2016 年報
ANNUAL REPORT

育儿网
www.ci123.com

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

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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

CONTENTS

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

AUDITOR

Ernst & Young

COMPLIANCE ADVISER

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Hong Kong

Innovax Capital Limited (start from 1 February 2017)
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178 Gloucester Road
Wanchai, Hong Kong

LEGAL ADVISERS TO OUR COMPANY

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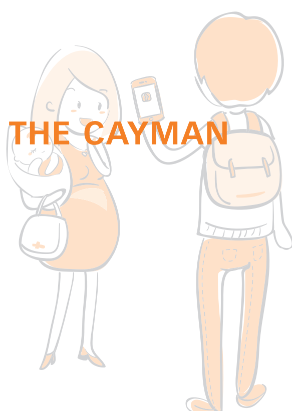

CORPORATE INFORMATION

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PRC

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Hong Kong

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
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PRINCIPAL BANK

Bank of Communications (Xuanwu Branch)
No. 519, Zhujiang Road, Xuanwu District
Nanjing, Jiangsu Province, PRC

STOCK CODE

8361

COMPANY WEB-SITE

www.ci123.com

INVESTOR RELATIONS CONSULTANT

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 2016.

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Revenue	**84,913**	79,774
Gross profit	**74,180**	70,010
Profit for the year	**41,956**	32,660
Attributable to:		
Owners of the parent	**44,867**	34,525
Non-controlling interests	**(2,911)**	(1,865)

CHAIRPERSON'S STATEMENT

Dear shareholders,

On behalf of the board of directors (the "Board") of China Parenting Network Holdings Limited (the "Company", "we" or "CI Web") 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 2016 ("the Year").

In 2016, there was a significant growth in the number of new births in China, with the proportion of two or more children greatly increased. It has been one year since the full-scale implementation of two-child policy. The resultant baby boom and the trend of consumption upgrade thus became a driving force for the rapid growth in the mother-child industry and directly affected the mother-child consumption market. It is expected that the mother-child consumption will increase by over RMB30 billion year-on-year, with at least around 13% additional annual average growth. The core consumption group in the Internet market represents those post-80s and post-90s generations, who have gradually become the main consumption force in the mother-child market. There is still great potential for the marketing of Children-Babies-Maternity products through the Internet.

Under the leadership of the Board and efforts of all employees, together with the precise market positioning of the Group, driven by the two-child policy and the economic development, for the year ended 31 December 2016, the Group realized revenue of RMB84.9 million, representing an increase of 6.4% compared to last year; gross profit reached RMB74.2 million, representing an increase of 6.0% compared to last year. Profit for the year was RMB42.0 million, representing an increase of 28.4% compared to last year.

With the development of mobile internet, the mother-child industry enjoys better development opportunities and has more potentials. Being the leading and the first listed vertical "Children-Babies-Maternity" ("CBM") online platform in China, CI Web（育兒網）has been striving to offer quality services for mother-child families. Its platforms include CI Web（育兒網）(www.ci123.com), mobile Web, mobile APPs and the IPTV APP. With the attitude of "Wisdom, openness, combination and mutual benefit", the Group continues to upgrade its "Smart Mother-Child Strategy", aims to providing smart family lifestyle, makes resources on the platform available, focuses on serving the market of Children-Babies-Maternity and has always been committed providing credible personalized solutions for Chinese new parents.

CI Web offers assistance to the Chinese families in dealing with child parenting problems, by ways of guidance from experts, interactive forums and sharing of authoritative topics, to cope with their various needs during the growth of their children. Leverage on the big data over the Internet, the platform expands to cover scopes related to various industries, including health, education, finance and entertainment. Among the APPs, "Pregnancy Reminder" and "Mother Zone" have been praised and favored by the users. Such APPs have remained in the top ten and top three mother-child APPs ranked by iResearch, respectively.

