights under the Exclusive Option Agreement; or (b) terminated unilaterally by Nanjing Xibai by giving 30-day prior notice.

Exclusive Technology Service and Management Consultation Agreement

Nanjing Xibai entered into exclusive technology service and management consultation agreement with our PRC Contractual Entities on 30 December 2014 (the "Exclusive Technology Service and Management Consultation Agreement"), pursuant to which our PRC Contractual Entities agreed to engage Nanjing Xibai as their exclusive provider of technical and management consulting services and other technology and consultancy services requested by our PRC Contractual Entities to support their operations from time to time to the extent permitted under PRC laws in exchange for service fees.

The technical services provided include:

- development of computer and mobile device software;
- webpages and websites design, monitoring, testing and debugging;
- management of information systems;
- provision of technical supports;
- provision of technological consultation services;
- provision of technical training;
- engagement of technical staff to provide on-site technical guidance; and
- other technical services as reasonably requested by our PRC Contractual Entities.

The management consultation services provided include:

- formulation of management models and business plans;
- formulation of market development plans;
- provision of market information and customer resources information;
- market research and analysis;
- staff training;
- establishment of sales networks; and
- other services as reasonably requested by our PRC Contractual Entities.

The Exclusive Technology Service and Management Consultation Agreement also provides that Nanjing Xibai has the exclusive proprietary rights to all intellectual property rights developed or created by Nanjing Xibai or our PRC Contractual Entities during the performance of the Exclusive Technology Service and Management Consultation Agreement.

According to the Exclusive Technology Service and Management Consultation Agreement, our PRC Contractual Entities shall pay service fees to Nanjing Xibai every six months as calculated by Nanjing Xibai based on the financial conditions of our PRC Contractual Entities. In the premises of compliance with the PRC laws and regulations, the service fees are equal to the profits of our PRC Contractual Entities after deducting losses in previous years, necessary operating costs, expenses and taxes. The services fees are subject to Nanjing Xibai's adjustment taking into account the actual situations of provision of services and our PRC Contractual Entities' operating status and development needs.

The Exclusive Technology Service and Management Consultation Agreement became effective upon execution and shall, subject to the applicable PRC laws or regulations, be effective for an indefinite period unless (a) Nanjing Xibai's acquiring the entire equity interests or assets of our PRC Contractual Entities pursuant to its rights under the Exclusive Option Agreement; or (b) terminated unilaterally by Nanjing Xibai by giving 30-day prior notice.

Shareholders' Rights Entrustment Agreement

Nanjing Xibai entered into a shareholders' rights entrustment agreement with our PRC Contractual Entities and the Relevant Shareholders on 30 December 2014 (the "Shareholders' Rights Entrustment Agreement"), pursuant to which the Relevant Shareholders irrevocably authorized Nanjing Xibai to exercise their shareholders' rights in our PRC Contractual Entities, including attending shareholders' meetings and exercising voting rights and dividend distribution rights. Nanjing Xibai is authorized to exercise any of the shareholders' rights without consulting or obtaining the consent of the Relevant Shareholders. Furthermore, Nanjing Xibai is entitled to authorize other individuals to exercise the shareholder's rights within the scope authorized by the Relevant Shareholders.

Pursuant to the Shareholders' Rights Entrustment Agreement, each of the Relevant Shareholders also entered into a power of attorney on the same date of the agreement (the "Powers of Attorney"). Pursuant to the Powers of Attorney, each of the Relevant Shareholders irrevocably appoints Nanjing Xibai or its designated persons to be appointed by it at its sole discretion to act as his/her/its exclusive attorney on his/her/its own behalf to exercise all rights in connection with matters concerning his/her/its rights as shareholder of our PRC Contractual Entities, including but not limited to:

- convening and attending shareholders' meetings of our PRC Contractual Entities, and exercising shareholder's voting rights with regard to all matters discussed and resolved during the shareholders' meetings;

- executing shareholders' meeting records, resolutions and other legal documents of our PRC Contractual Entities;

- directing the directors and legal representatives of our PRC Contractual Entities to act according to the intentions of Nanjing Xibai;
- exercising all other shareholders' rights under the constitutional documents of our PRC Contractual Entities;
- handling registration matters of our PRC Contractual Entities with the responsible registration authorities; and
- disposing and dealing with the equity interests of our PRC Contractual Entities held by the Relevant Shareholders.

The Shareholders' Rights Entrustment Agreement became effective upon execution and shall remain effective during the continuance of our PRC Contractual Entities. It shall be (a) automatically terminated upon Nanjing Xibai's acquiring the entire equity interests or assets of our PRC Contractual Entities pursuant to its rights under the Exclusive Option Agreement; or (b) terminated unilaterally by Nanjing Xibai by giving 30-day prior notice.

Equity Interest Pledge Agreement

Our PRC Contractual Entities, the Relevant Shareholders and Nanjing Xibai entered into equity interest pledge agreements on 30 December 2014 (the "Equity Interest Pledge Agreement"), pursuant to which the Relevant Shareholders granted a first priority of security interest in their respective interests in the registered capitals of our PRC Contractual Entities. Under the Equity Interest Pledge Agreement, the Relevant Shareholders agreed to pledge all their respective equity interests in our PRC Contractual Entities to Nanjing Xibai, as a security interest, to guarantee the performance of contractual obligations and the payment of outstanding debts of the Relevant Shareholders and our PRC Contractual Entities under the Business Cooperation Agreement, the Exclusive Technology Service and Management Consultation Agreement, the Shareholders' Rights Entrustment Agreement and the Exclusive Option Agreement.

The Equity Interest Pledge Agreement became effective after execution and shall remain valid until all the contractual obligations of the Relevant Shareholders and our PRC Contractual Entities under the Contractual Arrangement have been fully performed and all the outstanding debts of the Relevant Shareholders and our PRC Contractual Entities under the Contractual Arrangement have been fully paid. The Equity Interest Pledge Agreement shall also be terminated unilaterally by Nanjing Xibai by giving 30-day prior notice.

Exclusive Option Agreement

Our PRC Contractual Entities and the Relevant Shareholders entered into exclusive option agreement with Nanjing Xibai on 30 December 2014 (the "Exclusive Option Agreement"). Pursuant to the Exclusive Option Agreement, among others:

- The Relevant Shareholders irrevocably granted the exclusive right to Nanjing Xibai to require the Relevant Shareholders to transfer their equity interests in our PRC Contractual Entities to Nanjing Xibai, or such entities or individuals designated by Nanjing Xibai as and when permitted by the PRC laws for a nominal consideration of RMB1.00 or the lowest value permitted by law.

- Our PRC Contractual Entities irrevocably granted the exclusive right to Nanjing Xibai to acquire the assets in whole or in part from our PRC Contractual Entities, in its favour or in favour of such entities or individuals designated by Nanjing Xibai as and when permitted by the PRC laws for a nominal consideration of RMB1.00 or lowest value permitted by law.

- The rights may be exercised at any time within the effective period of the Exclusive Option Agreement. The Exclusive Option Agreement became effective upon execution and shall remain effective during the continuance of our PRC Contractual Entities. It shall be (a) automatically terminated upon acquiring by Nanjing Xibai or its designated entities the entire equity interests or assets of our PRC Contractual Entities pursuant to its rights under the Exclusive Option Agreement; or (b) terminated unilaterally by Nanjing Xibai by giving 30-day prior notice.

Spouse Undertakings

The spouse of each of the Relevant Shareholders has signed an undertaking on 30 December 2014 ("Spouse Undertakings"). Pursuant to the Spouse Undertakings, each of the spouses of the Relevant Shareholders irrevocably undertakes that:

(i) the spouse has been made fully aware of the Contractual Arrangement and consented that such Relevant Shareholder is the sole beneficiary of all the rights and interests and solely assumes obligations under the Contractual Arrangement;

(ii) all the equity interests held by such Relevant Shareholder in our PRC Contractual Entities shall be deemed as assets solely owned by such Relevant Shareholder, not mutual assets jointly owned by him/her and the related Relevant Shareholder, and the Relevant Shareholder shall be entitled to dispose of the equity interests in accordance with the Contractual Arrangement without his/her consent;

(iii) the spouse will not claim any interests or rights in the equities or assets of our PRC Contractual Entities; and

(iv) in the event that the spouse obtains any interests in our PRC Contractual Entities, he/she will be subject to and abide by the terms of the Contractual Arrangement as if he/she was a signing party to such Contractual Arrangement, and at the request of Nanjing Xibai he/she will sign any documents in the form and substance consistent with the Contractual Arrangement.

2. Revenue and Assets in relation to the Contractual Arrangement

During the year ended 31 December 2015, revenue attributable to the PRC Contractual Entities (i.e. the Contractual Arrangement) was approximately RMB78.0 million. During the year ended 31 December 2015, the total asset and net asset attributable to the PRC Contractual Entities was approximately RMB72.9 million and RMB22.2 million respectively.

3. Risks Related to our Contractual Arrangement

Risks Related to our Contractual Arrangement

There is no assurance that the Contractual Arrangement with the PRC Contractual Entities will be deemed by the relevant governmental and judicial authorities to be in compliance with existing PRC laws and regulations or that it will be in compliance with future PRC laws and regulations, including but not limited to the new draft of the Foreign Investment Law (中華人民共和國外國投資法).

We believe that the Structured Contracts and such Contractual Arrangement with the PRC Contractual Entities does not infringe existing PRC laws and regulations or other mandatory requirements under PRC law. However, there can be no assurance that the Contractual Arrangement will be deemed by the relevant governmental or judicial authorities to be in compliance with the existing PRC laws and regulations or the relevant governmental or judicial authorities may in the future interpret the existing laws or regulations with the result that such Contractual Arrangement would be deemed to be in compliance of the PRC laws and regulations.