Over the past year, our quality services have been recognized by the users. During 2016 under review, the monthly active users ("MAU") and daily active users ("DAU") of CI Web reached 52.25 million and 2.44 million respectively, representing an increase of 61.8% and 87.7% respectively as compared to that of 2015. The MAU and DAU of the Company's mobile APPs altogether (figure of mobile APPs altogether is the sum of 2 APPs under CI Web, namely "Pregnancy Reminder" and "Mother Zone") were 7.81 million and 1.81 million respectively, representing an increase of 290.5% and 262.0% respectively as compared to that of last year.

CI Web recognizes users as its biggest asset. We focus more on the needs of our users and the operation of our platforms and aim to provide the most accurate service for mother-child families. CI Web adjusts strategies, targets at providing a smart family lifestyle and promotes more cooperation between brands and multiple businesses, such as it recently launched a cross-border vaccine service under the cooperation with Town Health International Medical Group Limited (stock code: 3886.HK) ("Town Health"), the largest healthcare group in Hong Kong as the demand for vaccine of women and children in mainland of China grew.

CHAIRPERSON'S STATEMENT

CI Web focuses on truly quality content and stands out with its well-received columns, including "Parenting: Do You Know This?（育兒你造嗎？）", "So Yummy（好好ci)", "Online Parenting Index（育網指數）" and "Mummy Lab（橙品實驗室）". Furthermore, CI Web also builds up a powerful and original media union, conducts analysis on big data, offers quality and informative content to satisfy different user needs, diversifies and enhances impact of the content in CI Web.

In order to enhance the Company's influence in the industry, CI Web held various online and offline activities. It is worthy to note that CI Web published the book of second "Mummy, you should buy（橙品清單）" which listed out evaluations on real-life products under the voting result by 106,974 mothers. Representatives, distributors and trade buyers of mother-child brands were participated in the awarding ceremony, which demonstrated the determination of CI Web to offer truly quality content to users.

CI Web is committed to care for society, responsibility and charity and eager to contribute to society. It established the Asia Children's Charity Foundation（亞洲兒童慈善基金會）for the year, which is incorporated in Hong Kong. It is a non-religion, non-political and non– commercial charity organization and aims to offer medical, educational and vocational and technical support to the children-in-need in China and Asia.

The Group is committed to the "people-oriented" concept, provides a good working environment for employees, attaches importance to personal professional development of employees and ensures their health and safety. We promote the harmony and co-prosperity between the Group and individual investors, employees, users, customers, suppliers, communities, the public and government in many aspects including employment, labor practices, supply management, customer relationship, community investment and effort in solving the problem of labor in the community, gains comprehensive social benefits including maximizing of corporate revenue and builds an environmental friendly industry.

FUTURE PROSPECTS

At the beginning of 2017, China's economy remained stable and maintained the trend of growth. With the comprehensive development of the two-child policy and the highest level of newborn babies reached in this century, the mother-child boom has brought multiple opportunities for the industry. CI Web will focus on the needs of users, target at mother-child families, and further introduce high-quality projects. The Group will also adjust the diversified profit model in the future and provide users with more cross-border services in multiple areas in addition to Internet marketing.

The Company will continue to promote projects in different platforms, explore actively cooperation areas and cooperation models to expand the market abroad. It will also bring good excellent service abroad to domestic users to establish higher industrial standards, consolidate its leading position and build up its authority in young families.

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 for the Company. In the future, we will continue to serve our users and to reward the shareholders with brilliant results.

Chairperson
Li Juan

24 March 2017

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Group is a leading vertical online platform for the Children-Babies-Maternity ("CBM") market in China, aiming at providing users with value-added services like new media, contents, community, smart hardware, e-commerce and cross-border services with such platforms as the CI Web（育兒網）, mobile CI Web, mobile APPs and the IPTV APP, creating a one-stop mother-child experience platform.

As a leading vertical online CBM platform, the CI Web primarily provides personalized solutions for families ranging from those preparing for new born babies to those with 12 years-old kids. We are committed to exploring and extending platforms, services and the industry. Regarding the demand of modern families as the core, the Group is expanding the cross-border mother-child value-added services to comprehensive family services, helping increase user loyalty. In 2016, based on our established "Smart Mother-Child Strategies", we aimed to provide a smart family lifestyle and planned expand into new industries, e.g., health, education, finance, entertainment. We have also launched the Smart Family Protection Plan, Smart Mother-Child Finance, Smart Parent-Child Tour, etc. Meanwhile, a number of innovative family services are underway. All of these help sharpen our competitive edge in the industry.

The majority of revenue of the year originated from marketing and promotion services, including advertising agencies, non-advertising agencies and third-party online shopping platforms. During the Year, we achieved steady growth. The annual revenue for 2016 amounted to RMB84.9 million, representing an increase of 6.4%; the gross profit reached RMB74.2 million, representing an increase of 6.0%; and the profit for the year was RMB42.0 million, representing an increase of 28.4%, as compared to those of 2015 respectively.

During 2016, the monthly active users ("MAU") of CI Web of the Company and the daily active users ("DAU") reached 52.25 million and 2.44 million respectively, representing an increase of 61.8% and 87.7% respectively as compared to that of 2015. The MAU and DAU of the Company's mobile APPs altogether(figure of mobile APPs altogether is the sum of 2 APPs under CI Web, namely "Pregnancy Reminder" and "Mother Zone",) were 7.81 million and 1.81 million respectively, representing an increase of 290.5% and 262% respectively as compared to that of last year.

INDUSTRY REVIEW

New parents of the post-80s and post-90s generations have great consumption potential. Their fresh consumption attitudes and habits stimulate the development of CBM industry.

For the year ended 31 December 2016, the universal two-child policy has been implemented for one year. According to statistics published by the National Bureau of Statistics in January 2017, 17.86 million babies were born in 2016, representing an annual growth of 7.9%. 45% of them are the second child in their families. According to data from National Health and Family Planning Commission, over 90 million couples are eligible for a second child in the country pursuant to the policy, and the annual number of births during the period of 13th Five Year Plan is expected to be between 17.50 million and 21.00 million. Cities and towns are a cradle for most second born children, 76% of whom were or will be born there. According to the 2015 CBME Consumer Report in China, urban households spend about 11% of their monthly income raising their children, the average cost of which for each family is RMB1,012. Accordingly, if one million second born children are born in this country annually, the market of maternal and child products and relevant services in cities and towns will expand by RMB9.23 billion. Thanks to the two-child policy and the expansion of consumption, the size of mother-child industry reached RMB2 trillion according to industry insiders' estimation. Meanwhile, "Internet+" strategy is a good indicator of the steady growth of CBM market. The relatively strong consuming ability of post-80s and post-90s mothers, their fresh online shopping mode and the rising overall spending on child raising in this country lead to the rapid growth of mother-child industry.

Online marketing through terminal devices and O2O Commerce are favoured in such an overwhelmingly digital modern life

The continuous evolution of terminal devices (e.g. mobile phones) and the significant internet penetration satisfy younger users' need for utilizing fragments of time to read and acquire information. That is the reason why CBM apps are well received among younger parents, and why these apps have become their access to professional information, such as parenting experience and experts' advice. In addition, Mother-Child Community has integrated many smart digital technologies (e.g. big data). The community offers younger parents an unparalleled interactive platform, where they can share experience and communicate with each other.

According to statistics from "iResearch", the O2O industry in relation to China's domestic life services in 2018 has a market size of over RMB1.5 trillion. The fast-growing big data technology helps CBM platforms develop its O2O model, leading to a combination of both online and offline revenue. The model will enhance users' sense of participation in our offline interactive activities, designed according to what is happening and what is around us recently. This is going to improve users' loyalty and help us make a profit from internet users.