PRC regulations currently limit foreign ownership in PRC companies that provide value-added telecommunication services (excluding on-line data processing and transaction processing services, also called operating e-commerce), which include operating the Internet content platform, to 50%. In addition, foreigners and wholly-foreign owned enterprises are currently not eligible to apply for required licences for operating the Internet content platform in the PRC (excluding a limited number of sectors for wholly-foreign owned enterprises located in Shanghai Free Trade Zone). We are a limited liability company incorporated in the Cayman Islands and we conduct our operations mainly in the PRC through Nanjing Xibai, our indirectly wholly-owned subsidiary. We and Nanjing Xibai are foreigners and wholly-foreign owned enterprises under PRC laws and accordingly are ineligible to apply for the relevant licences to operate the Internet content platform. In order to comply with foreign ownership restrictions, our business in the PRC are mainly operated through the PRC Contractual Entities. As a result of the Contractual Arrangement, our Group is able to govern the financial and operating policies of the PRC Contractual Entities and to obtain substantially all economic benefits from the activities conducted by the PRC Contractual Entities. The rest of the economic benefits are retained by the PRC Contractual Entities as general working capital for their operation. Accordingly, the financial position and operating results of the PRC Contractual Entities are included in our Group's consolidated financial statements as if they are our Group's subsidiaries.

In addition, the MII Notice issued in July 2006 requires that ICP licence holders or their shareholders directly own the domain names and trademarks used by such ICP licence holders in their daily operations. The MII Notice further requires each ICP licence holder to have the necessary facilities for its approved business operations and to maintain such facilities in the regions covered by its licence. In addition, all the value-added telecommunication service providers are required to maintain network and information security in accordance with the standards set forth under relevant PRC regulations. The MII Notice prohibits ICP licence holders from leasing, transferring or selling its ICP licence to any foreign investors in any form, or providing any resource, sites or facilities to any foreign investors for their illegal operation of telecommunications business in the PRC. The MII Notice has imposed a more stringent regulatory environment on foreign investment in value-added telecommunication business, which introduces an increased risk of the Contractual Arrangement being challenged by the relevant PRC regulatory authorities. Therefore, we and our PRC Legal Advisers, cannot rule out the possibility that the relevant PRC regulatory authorities may require that we unwind the Contractual Arrangement as a result of their increased attention on companies such as ours following the introduction of the MII Notice.

In addition, there are substantial uncertainties regarding the interpretation and application of current or future PRC laws and regulations. We are aware of a press articles which reported that a Supreme People's Court ruling in October 2012 and two arbitral decisions from SIETAC in 2010 and 2011 invalidated certain contractual agreements which were considered to be entered into with the intention of circumventing foreign investment restrictions in the PRC in contravention of the PRC Contract Law and the General Principles of the PRC Civil Law（民法通則）. It has been further reported that these court ruling and arbitral decisions may increase (i) the possibility of the PRC courts and/or arbitration panels taking similar actions against contractual structures commonly adopted by foreign investors to engage in restricted businesses in the PRC and (ii) the incentive for shareholders of the PRC Contractual Entities under such contractual structures to renege on their contractual obligations.

Pursuant to Section 52 of the PRC Contract Law, a contract is void under any of the following circumstances: (i) the contract is concluded through the use of fraud or coercion by one party and therefore damages the interest of the State; (ii) malicious collusion is conducted to damage the interest of the State, a collective unit or a third party; (iii) the contract damages the public interest; (iv) an illegitimate purpose is concealed under the guise of legitimate acts; or (v) the contract violates the mandatory provisions of the laws and administrative regulations. If the Contractual Arrangement with the PRC Contractual Entities and its equity holder are adjudicated to be in violation of any existing or future PRC laws or regulations, the relevant regulatory authorities would have broad discretion in dealing with such violations, including:

- the nullification of the Contractual Arrangement;
- imposing economic penalties and/or confiscating the proceeds generated from the operation under the Contractual Arrangement;
- discontinuing or restricting operations of Nanjing Xibai and/or Nanjing Xihui and/or Nanjing Xinchuang;
- imposing conditions or requirements with which Nanjing Xibai and/or Nanjing Xihui and/or Nanjing Xinchuang may not be able to comply;
- requiring us to restructure the relevant ownership structure or operations;
- taking other regulatory or enforcement actions that could be harmful to our business; and
- revocation of business licences and/or the licences of Nanjing Xibai and/or Nanjing Xihui and/or Nanjing Xinchuang.

Furthermore, in January 2015, the MOFCOM published the new draft of the Foreign Investment Law（中華人民共和國外國投資法）(the "Draft New Law") for public comment, which if finally adopted, will have significant impact on the foreign investment regime of the PRC. Specifically, the Draft New Law introduces a new standard in defining the nature of a domestic enterprise. An onshore enterprise will no longer be deemed as a foreign-invested enterprise even if its immediate shareholders involve foreign individuals or foreign entities, as long as such enterprise's ultimate control person(s) is/are solely PRC investors, upon the competent authorities' approval. The Draft New Law was accompanied by the MOFCOM's notes (the "Notes") on, among others, the background, guidelines and principle, and main content of the Draft New Law and elaboration on several issues including the treatment of existing contractual arrangement which has established before the effectiveness of the Draft New Law. As a number of legislative stages have to be undergone before promulgation and implementation, the new Foreign Investment Law (the "New Foreign Investment Law") will not be formally promulgated and implemented in the near future.

As advised by the Company's PRC Legal Advisers, the Draft New Law and the Notes are both drafts without any legal effect and are released for the purpose of public consultation, and a number of legislative procedures have to be undergone before the promulgation and implementation of the new Foreign Investment Law. Given this, there is uncertainty as to the potential impact of the Draft New Law. Under the Notes, MOFCOM proposed three possible ways, namely the reporting, verification or approval regimes, to deal with existing contractual arrangements that has been established before the New Foreign Investment Law taking effect and operates restricted or prohibited foreign-entry areas of business. It is not certain which one of the three possible regimes will be finally adopted in the New Foreign Investment Law. Based on the Draft New Law, if the ultimate control person of the contractual arrangements is a PRC investor, depending on which regime is finally adopted, then by reporting to, verification or approval by MOFCOM, such contractual arrangements can continue to operate. Considering the abovementioned analysis and based on the facts that our Group is currently participating in a restricted industry category for foreign investment and Ms. Li Juan and Mr. Cheng Li, our Controlling Shareholders, are PRC investors as defined under the Draft New Law subject to the New Foreign Investment Law and relevant interpretations and regulations to be formally promulgated and implemented by MOFCOM in the future, if the Draft New Law and the Notes take effect in its current form and content, and the competent authorities interpret and implement the Draft New Law strictly in accordance with such forms and contents, the Contractual Arrangement will have a better chance to be permitted to continue as compared with other existing contractual arrangements which are engaged in businesses under "prohibited foreign-entry areas" and/or are not ultimately controlled by PRC investors, and the risk that our Group will be prohibited from retaining its Contractual Arrangement or the PRC Contractual Entities are prohibited from continuing their business operations is relatively low. On the premises, and subject to other amendments before its formal promulgation and implementation, the Draft New Law will have minimal impact on the Contractual Arrangement and the control over the PRC Contractual Entities by our Group and the operations of our Group as a whole. However, we cannot exclude the possibility that MOFCOM may have contrary or different interpretation of the Draft New Law and the Notes, and there may be amendments to the Draft New Law and the Notes before formal promulgation and implementation of the New Foreign Investment Law which may have material adverse impact on our Group at the time when the New Foreign Investment Law becomes effective. There is uncertainty as to whether our Group will be treated as domestic investment based on the New Foreign Investment Law. In the event our business is not regarded as being held by PRC investors and still belongs to the restricted or prohibited category under the New Foreign Investment Law or other future PRC laws and regulations including industry policies and regulations and practice of industry competent authorities, in the worst case scenario, we have to unwind the Contractual Arrangement and discontinue our business under contractual arrangements, which contributes substantially to our revenue. As a result, we may be forced to dispose of our principal business to comply with such regulatory requirements and our Company will not be sustainable.

Any of these actions and situations may have a material adverse effect on our business, financial condition and results of operations. In addition, if the imposition of any of these consequences causes us to lose the rights to direct the activities of the PRC Contractual Entities or our right to receive its economic benefits, we would no longer be able to consolidate the financial results of the PRC Contractual Entities.

Ms. Li Juan and Mr. Cheng Li have given an undertaking (the "Undertaking") to our Company, and our Company has agreed with the Stock Exchange to enforce such Undertaking, that during the subsistence of the Contractual Arrangement, each of them will use his/her best efforts to do and procure our Company to do all such possible acts which are necessary to give effect to the Contractual Arrangement and/or to enable the continuation of business operations of the PRC Contractual Entities as a result of any impact due to the promulgation and implementation of the New Foreign Investment Law and other future laws and regulations, including without limitation:

(i) he/she will not dispose any of his/her interests in our Company (including without limitation procure our Company not to issue and allot any Shares) such that they together would hold (or their aggregate shareholdings be diluted to) less than 51% of the issued share capital of our Company or would otherwise cease to control our Company for the purposes of the New Foreign Investment Law; and

(ii) he/she will maintain his/her PRC nationality so as to be qualified as a "PRC investor" as defined under the Draft New Law,

save that they may transfer their interests in our Company to "PRC investor(s)" (the "Transferee(s)") who alone or together as parties acting in concert (where applicable) will be "ultimate control persons" as defined under the Draft New Law and hold not less than 51% of the then issued share capital of our Company, and against the Transferee(s) giving an undertaking to our Company with similar effect to the Undertaking. Prior to such transfer(s), Ms. Li Juan and Mr. Cheng Li shall demonstrate to the satisfaction of our Company and the Stock Exchange that PRC investor(s) will be the ultimate control persons of our Company as defined under the Draft New Law.

The Undertaking is solely for the purpose of the New Foreign investment Law when the said law becomes effective and the Undertaking will only be terminated if it is not required to comply with the New Foreign Investment Law and Ms. Li Juan and Mr. Cheng Li have demonstrated to the satisfaction of our Company and the Stock Exchange that our Company is no longer required to comply with the New Foreign Investment Law.

Furthermore, the following control arrangements will be in place to further ensure the compliance of the Undertaking after Listing:

(i) the Shares held by the ultimate control persons who are PRC investors which shall account for not less than 51% of the issued share capital of our Company, namely, the Shares held by Ms. Li Juan (through Loyal Alliance and Prime Wish) and Mr. Cheng Li (through Victory Glory) upon Listing and the Shares held by the subsequent Transferee(s) will not be deposited into CCASS but will be held in the form of physical certificates; and

(ii) we have instructed our Hong Kong Share Registrar, Tricor Investor Services Limited ("Tricor"), not to register any subscription, purchase and transfer of Shares unless and until our Company is satisfied that the same will not result in any breach of the Undertaking.

We consider that with the assistance of Tricor, it is unlikely that the Undertaking will be breached resulting in the shareholding ultimately controlled by PRC investors to fall below 51%. If for whatever reason that the Undertaking is breached, our Company as well as other interested parties such as public shareholders through our Company can claim against the defaulting entities for remedies including without limitation injunctive actions for rescission of the transfers in breach of the Undertaking to the extent available. We are therefore of the view that the Undertaking together with the abovementioned arrangements are sufficient to ensure that the ultimate control by PRC investors is maintained. However, there is a risk that the Company's public shareholders may not be able to successfully claim against the defaulting parties for breach of the Undertaking.

Our PRC Legal Advisers are of the view that if the New Foreign Investment Law finally takes the form and content of the Draft New Law and the Notes, and the competent authorities interpret and implement the Draft New Law strictly in accordance with such form and content, the Contractual Arrangement will have a better chance to be permitted to continue as compared with other existing VIE structures which are engaged in businesses under "prohibited foreign-entry areas" and/or are not ultimately controlled by PRC investors, and the risk that our Group will be prohibited from sustaining its Contractual Arrangement or the PRC Contractual Entities will be prohibited from continuing their business operations is relatively low.

We rely on the PRC Contractual Entities to provide certain services that are critical to our business and the breach or termination of any of our service agreements with the PRC Contractual Entities or any failure of or significant quality deterioration in these services could materially adversely affect our business, financial condition and results of operations.

We rely on the PRC Contractual Entities to provide certain services to our customers that are critical to our business, such as the operation of our Platform. Since we only control the PRC Contractual Entities through the Contractual Arrangement, we face certain risks with respect to our arrangements with the PRC Contractual Entities and the performance of the arrangement by the PRC Contractual Entities. If the PRC Contractual Entities were to breach any of its obligations under the Contractual Arrangement, we may not be able to find a suitable alternative service provider or be able to establish and operate our platform in a legal or timely manner. The breach by the PRC Contractual Entities of any of the Contractual Arrangements could materially adversely affect our business, financial condition and results of operations.

We depend upon the Contractual Arrangement with the PRC Contractual Entities in conducting our operations and receiving payments through the PRC Contractual Entities, which may not be as effective in providing operational control as direct ownership.

We have no equity ownership interest in the share capital of the PRC Contractual Entities, and conduct substantially our operations, and generate substantially our revenues, through the Contractual Arrangement, which may not be as effective in providing us with control over the PRC Contractual Entities as if they were direct wholly-owned subsidiaries.

The Contractual Arrangement is governed by PRC laws and provide for the resolution of disputes through arbitration in the PRC. Accordingly, these contracts would be interpreted in accordance with PRC laws and any disputes would be resolved in accordance with PRC legal procedures. If any of the PRC Contractual Entities or any of the Relevant Shareholders fails to perform its obligations under the Contractual Arrangement, we may have to rely on legal remedies under PRC laws, including seeking specific performance or injunctive relief, and claiming damages, which we cannot be sure would be effective. The legal environment in the PRC is not, however, as developed as in other jurisdictions. As a result, uncertainties in the PRC legal system could limit our ability to enforce these Contractual Arrangement.

In addition, any suits, arbitration or any other form of legal or dispute resolution proceedings against the Relevant Shareholders may require all assets held by such shareholder to be kept under court custody during the proceedings. If such were the case, there is no assurance that the equity interests held by such shareholders in the PRC Contractual Entities can be transferred to our Group in accordance with the Contractual Arrangement.

Certain terms of the Structured Contracts under the Contractual Arrangement may not be enforceable under PRC laws.

The Contractual Arrangement provides for dispute resolution by way of arbitration in accordance with the arbitration rules of SIETAC in Shanghai, the PRC. The Structured Contracts contain provisions to the effect that the arbitral body may award remedies over the shares and/or assets of our PRC Contractual Entities, injunctive relief and/or winding up of our PRC Contractual Entities. In addition, the Contractual Arrangement contain provisions to the effect that courts in Hong Kong and the Cayman Islands are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal or in other appropriate cases.

However, the abovementioned provisions contained in the Structured Contracts may not be enforceable. Under PRC laws, an arbitral body does not have the power to grant any injunctive relief or provisional or final liquidation order to preserve the assets of or any equity interest in the PRC Contractual Entities in case of disputes. Therefore, such remedies may not be available to us, notwithstanding the relevant contractual provisions contained in the Contractual Arrangement.

PRC laws allow an arbitral body to award the transfer of assets of, or an equity interest in, the PRC Contractual Entities in favour of an aggrieved party. In the event of non-compliance with such award, enforcement measures may be sought from the court. However, the court may or may not support the award of an arbitral body when deciding whether to take enforcement measures. Under PRC laws, courts of judicial authorities in the PRC generally would not grant injunctive relief or the winding-up order against the PRC Contractual Entities as interim remedies to preserve the assets or shares in favour of any aggrieved party. Even though the Contractual Arrangement provides that courts in Hong Kong and the Cayman Islands may grant and/or enforce interim remedies or in support of arbitration, such interim remedies (even if so granted by courts in Hong Kong or the Cayman Islands in favour of an aggrieved party) may not be recognized or enforced by PRC courts. As a result, in the event that the PRC Contractual Entities or any of its shareholders breaches any of the Contractual Arrangement, we may not be able to obtain sufficient remedies in a timely manner, and our ability to exert effective control over the PRC Contractual Entities and conduct our business as well as our financial conditions and results of operations could be materially and adversely affected.

4. No Material Change

Save as disclosed above, as at the date of this annual report, there is no material change in the Contractual Arrangements and/or the circumstances under which they were adopted.

5. Unwinding of Contractual Arrangements

It is the intention of the Group to unwind the Contractual Arrangement when foreign investment in value-added telecommunication services is no longer restricted in the PRC.

However, as at the date of this report, there is no unwinding of any of the Contractual Arrangement or failure to unwind when the restrictions that led to the adoption of the Contractual Arrangements are removed.

RELATED PARTY TRANSACTIONS

Details of the related party transactions entered into by the Company during the reporting period are set out in note 29 to the financial statements. The Company confirms that in relation to the related party transactions for the year ended 31 December 2015, it has complied with the disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules.

PERMITTED INDEMNITY PROVISION

During the year ended 31 December 2015, pursuant to the Articles of Association of the Company, the Directors were indemnified out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they might incur in connection with the execution of their duty.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2015.

RISKS AND UNCERTAINTIES

Our Group believes that there are certain risks and uncertainties involved in our operations, some of which are beyond our Group's control, such as (i) there is no assurance that the Contractual Arrangement with the PRC Contractual Entities will be deemed by the relevant governmental and judicial authorities to be in compliance with existing PRC laws and regulations or that it will be in compliance with future PRC laws and regulations, including but not limited to the new draft of the Foreign Investment Law of PRC; (ii) we also rely on our major customers during the Review Year, the continuous development and introduction of new business may not be successful; and (iii) our Group relies on the provision of marketing and promotional service as a significant part of our future revenue, but the provision of such service is subject to many uncertainties which could cause our revenue to decline. In order to protect our business, our board members have formulated security measures accordingly. Meanwhile, the board members will examine the integrity and accuracy of the risk evaluation and report whether they are appropriate or not. On the other hand, in order to broaden our earnings, the group will develop diversified business and expand the business content actively.

ENVIRONMENTAL POLICY AND PERFORMANCE

The Group implements a full utilization and reusing policy in relation to materials and continually conducting recycle program, updating energy efficient lighting, and using recycled paper as our printing materials. The Group will carry on with improving management procedures to improve energy efficiency, and formulate relevant policy to manage and encourage our employee to save energy and reduce waste.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's five largest customers accounted for 41.7% of the Group's total sales and the sales attributable to the Group's largest customer was approximately 9.1% of the Group's total sales. The aggregate purchases attributable to the Group's five largest suppliers were approximately 63.8% of the Group's total purchases and the purchase attributable to the Group's largest supplier was approximately 40.0% of the Group's total purchases.

As far as the Directors are aware, none of the directors or any of their associates or any shareholder of the Company (which to the knowledge of the directors own more than 5% of the Company's issued share capital) had beneficial interests in the Group's top five suppliers or customers referred to above.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the knowledge of the Directors as at the date of this annual report, there was a sufficient prescribed public float of the issued shares of the Company under the Listing Rules.

PROFESSIONAL TAX ADVICE

If the shareholders of the Company are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or the exercise of any rights in relation to the shares of the Company, they are advised to consult an expert.

AUDITOR

Ernst & Young will retire and a resolution for their re-appointment as auditor of the Company will be proposed at the forthcoming annual general meeting.

By the order of the Board
China Parenting Network Holdings Limited
Cheng Li
Executive Director and Chief Executive Officer

Hong Kong, 18 March 2016

INDEPENDENT AUDITORS' REPORT

22/F, CITIC Tower
1 Tim Mei Avenue
Hong Kong

To the shareholders of China Parenting Network Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Parenting Network Holdings Limited (the "Company") and its subsidiaries set out on pages 61 to 113, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

INDEPENDENT AUDITORS' REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015 and of their financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
Hong Kong
18 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2015

	Notes	**2015 RMB'000**	2014 RMB'000
REVENUE	5	**79,774**	53,433
Cost of sales		**(9,764)**	(4,749)
Gross profit		**70,010**	48,684
Other income and gains	5	**2,430**	743
Administrative expenses		**(16,271)**	(7,769)
Selling and distribution expenses		**(8,587)**	(6,116)
Research and development costs		**(13,705)**	(15,703)
Finance costs	7	**(151)**	–
Other operating expenses		**(21)**	–
Profit before tax	6	**33,705**	19,839
Income tax expense	10	**(1,045)**	(252)
Profit for the year		**32,660**	19,587
Attributable to:			
Owners of the parent		**34,525**	13,645
Non-controlling interests		**(1,865)**	5,942
		32,660	19,587
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	11		
Basic and diluted			
– For profit for the year (expressed in RMB per share)		**0.0381**	0.0171

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2015

	2015 RMB'000	2014 RMB'000
PROFIT FOR THE YEAR	**32,660**	19,587
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**13,606**	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**46,266**	19,587
Attributable to:		
Owners of the parent	**48,131**	13,645
Non-controlling interests	**(1,865)**	5,942
	46,266	19,587

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2015

	Notes	**2015 RMB'000**	2014 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**1,052**	970
Long-term receivables	14	**11,505**	305
Finance lease receivables, non-current portion	15	**10,562**	–
Available-for-sale investments	13	**12,000**	–
Total non-current assets		**35,119**	1,275
CURRENT ASSETS			
Inventories	16	**35**	53
Trade receivables	17	**38,934**	27,947
Prepayments, deposits and other receivables	18	**2,841**	2,737
Finance lease receivables, current portion	15	**1,760**	–
Cash and cash equivalents	19	**247,795**	9,618
Total current assets		**291,365**	40,355
CURRENT LIABILITIES			
Trade payables	20	**25**	92
Advances from customers	21	**293**	112
Other payables and accruals	22	**14,440**	8,366
Tax payable	10	**1,293**	1,626
Interest-bearing bank borrowings	23	**10,000**	–
Dividend payable	33	**–**	11,699
Total current liabilities		**26,051**	21,895
Net current assets		**265,314**	18,460
Total assets less current liabilities		**300,433**	19,735
Net assets		**300,433**	19,735
EQUITY			
Equity attributable to owners of the parent			
Share capital	24	**8,097**	–
Reserves	26	**294,282**	19,865
		302,379	19,865
Non-controlling interests		**(1,946)**	(130)
Total equity		**300,433**	19,735

Cheng Li
Director

Zhang Lake Mozi
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2015

	Attributable to owners of the parent								
	Share capital	Share premium*	Reserves funds*	Other reserve*	Exchange fluctuation reserve*	Retained profits*	Total	Non-controlling interests	Total
At 1 January 2015	–	–	2,968	16,842	–	55	19,865	(130)	19,735
Profit for the year	–	–	–	–	–	34,525	34,525	(1,865)	32,660
Other comprehensive income for the year									
Exchange differences on translation of foreign operations	–	–	–	–	13,606	–	13,606	–	13,606
Total comprehensive income for the year	–	–	–	–	13,606	34,525	48,131	(1,865)	46,266
Issuance of shares for the initial public offering ("IPO")	1,578	217,700	–	–	–	–	219,278	–	219,278
Issuance of shares under the over-allotment option	209	28,852	–	–	–	–	29,061	–	29,061
Capitalization issue	6,310	(6,310)	–	–	–	–	–	–	–
Share issuance expense	–	(13,956)	–	–	–	–	(13,956)	–	(13,956)
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	49	49
Appropriation to statutory reserves	–	–	4,026	–	–	(4,026)	–	–	–
At 31 December 2015	8,097	226,286	6,994	16,842	13,606	30,554	302,379	(1,946)	300,433
At 1 January 2014	–	–	934	7,000	–	8,143	16,077	3,770	19,847
Profit for the year	–	–	–	–	–	13,645	13,645	5,942	19,587
Total comprehensive income for the year	–	–	–	–	–	13,645	13,645	5,942	19,587
Acquisition of non-controlling interests upon completion of the reorganization	–	–	–	9,842	–	–	9,842	(9,842)	–
Final 2014 dividend declared	–	–	–	–	–	(19,699)	(19,699)	–	(19,699)
Appropriation to statutory reserves	–	–	2,034	–	–	(2,034)	–	–	–
At 31 December 2014	–	–	2,968	16,842	–	55	19,865	(130)	19,735

* Included in reserves in the consolidated statement of financial position.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year ended 31 December 2015

	Notes	**2015 RMB'000**	2014 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax	6	**33,705**	19,839
Adjustments for:			
Finance costs	7	**151**	–
Allowance for doubtful accounts	17	**22**	36
Bank interest income	5	**(84)**	(377)
Finance lease interest income	5	**(147)**	–
Loss on disposal of items of property, plant and equipment	6	**10**	–
Depreciation	12	**598**	639
		34,255	20,137
Increase in long-term receivables	14	**(11,200)**	(274)
Decrease/(increase) in inventories	16	**18**	(53)
Increase in trade receivables	17	**(11,009)**	(5,347)
Increase in prepayments, deposits and other receivables	18	**(104)**	(84)
Increase/(decrease) in trade payables	20	**(67)**	92
Increase in advances from customers	21	**181**	8
Increase in other payables and accruals	22	**393**	2,541
Cash generated from operations		**12,467**	17,020
Income tax paid	10	**(1,378)**	(2)
Net cash flows from operating activities		**11,089**	17,018
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	5	**84**	377
Purchases of items of property, plant and equipment	12	**(691)**	(234)
Proceeds from disposal of items of property, plant and equipment		**1**	40
Purchases of available-for-sale investments		**(12,000)**	–
Payment for sale and finance leaseback		**(9,345)**	–
Receipt of rental income		**1,887**	–
Net cash (used in)/from investing activities		**(20,064)**	183

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	24	**248,339**	–
Share issue expenses		**(12,992)**	(1,332)
New bank borrowings		**10,000**	–
Interest paid	7	**(151)**	–
Repayment of the amount due to a related party	29	**–**	(9,183)
Dividend declared and paid to then shareholders		**(11,699)**	(8,000)
Capital injection from non-controlling interests		**49**	–
Net cash flows from/(used in) financing activities		**233,546**	(18,515)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**224,571**	(1,314)
Cash and cash equivalents at beginning of year	19	**9,618**	10,932
Effect of foreign exchange rate changes, net		**13,606**	–
CASH AND CASH EQUIVALENTS AT END OF YEAR	19	**247,795**	9,618
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**247,795**	9,618
Cash and cash equivalents as stated in the statement of financial position		**247,795**	9,618

1. GENERAL INFORMATION

China Parenting Network Holdings Limited ("the Company") was incorporated in the Cayman Islands on 13 October 2014 as an exempted company with limited liability under the Companies Law (2013 Revision) of the Cayman Islands. The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The shares of the Company were listed on the Growth Enterprise Market (the "GEM") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 8 July 2015 (the "Listing Date").

The principal activity of the Company is investment holding. The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in (i) the provision of marketing and promotional services through the Group's platform, including PC Web, Mobile Web, Mobile Application Software ("APPs") and IPTV APPs; and (ii) e-commerce business in the People's Republic of China (the "PRC"). There has been no significant change in the Group's principal activities during the year.

In the opinion of the directors of the Company, as of the date of these financial statements, Ms. Li Juan, Mr. Cheng Li, Loyal Alliance Management Limited, Prime Wish Holdings Limited and Victory Glory Holdings Limited are the Company's Controlling Shareholders.

The Company and its subsidiaries now comprising the Group underwent the reorganization as set out in the paragraph headed "Reorganization" under the section "History and Corporate Structure" in the Prospectus dated 30 June 2015 (the "Reorganization").

Upon completion of the Reorganization and as at the date of these financial statements, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Company name	Place of incorporation/ registration and business	Issued/ registered share capital	Equity interest held Direct	Indirect	Principal activities and place of operation
Directly held by the Company					
Shining World Investments Limited	British Virgin Islands/ 18 August 2014 ("BVI")	US$50,000	100%	–	Investment holding, BVI
Indirectly held by the Company					
Star Universal Holdings Limited	Hong Kong/ 5 September 2014	HK$10,000	–	100%	Investment holding, HK
Xibai (Nanjing) Information Technology Company Limited* (Nanjing Xibai)	PRC/ 10 December 2014	HK$50,000,000	–	100%	Technical support and consultancy related services, the PRC

1. GENERAL INFORMATION (CONTINUED)

Company name	Place of incorporation/ registration and business	Issued/ registered share capital	Equity interest held Direct	Indirect	Principal activities and place of operation
Nanjing Xinchuang Micro Electromechanical Technology Company Limited* (Nanjing Xinchuang)	PRC/ 14 April 2005	RMB2,000,000	–	100%	Provision of marketing and promotional services and e-commerce business, the PRC
Nanjing Xihui Information Technology Company Limited* (Nanjing Xihui)	PRC/ 24 May 2013	RMB5,000,000	–	100%	Provision of marketing and promotional services and technical support and consultancy related services, the PRC
Nanjing Fuyuan Technology Company Limited* (Nanjing Fuyuan)	PRC/ 30 March 2006	RMB3,000,000	–	66.7%	Provision of technical support and consultancy related services, the PRC
Nanjing Xile Information Technology Company Limited* (Nanjing Xile)	PRC/ 6 March 2015	RMB100,000	–	51%**	Provision of technical support and consultancy related services, the PRC

*: The English names of certain companies referred to herein represent management's best effort at translating the Chinese names of these companies as no English name has been registered.

**: Nanjing Xile was established in the PRC and is held as to 51% by Nanjing Xibai and 49% by Mr. Zhao Hongwei.

2.1 BASIS OF PREPARATION

Pursuant to the Reorganization, the subsidiaries now comprizing the Group were under the common control of the controlling shareholders before and after the Reorganization. Accordingly, these financial statements have been prepared by applying the principles of merger accounting as if the Reorganization had been completed at the beginning of the financial period presented.

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), (which include all International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations) approved by the International Accounting Standards Board (the "IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These financial statements are presented in RMB, and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2015. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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 described in the accounting policy for subsidiaries above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognizes (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognized in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised standards for the first time for the current year's financial statements.

Annual Improvements to IFRSs 2010-2012 Cycle
Annual Improvements to IFRSs 2011-2013 Cycle

The nature and the impact of each amendment is described below:

(a) The Annual Improvements to *IFRSs 2010-2012 Cycle* issued in December 2013 sets out amendments to a number of IFRSs. Details of the amendments that are effective for the current year are as follows:

- IFRS 8 *Operating Segments*: Clarifies that an entity must disclose the judgments made by management in applying the aggregation criteria in IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments have had no impact on the Group.

- IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets*: Clarifies the treatment of the gross carrying amount and accumulated depreciation or amortization of revalued items of property, plant and equipment and intangible assets. The amendments have had no impact on the Group as the Group does not apply the revaluation model for the measurement of these assets.

- IAS 24 *Related Party Disclosures*: Clarifies that a management entity (i.e., an entity that provides key management personnel services) is a related party subject to related party disclosure requirements. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment has had no impact on the Group as the Group does not receive any management services from other entities.

(b) The Annual Improvements to *IFRSs 2011-2013 Cycle* issued in December 2013 sets out amendments to a number of IFRSs. Details of the amendment that is effective for the current year are as follows:

- IFRS 3 *Business Combinations*: Clarifies that joint arrangements but not joint ventures are outside the scope of IFRS 3 and the scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is applied prospectively. The amendment has had no impact on the Group as the Company is not a joint arrangement and the Group did not form any joint arrangement during the year.

- IFRS 13 *Fair Value Measurement*: Clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 or IAS 39 as applicable. The amendment is applied prospectively from the beginning of the annual period in which IFRS 13 was initially applied. The amendment has had no impact on the Group as the Group does not apply the portfolio exception in IFRS 13.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(b) (Continued)

- IAS 40 *Investment Property*: Clarifies that IFRS 3, instead of the description of ancillary services in IAS 40 which differentiates between investment property and owner-occupied property, is used to determine if the transaction is a purchase of an asset or a business combination. The amendment is applied prospectively for acquisitions of investment properties. The amendment has had no impact on the Group as the Group does not own any property.

In addition, the Company has adopted the amendments to the Listing Rules issued by the Hong Kong Stock Exchange relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements:

IFRS 9	Financial Instruments[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception[1]
Amendments to IFRS 11	Accounting for Acquisition of Interests in Joint Operations[1]
IFRS 14	Regulatory Deferral Accounts[3]
IFRS 15	Revenue from Contracts with Customers[2]
Amendments to IAS 1	Disclosure Initiative[1]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortization[1]
Amendments to IAS 27	Equity Method in Separate Financial Statements[1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of IFRSs[1]
Amendments to IAS 7	Disclosure Initiative[4]
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealized Losses[4]
Amendments to IFRS 16	Leases[5]

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for an entity that first adopts IFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group
4 Effective for annual periods beginning on or after 1 January 2017
5 Effective for annual periods beginning on or after 1 January 2019

The Group is in the process of making an assessment of the impact of these changes. So far, the Group considers that these new and revised IFRSs may result in changes in accounting policies but are unlikely to have a significant impact on the Group's results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fair value measurement

The Group measures its financial instruments at fair value at the end of each reporting period. 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets (Continued)

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of the reporting period as to whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation) had no impairment loss been recognized for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group; and the sponsoring employers of the post-employment benefit plan;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives of property, plant and equipment used are as follows:

Computers and servers	3-5 years
Office equipment	3-5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in the statement of profit or loss in the year the asset is derecognized is the difference between the net sale proceeds and the carrying amount of the relevant asset.

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as loans and receivables and available-for-sale financial investments. When financial assets are recognized initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets.

All regular way purchases and sales of financial assets are recognized on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortized cost using the effective interest rate method less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognized in the statement of profit or loss in other expenses.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealized gains or losses recognized as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in the statement of profit or loss in other income and gains or other expenses, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss in other expenses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognized in the statement of profit or loss as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (Continued)

Subsequent measurement (Continued)

Available-for-sale financial investments (Continued)

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortized cost and any previous gain or loss on that asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortized cost and the maturity amount is also amortized over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets

The Group assesses at the end of the reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortized cost

For financial assets carried at amortized cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to the statement of profit or loss.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in the statement of profit or loss, is removed from other comprehensive income and recognized in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets carried at amortized cost (Continued)

Available-for-sale financial investments (Continued)

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the statement of profit or loss – is removed from other comprehensive income and recognized in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognized directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgment. In making this judgment, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings.

All financial liabilities are recognized initially at fair value and in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, accruals and interest-bearing bank borrowings.

Subsequent measurement

The subsequent measurement of loans and borrowings is as follows:

After initial recognition, interest-bearing bank and other borrowings are subsequently measured at amortized cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognized in the statement of profit or loss when the liabilities are derecognized as well as through the effective interest rate amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance costs in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized in the statement of profit or loss.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks which are not restricted as to use.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (Continued)

Deferred tax assets are recognized for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilized, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of the reporting period and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

The Group derives its revenue from (i) the provision of marketing and promotional services through the Group's platform, including PC Web, Mobile Web, Mobile APPs and IPTV APPs; and (ii) e-commerce business in the PRC. Revenue reported in the financial statements is net of sales tax and related surcharges.

The majority of the online advertising contracts are entered into with a lump-sum consideration covering multiple deliverables of marketing and promotional services for a fixed period of time with no guaranteed minimum number of clicks. The lump-sum consideration for and timing of rendering each deliverable have been pre-agreed and evidenced by written contracts entered into between the Group and its customers. The consideration is allocated into each deliverable based on their best estimated selling price, and the related revenue is recognized over the period during which the service for the relevant deliverable is provided. Significant assumptions and estimates have been made in estimating the selling price of each unit of deliverable, and changes in judgments on these assumptions and estimates could materially impact the timing of advertising revenue recognition. In all contracts, there are no future obligations after the completion of the contract and no rights of refund related to the number of clicks. If collectability from the customers cannot be assessed as reasonably assured at the outset of the contracts, revenue is only recorded until cash is received from the customers.

Revenue from the delivery of action-based advertisement (e.g., website redirecting) is recognized, when a statement from a third party is received to confirm that the actions have been completed successfully.

Commencing from September 2014, the Group has engaged in e-commerce business which comprises the sale of products related to children, babies and maternity. Revenue is recognized when the products have been delivered to and accepted by the customers. Prepayment is normally required prior delivery of products.

Employee benefits

Pension scheme

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries operating in Mainland China are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Foreign currency translation

The functional currency of the Company is the Hong Kong dollar ("HK$") and certain subsidiaries incorporated outside Mainland China use either the Hong Kong dollar ("HK$") or the United State dollar (US$) as their functional currencies. The functional currency of the subsidiaries established in Mainland China is RMB. As the Group mainly operates in Mainland China, RMB is used as the presentation currency of the Group. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded at the functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the reporting date. All differences arising on settlement or translation of monetary items are taken to profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currency translation (Continued)

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognized in other comprehensive income or profit or loss is also recognized in other comprehensive income or profit or loss, respectively).

The functional currencies of the subsidiaries established outside PRC are currencies other than the RMB. As at the end of each reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognized in other comprehensive income and accumulated as a separate component of equity until the disposal of the respective foreign operation entity. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of the subsidiaries established outside PRC are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of the companies established outside PRC which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted average cost method. Net realizable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (CONTINUED)

Judgment uncertainty

Recoverability for revenue recognition

When the collectability from certain customers is not reasonably assured at the outset of the contracts, the Group does not recognize any revenue until cash is received assuming other revenue recognition criteria have been met.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each 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, are discussed below.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of the reporting period. The non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of trade and other receivables

Impairment of trade and other receivables is made based on an assessment of the recoverability of trade and other receivables. The identification of impairment requires management's judgments and estimates. Where the actual outcome is different from the original estimate, such differences will impact the carrying values of the trade and other receivables and impairment loss over the period in which such estimate has been changed. The provision for impairment of trade and other receivables amounted to RMB22,000 in the year ended 31 December 2015 (2014: RMB36,000).

Determining best estimate of the selling price of each deliverable within the contracts

The Company established a standard price menu for each deliverable of its marketing and promotional services (i.e., full banner, banner, button, multi-flip and couplet) and discounts were always given by the Company. Price menu was set up based on historical experience, and was reviewed and updated annually. The Company has used the listed prices on the price menu as a relative selling price of each deliverable to allocate the total consideration within the contracts. In making this estimate, the Group considers all the reasonably available information, including both market data and conditions and entity-specific factors, when estimating the selling price of each deliverable. The Group considers all the factors contemplated in negotiating the arrangement with the customer and its normal pricing practices based on the most objective and reliable information that is available. The price menu is adjusted each year and accordingly the estimated selling price of each deliverable changes annually. Historically there is no significant subsequent adjustment of the revenue amount due to change in the estimated selling price because the listed prices of most deliverables are adjusted to a similar extent and the relative selling prices do not change significantly.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (Continued)

Estimates of income tax and sales tax

Significant judgment is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional tax will be due. Where the final tax outcomes of these matters are different from the amount that was initially recorded, such differences will impact the current income tax and liabilities in the period in which such determination is made.

4. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the provision of marketing and promotional services through the Group's platform and e-commerce business.

IFRS 8 Operating Segments requires operating segments to be identified on the basis of internal reporting about components of the Group that are regularly reviewed by the chief operating decision-maker in order to allocate resources to segments and to assess their performance. The information reported to the directors of the Company, who are the chief operating decision-makers, for the purpose of resource allocation and assessment of performance does not contain discrete operating segment financial information and the directors reviewed the financial results of the Group as a whole. Therefore, no further information about the operating segment is presented.

Geographical information

During the year, the Group operated within one geographical segment because nearly all of its revenue was generated in the PRC and all of its long-term assets/capital expenditure were located/incurred in the PRC. Accordingly, no geographical segment information is presented.

Information about major customers

For the year ended 31 December 2015, no revenue from transactions with a single customer amounted to 10% or more of the Group's sales. For the year ended 31 December 2014, revenue of approximately RMB18,336,000 was derived from sales of marketing and promotional services to three customer: which are customer A: RMB7,397,000, customer B: RMB5,637,000, customer C:RMB5,302,000.

5. REVENUE, OTHER INCOME AND GAINS

Revenue, represents the value of services rendered and the net invoiced value of goods sold, after allowances for returns and trade discounts during the year.

Details of concentrations of credit risk arising from customers are set out in note 32.

An analysis of revenue, other income and gains is as follows:

	2015 **RMB'000**	2014 RMB'000
Revenue		
Marketing and promotional services	**76,520**	53,004
E-commerce	**1,378**	429
Sale of goods	**1,876**	–
	79,774	53,433
Other income and gains		
Bank interest income	**84**	377
Finance lease interest income	**147**	–
Exchange gain	**472**	–
Government grants*	**1,714**	366
Other income	**13**	–
	2,430	743

* In 2015, Nanjing Xihui Information Technology Co., Ltd. ("Nanjing Xihui"), a subsidiary of the Company, received government grants with an aggregate amount of RMB1,714,000 which were provided by the local government as development support funds. The government grants did not specify any repayment terms or conditions that are required to be met.

6. PROFIT BEFORE TAX

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

	Notes	2015 RMB'000	2014 RMB'000
Cost of inventories sold		**430**	405
Cost of services provided		**4,660**	4,344
Depreciation	12	**598**	639
Research and development costs:			
Current year expenditure		**13,705**	15,703
Minimum lease payments under operating leases		**1,206**	841
Auditors' remuneration		**1,081**	12
Listing expense		**10,820**	5,558
Employee benefit expense (excluding directors' and chief executive's remuneration (note 8)):			
Wages and salaries		**19,534**	18,957
Pension scheme contributions (defined contribution scheme)		**1,138**	1,077
Loss on disposal of items of property, plant and equipment		**10**	–
Foreign exchange differences, net		**(472)**	–
Impairment of trade receivables	17	**22**	36
Bank interest income	5	**(84)**	(377)
Finance lease interest income	5	**(147)**	–
Government grants	5	**(1,714)**	(366)

7. FINANCE COSTS

	2015 RMB'000	2014 RMB'000
Interest on bank loans	**151**	–

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2015 RMB'000	2014 RMB'000
Fees	**123**	–
Other emoluments:		
Salaries, allowances and benefits in kind	**663**	477
Pension scheme contributions	**45**	22
	831	499

During the year and in prior years, no remuneration was paid by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2015 RMB'000	2014 RMB'000
Mr. Wu Chak Man	**41**	–
Mr. Zhao Zhen	**41**	–
Mr. Ge Ning	**41**	–
	123	–

No independent non-executive director was appointed by the Company during the year ended 31 December 2014. There were no other emoluments payable to the independent non-executive directors during the year (2014: nil).

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

(b) Executive directors and non-executive directors

2015	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Executive directors:				
Mr. Cheng Li (*)	–	442	39	481
Mr. Zhang Lake Mozi	–	–	–	–
Mr. Hu Qingyang	–	221	6	227
Non-executive directors:				
Mr. Wu Haiming	–	–	–	–
Ms. Li Juan	–	–	–	–
Mr. Hsieh Kun Tse	–	–	–	–
	–	663	45	708

2014	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Executive directors:				
Mr. Cheng Li (*)	–	350	11	361
Mr. Zhang Lake Mozi	–	–	–	–
Mr. Hu Qingyang	–	127	11	138
Non-executive directors:				
Mr. Wu Haiming	–	–	–	–
Ms. Li Juan	–	–	–	–
Mr. Hsieh Kun Tse	–	–	–	–
	–	477	22	499

* Mr. Cheng Li is also the chief executive officer.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year included one director who was also the chief executive, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining four highest paid employees who are neither a director nor chief executive of the Group are as follows:

	2015 RMB'000	2014 RMB'000
Salaries, allowances and benefits in kind	**1,487**	1,336
Pension scheme contributions	**156**	44
	1,643	1,380

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees	
	2015	2014
Nil to RMB500,000	**4**	4

During the year, no remuneration was paid by the Group to any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

10. INCOME TAX EXPENSE

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly is not subject to income tax.

Under the relevant income tax law, the PRC subsidiaries are subject to income tax at a statutory rate of 25% on their respective taxable income, except for Nanjing Xibai. Pursuant to the Notice of the Ministry of Finance and the State Administration of Taxation on Enterprise Income Tax Policies for Further Encouraging the Development of Software and Integrated Circuit Industries (《財政部、國家稅務總局關於進一步鼓勵軟件產業和集成電路產業發展企業所得稅政策的通知》) promulgated by the State Council on 20 April 2012, if a corporate enterprise is recognized as a software enterprise before tax filing of its first profitable year, the corporate enterprise can enjoy preferential treatment (i.e., 2-year exemption and 3-year half payment) from its first profitable year. As of the reporting date, Nanjing Xibai is in the process of applying for the software enterprise certificate and management expects that the certificate could be obtained before 31 May 2016. Moreover, Nanjing Xibai would file such preferential tax treatment with the tax bureau in-charge in due course. The application of Nanjing Xibai to be recognized as a software enterprise was preliminarliy accepted by the competent authority on 16 March 2015. The application package of Nanjing Xibai is in accordance with the statutory requirements based on the assessment of the relevant authorities. The directors consider the chance for Nanjing Xibai to be recognized as a software enterprise before the 2015 annual corporate income tax filing is high and Nanjing Xibai would be exempted from income tax for its first two profitable years (i.e. 2015 and 2016) followed by a preferential income tax rate of 12.5% from 2017 to 2019. However, the final result would be subject to the decision of the competent government authorities' discretion.

10. INCOME TAX EXPENSE (CONTINUED)

The income tax expenses of the Group for the year are analysed as follows:

	2015 **RMB'000**	2014 RMB'000
Current – PRC		
Charge for the year	**1,045**	252
Total tax charge for the year	**1,045**	252

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the locations in which the majority of the Company's subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rate (i.e., the statutory tax rate) to the effective tax rates, are as follows:

	2015 **RMB'000**	**%**	2014 RMB'000	%
Profit before tax	**33,705**		19,839	
Tax calculated at the PRC statutory tax rate of 25%	**8,426**	**25%**	4,960	25%
Lower tax rate(s) for specific provinces or enacted by local authority	**(9,912)**	**(29%)**	(4,843)	(24%)
Expenses not deductible for tax	**2,531**	**7%**	135	–
Tax charge at the Group's effective tax rate	**1,045**	**3%**	252	1%

The effective tax rates of the Group were 3% in 2015 (2014:1%).

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

10. INCOME TAX EXPENSE (CONTINUED)

At 31 December 2015, no deferred tax has been recognized for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, the Group's fund will be retained in Mainland China for the expansion of the Group's operation, so it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with the investments in Mainland China for which deferred tax liabilities have not been recognized totalled approximately RMB50,067,000 at 31 December 2015 (2014: RMB12,968,000).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

11. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit attributable to ordinary equity holders of the parent, and the weighted average numbers of ordinary shares of 907,038,356 (2014:800,000,000) in issue during the year.

The number of ordinary shares for the purpose of calculating basic earnings per share has been adjusted retrospectively as a result of the Capitalization Issue described in note 24 to the financial statements.

There were no potentially dilutive ordinary shares in issue during the years ended 31 December 2015 and 2014, and therefore the diluted earnings per share amount is equivalent to the basic earnings per share.

The calculations of basic and diluted earnings per share are based on:

	2015 **RMB'000**	2014 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent	**34,525**	13,645

	Number of shares	
	2015	2014
Shares		
Weighted average number of ordinary shares in issue	**907,038,356**	800,000,000

12. PROPERTY, PLANT AND EQUIPMENT

	Office equipment RMB'000	Computers and servers RMB'000	Total RMB'000
31 December 2015			
At 1 January 2015			
Cost	281	2,470	2,751
Accumulated depreciation	(262)	(1,519)	(1,781)
Net carrying amount	19	951	970
At 1 January 2015, net of accumulated depreciation	19	951	970
Additions	92	599	691
Disposals	–	(11)	(11)
Depreciation provided during the year (note 6)	(19)	(579)	(598)
At 31 December 2015, net of accumulated depreciation	92	960	1,052
At 31 December 2015			
Cost	374	3,010	3,384
Accumulated depreciation	(282)	(2,050)	(2,332)
Net carrying amount	92	960	1,052

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Office equipment RMB'000	Computers and servers RMB'000	Total RMB'000
31 December 2014			
At 1 January 2014			
Cost	309	2,248	2,557
Accumulated depreciation	(243)	(899)	(1,142)
Net carrying amount	66	1,349	1,415
At 1 January 2014, net of accumulated depreciation	66	1,349	1,415
Additions	3	231	234
Disposals	(31)	(9)	(40)
Depreciation provided during the year (note 6)	(19)	(620)	(639)
At 31 December 2014, net of accumulated depreciation	19	951	970
At 31 December 2014			
Cost	281	2,470	2,751
Accumulated depreciation	(262)	(1,519)	(1,781)
Net carrying amount	19	951	970

13. AVAILABLE-FOR-SALE INVESTMENTS

	2015 RMB'000	2014 RMB'000
Non-current		
Unlisted investments, at cost	**12,000**	–

As at 31 December 2015, the unlisted equity investments were stated at cost less impairment because the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair value cannot be measured reliably. The Group does not intend to dispose of them in the near future.

14. LONG-TERM RECEIVABLES

The balance represents a rental deposit and contract deposits refundable beyond one year from the end of the reporting period.

15. FINANCE LEASE RECEIVABLES

	2015 RMB'000	2014 RMB'000
Sale and financial leaseback receivables, current portion	**1,760**	–
Sale and finance leaseback receivables, non-current portion	**10,562**	–
	12,322	–

At 31 December 2015, the total future minimum lease receivables under finance leases and their present values were as follows:

	Minimum lease receivables 2015 RMB'000	Present value of minimum lease receivables 2015 RMB'000
Amounts receivable		
Within one year	**1,887**	**1,760**
In the second year	**1,887**	**1,641**
In the third to fifth years, inclusive	**5,661**	**4,289**
After five years	**7,546**	**4,632**
Total minimum finance lease receivables	**16,981**	**12,322**
Future finance income	**(4,659)**	
Total net finance lease receivables	**12,322**	
Portion classified as current assets (note 31)	**(1,760)**	
Non-current portion (note 31)	**10,562**	

16. INVENTORIES

	2015 RMB'000	2014 RMB'000
Finished goods	**35**	53
	35	53

17. TRADE RECEIVABLES

	2015 RMB'000	2014 RMB'000
Trade receivables	**38,934**	27,947
Impairment	**–**	–
	38,934	27,947

The Group's trading terms with its customers are mainly on credit. The credit period is generally 60-90 days after completion of the service contract. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimize credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to customers with a good track record, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the end of the year, based on the date of the services rendered, is as follows:

	2015 RMB'000	2014 RMB'000
Within 3 months	**20,473**	20,281
3-6 months	**10,495**	4,127
6 months - 1 year	**7,434**	2,691
1-2 years	**532**	848
	38,934	27,947

17. TRADE RECEIVABLES (CONTINUED)

The movements in provision for impairment of trade receivables are as follows:

	2015 RMB'000	2014 RMB'000
At 1 January	**–**	–
Impairment losses recognized (note 6)	**22**	36
Amount written off as uncollectible	**(22)**	(36)
Impairment losses reversed	**–**	–
	–	–

The individually impaired trade receivables relate to customers that were in financial difficulties or were in default in principal payments and only a portion of the receivables is expected to be recovered.

The aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	2015 RMB'000	2014 RMB'000
Neither past due nor impaired	**22,368**	21,863
Less than one year past due	**16,566**	6,084
	38,934	27,947

Receivables that were neither past due nor impaired relate to customers with a good track record for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment 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.

18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2015 **RMB'000**	2014 RMB'000
Listing expense	**–**	1,332
Prepaid expense	**1,175**	694
Deductible sales tax	**565**	344
Employee advance	**587**	261
Rental deposits	**18**	45
Other receivable	**452**	–
Prepayment	**44**	61
	2,841	2,737

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

19. CASH AND CASH EQUIVALENTS

	2015 **RMB'000**	2014 RMB'000
Cash and bank balances	**247,795**	9,618

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to RMB32,782,000 (2014: RMB9,618,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

20. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2015 **RMB'000**	2014 RMB'000
Within three months	**25**	92
	25	92

The trade payables are non-interest-bearing and are normally settled within terms of 30 to 120 days.

21. ADVANCES FROM CUSTOMERS

	2015 **RMB'000**	2014 RMB'000
Advances from customers	**293**	112

Advances from customers are non-interest-bearing and are normally recognized in profit or loss within 90 days.

22. OTHER PAYABLES AND ACCRUALS

	2015 **RMB'000**	2014 RMB'000
Other tax payables	**3,351**	1,637
Other payables	**6,552**	2,193
Employee related payable	**4,537**	4,536
Total	**14,440**	8,366

Other payables are non-interest-bearing and repayable on demand.

23. INTEREST-BEARING BANK BORROWINGS

2015

	Effective interest rate (%)	Maturity	RMB'000
Current			
Bank loans-unsecured	4.60%-4.85%	2016	10,000

	2015 RMB'000	2014 RMB'000
Analysed into:		
Bank loans and overdrafts repayable:		
Within one year or on demand	**10,000**	–

The Group's bank facilities amounted to RMB10,000,000, all of which had been utilized as at the end of the reporting period (2014: Nil).

24. SHARE CAPITAL

	2015 RMB'000	2014 RMB'000
Issued and fully paid:		
1,026,500,000 (2014: 1,000) ordinary shares of HK$0.01 each	**8,097**	–

24. SHARE CAPITAL (CONTINUED)

A summary of movements in the Company's share capital is as follows:

	Notes	Number of shares in issue	Issued capital RMB'000	Share premium account RMB'000	Total RMB'000
At 1 January 2014					
On incorporation		1,000	–	–	–
At 31 December 2014 and 1 January 2015		1,000	–	–	–
Capitalization Issue	(a)	799,999,000	6,310	(6,310)	–
Issuance of shares under the IPO	(b)	200,000,000	1,578	217,700	219,278
Issuance of shares under the Over-allotment Option	(c)	26,500,000	209	28,852	29,061
		1,026,500,000	8,097	240,242	248,339
Share issuance expenses		–	–	(13,956)	(13,956)
At 31 December 2015		1,026,500,000	8,097	226,286	234,383

Notes:

(a) Pursuant to the written resolutions of the shareholders passed on 19 June 2015 (the "Resolutions"), the Directors were authorized to capitalize ("Capitalization Issue") the amount of HK$7,999,990 from the amount standing to the credit of the share premium account of the Company to pay up in full at par 799,999,000 shares for allotment and issue to the person(s) whose name(s) appears on the register of members of the Company on the date of the written resolutions (or as they may direct) on a pro rata basis.

(b) In connection with the Company's IPO, 200,000,000 shares of HK$0.01 each were issued at a price of HK$1.39 per share for a total cash consideration, before listing expenses, of HK$278,000,000 (equivalent to approximately RMB219,278,000). Dealings of these shares on the Stock Exchange commenced on 8 July 2015.

(c) On 7 August 2015, 26,500,000 ordinary shares of HK$0.01 each (the "Over-allotment Shares") were issued by the partial exercise of the over-allotment option at a price of HK$1.39 per share for a total cash consideration, before listing expenses, of approximately HK$36,835,000 (equivalent to approximately RMB29,061,000).

25. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives or rewards to eligible persons who contribute to promote the interest of the Group. Eligible participants of the Scheme include any director or employee (whether full-time or part-time), consultant or advisor of the Group who in the sole discretion of the Board has contributed to and/or will contribute to the Group. The Scheme became effective on 19 June 2015. Subject to earlier termination by the Company in a general meeting, the Scheme shall be valid and effective for a period of 10 years from the date of adoption of the Scheme by shareholders by resolution at a general meeting.

The maximum aggregate number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company, must not, in aggregate, exceed 30% of the total number of shares in issue from time to time. No options may be granted under the Scheme and any other share option schemes of the Company if this will result in such limit being exceeded. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within the date as specified in the offer letter issued by the Company, upon payment of a nominal consideration of RMB1 in total by the grantee. The period during which an option may be exercised will be determined by the Board at its absolute discretion, save that no option may be exercised more than 10 years from the date of grant.

The exercise price of share options is determinable by the directors, but may not be less than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of offer to grant option; (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of offer to grant option; and (iii) the nominal value of the share.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

Further details of the Company's share option scheme are set out in the Group's Report of the Directors.

No share options were granted during the year ended 31 December 2015 and no share options were outstanding under the Scheme as at 31 December 2015 and 2014.

26. RESERVES

The amounts of the Group's reserves and the movements therein for the reporting period are presented in the consolidated statement of changes in equity on page 64 of the financial statements.

Certain subsidiaries incorporated in the PRC are required to transfer 10% of their profits after tax calculated in accordance with the PRC accounting regulations to their respective statutory reserve funds until the reserve funds reach 50% of their respective registered capital, upon which any further appropriation is on the directors' recommendation. Such reserve refunds are restricted from distribution to the Company in the form of dividend and may be used to reduce any losses incurred by the subsidiaries or may be capitalized as paid-up capital of the subsidiaries, provided that the remaining balance after the capitalization is not less than 50% of the registered capital.

27. CONTINGENT LIABILITIES

As described in note 10 to the financial statements, if Nanjing Xibai is unable to obtain the software enterprise certificate as expected, there would be additional income tax expense amounted to RMB11,967,000 correspondingly and without factoring any other tax incentives available to the Group under relevant tax law.

28. OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to three years.

At 31 December 2015, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2015 RMB'000	2014 RMB'000
Within one year	**1,781**	696
In the second to fifth years, inclusive	**1,932**	396
	3,713	1,092

29. RELATED PARTY TRANSACTIONS

(a) There was no related party transaction between the Group and its related party during the year ended 31 December 2015. An amount of RMB9,183,000 due to Jiangsu Xi'an Information Technology Company Limited was repaid in 2014.

(b) Compensation of key management personnel of the Group:

	2015 RMB'000	2014 RMB'000
Short term employee benefits	**2,932**	1,813
Pension scheme contributions	**272**	66
	3,204	1,879

Further details of directors' emoluments are included in note 8 to the financial statements.

30. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end 31 December 2015 are as follows:

2015

Financial assets

	Loans and receivables RMB'000	**Available-for-sale investments RMB'000**	**Total RMB'000**
Available-for-sale investment	**–**	**12,000**	**12,000**
Long-term receivables	**10,750**	**–**	**10,750**
Finance lease receivables, non-current portion	**10,562**	**–**	**10,562**
Trade receivables	**38,934**	**–**	**38,934**
Financial assets included in prepayments, deposits and other receivables	**972**	**–**	**972**
Finance lease receivables, current portion	**1,760**	**–**	**1,760**
Cash and cash equivalents	**247,795**	**–**	**247,795**
	310,773	**12,000**	**322,773**

30. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

Financial liabilities

	Financial liabilities at amortized cost RMB'000
Interest-bearing bank and other borrowings	**10,000**
Financial liabilities included in other payables and accruals	**5,681**
Trade payables	**25**
	15,706

2014

Financial assets

	Loans and receivables RMB'000
Long-term receivables	250
Trade receivables	27,947
Financial assets included in prepayments, deposits and other receivables	263
Cash and cash equivalents	9,618
	38,078

Financial liabilities

	Financial liabilities at amortized cost
Financial liabilities included in other payables and accruals	2,062
Trade payables	92
	2,154

31. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2015	2014	**2015**	2014
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Long-term receivable	**10,750**	250	**8,496**	220
Finance lease receivables, non-current portion	**10,562**	–	**10,562**	–
Finance lease receivables, current portion	**1,760**	–	**1,760**	–
	23,072	250	**20,818**	220

	Carrying amounts		Fair values	
	2015	2014	**2015**	2014
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial liabilities				
Interest-bearing bank and other borrowings	**10,000**	–	**10,000**	–

Management has assessed that the fair values of cash and cash equivalents, trade receivables, deposits and other receivables, trade payables and other payables, based on their notional amounts, reasonably approximate to their carrying amounts largely due to the short term maturities of these instruments.

The available-for-sale investments are unlisted equity investments stated at cost less impairment and their fair value cannot be measured reliably as described in note 13.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the long term receivables have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

31. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

The fair values of finance lease receivables are based on quoted market prices.

The fair values of the interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2015 was assessed to be insignificant.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial assets and liabilities for which fair values are disclosed:

Assets for which fair values are disclosed:

As at 31 December 2015

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	**Significant observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**	**Total RMB'000**
Finance lease receivables, non-current portion	**–**	**–**	**10,562**	**10,562**
Finance lease receivables, current portion	**–**	**–**	**1,760**	**1,760**
Long-term receivables	**–**	**–**	**8,496**	**8,496**
	–	**–**	**20,818**	**20,818**

As at 31 December 2014

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Long-term receivables	–	–	220	220

31. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (Continued)

Liabilities for which fair values are disclosed:

As at 31 December 2015

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	–	10,000	–	10,000
	–	10,000	–	10,000

As at 31 December 2014

The Group did not have any financial liabilities measured at fair value as at 31 December 2014.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise cash and short term deposits and finance leases. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing the risks and they are summarized below.

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. Approximately 2% (2014: Nil) of the Group's sales were denominated in currencies other than the functional currencies of the operating units making the sale, whilst approximately 81% (2014: Nil) of costs were denominated in the units' functional currencies. Besides, certain of the Group's cash and bank deposits are denominated in Hong Kong dollars.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk (Continued)

The Group did not experience any material impact or difficulties in liquidity on its operations resulting from the fluctuation in exchange rate, and no hedging transaction or forward contract arrangement was made by the Group during the reporting period. However, the management closely monitors foreign exchange exposure to ensure appropriate measures are implemented in a timely and effective manner. In this respect, the Group is not exposed to any significant foreign currency exchange risk in its operation.

Credit risk

The Group trades only with recognized and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Head of Credit Control.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognized and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by credit quality of individual customers. As at 31 December 2015, 34% (31 December 2014: 58%), of the total trade receivables were due from the Group's five largest customers. Among which, 11% of the total trade receivables as at 31 December 2015 (31 December 2014: 12%) were due from the largest customer.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 17 to the financial statements.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank and other borrowings. The Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

The maturity profile of the Group's financial liabilities as at the end of each reporting period, based on the contractual undiscounted payments, was as follows:

	2015			
	On demand RMB'000	**Less than 3 months RMB'000**	**3 to less than 12 months RMB'000**	**Total RMB'000**
Interest-bearing bank and other borrowings	**–**	**131**	**10,177**	**10,308**
Financial liabilities included in other payables and accruals	**5,681**	**–**	**–**	**5,681**
Trade payables	**–**	**25**	**–**	**25**
	5,681	**156**	**10,177**	**16,014**

	2014			
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	Total RMB'000
Financial liabilities included in other payables and accruals	705	1,357	–	2,062
Trade payables	–	92	–	92
	705	1,449	–	2,154

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximize shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No change was made in the objectives, policies or processes for managing capital during the year.

The Group monitors capital by regularly reviewing the gearing ratio, which is total liabilities divided by total assets. The gearing ratios as at the end of the reporting periods were as follows:

	2015 **RMB'000**	2014 RMB'000
Total current liabilities	**26,051**	21,895
	26,051	21,895
Total current assets	**291,365**	40,355
Total non-current assets	**35,119**	1,275
	326,484	41,630
Gearing ratio	**8%**	53%

33. DIVIDEND

The Company does not recommend the payment of a final dividend for the year ended 31 December 2015 (year ended 31 December 2014: Nil). The distribution amounts set out in the consolidated statement of changes in equity of RMB19,699,000 for the year ended 31 December 2014 represented the dividend declared by a subsidiary of the Company to the then shareholder.

34. EVENTS AFTER THE REPORTING PERIOD

On 26 February 2016, the Group entered into a loan facility agreement(the "Loan Facility Agreement") with the borrower and the guarantor, pursuant to which the Group agreed to grant to the borrower, an independent third party, a loan facility of HK$60,000,000, bearing interest at a rate of 6.0% per annum for a period of 36 months commencing from the date of the borrower's receipt of the funds under the loan facility, together with an option, exercisable by the Group, to subscribe for 10% to 51% of the enlarged issued share capital of the borrower or purchase 10% to 51% of the issued share capital of the borrower from its sole shareholder of the borrower, an independent third party, at a consideration to be determined by a valuation to be conducted by an independent professional valuer. The loan facility is secured by a guarantee and at the request of the Group, the loan facility will be secured by a charge on assets of the borrower.

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2015 RMB'000	2014 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	280	–
Long-term receivables	688	–
Total non-current assets	968	–
CURRENT ASSETS		
Prepayments, deposits and other receivables	610	–
Cash and cash equivalents	212,628	–
Due from subsidiaries	33,621	–
Total current assets	246,859	–
CURRENT LIABILITIES		
Due to subsidiaries	12,017	–
Total current liabilities	12,017	–
NET CURRENT ASSETS	234,842	–
TOTAL ASSETS LESS CURRENT LIABILITIES	235,810	–
Net assets	235,810	–
Equity		
Share capital	8,098	–
Reserves (note)	227,712	–
Total equity	235,810	–

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note:

A summary of the Company's reserves is as follows:

	Share premium RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2014	–	–	–	–
Profit for the year	–	–	–	–
Other comprehensive income for the year	–	–	–	–
Exchange differences on translation of foreign operations	–	–	–	–
Total comprehensive income for the year	–	–	–	–
At 31 December 2014	–	–	–	–
Profit for the year	–	–	(13,174)	(13,174)
Other comprehensive income for the year	–	–	–	–
Exchange differences on translation of foreign operations	–	14,600	–	14,600
Total comprehensive income for the year	–	14,600	(13,174)	1,426
Issuance of shares for the IPO	217,700	–	–	217,700
Issuance of shares under the over-allotment option	28,852	–	–	28,852
Capitalisation issue	(6,310)	–	–	(6,310)
Share issuance expense	(13,956)	–	–	(13,956)
At 31 December 2015	226,286	14,600	(13,174)	227,712

36. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorized for issue by the board of directors on 18 March 2016.

THREE YEAR FINANCIAL SUMMARY

	Year ended 31 December		
	2015	2014	2013
	RMB'000	RMB'000	RMB'000
Revenue	**79,774**	53,433	39,368
Net profit for the Year Attributable to the owners Of the Company	**34,525**	13,645	4,817

	As at 31 December		
	2015	2014	2013
	RMB'000	RMB'000	RMB'000
Total assets	**326,484**	41,630	36,336
Total liabilities	**26,051**	21,895	16,489
Total Equity	**300,433**	19,735	19,847