Thanks to all kinds of social platforms, the creation of original contents (PGC) is rising up, gathering various contents, platform and users together

Because of mobile social networking's ability to connect people with one another, the connection among contents, platform and users has been tightening. Social platform is the major place where users create all sorts of contents and manage their social relations. The interaction and communication between groups, the posts of their friends and many other social activities need social platforms. According to the characteristics of the current industry chain in this field, the social platform plays the most important role among the three aspects, and it dictates what kind of contents can be shown; users are necessary for the development of platforms. Loyal and active users laid a foundation for all social platforms and provide endless momentum for their development; Contents is the manifestation of the value of social platforms. Both the user value and the commercial value of social platforms can be perceived through the quality of contents. Users can achieve both a sense of accomplishment during the process creation and some actual benefits from their high-quality contents. This is how social platform works. According to "iResearch", the triangle structure formed by the three aspects in current social platform industry is relatively steady, yet content providers has becoming stronger to ask for more.

Users' activities on social platforms produce lots of tags that tell their behaviors and preferences. The activities also build up social relations and emotional connections. The combination of all the products of users' activities is optimizing the whole value chain. Upstream partners interactive with users in a more precise manner with the help of statistics on platform users, while users are becoming more loyal to those platforms where their social relations are steady. Meanwhile, users' interaction continuously add new stuff to PGC (Professionals-Generated Contents) and UGC (Users-Generated Contents). This helps attract more attention and generate more revenue for upstream partners. It also tightens relation between upstream partners and users. Thus, CI Web takes content creation as the major way to increase users' loyalty.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

We focus on creating a smart family lifestyle and strategically plan to expand our business into various industries and fields

As a leading vertical online CBM platform, the CI Web primarily provides personalized solutions for families ranging from those preparing for new born babies to those with 12 years-old kids. We are committed to exploring and extending platforms, services and the industry. Regarding the demand of modern families as the core, the Group is expanding the cross-border mother-child value-added services to comprehensive family services. We focus on providing smart family lifestyle. Based on our established "Smart Mother-Child Strategies", we are planning to expand into new industries, e.g., health, education, finance, entertainment. We have also launched the Smart Family Protection Plan, Smart Mother-Child Finance, Smart Parent-Child Tour, etc.

The demand for vaccination from both infants and women is increasing in Mainland China. As one of the intelligent medical projects, the CI Web and Hong Kong's Town Health International Medical Group Limited (3886.HK) jointly launched a cross-border mother-child vaccine service, whence there would be an access to the market of cross-border medical market so as to provide users with advanced medical information and services from overseas. With the advantages of a large user base and multiple platforms, the CI Web has introduced the intelligent household security programme on the Mother's Community and Pregnancy Reminder APP to provide appropriate insurance plans to families with a newborn around the world. These plans are a guide to future life. The service has been well received since its launch.

We keep working on innovative family services, giving us a competitive edge in the industry

CI Web cooperates with our business partners. The services we specially provide for mothers are going to make them be aware of our partners' products and even become loyal users. CI Web's businesses include contents, communities, smart hardware, e-commerce and cross-border services.

CI Web continuously pays attention to users' demand. The competition among online shopping platforms is ferocious. Maternal and child products account for a certain market share. Unlike all these platforms, CI Web does not just establish its e-commerce model. We make use of big data to explore new demands of mothers and children. We aims to provide their families with a more convenient life and even be a part of their life.

MANAGEMENT DISCUSSION AND ANALYSIS

Mummy, You Should Buy This

CI Web observes how younger mother behave. They like to interact with each other, express their individuality and spread information online. The Group published "Mummy, You Should Buy This" in the year. Millions of mothers on our web vote for their favourite maternal and child product in the book. The book introduces maternal and child product in a factual and objective fashion. It has soon become a well-received shipping guide to new moms. As a following through of "Mummy, You Should Buy This", we held several activities, such as an online and offline survey called "Mothers' Best Choice", an award ceremony called "Mummy, You Should Buy This" and a book launch. We have also made a high-quality video programme named "Mummy Lab". All of these activities help increase our brand awareness.

We keep improving all sorts of original contents to make our brand more appealing to our users

The platform of CI Web will keep providing quality-oriented contents and services to the users mainly taking the form of "PGC (Professionals-Generated Contents) + OGC（Occupation-Generated Contents）+ UGC (Users-Generated Contents)". Also, it has joined hands with professional organizations, maternity and child celebrities, active users and brand accounts to form an extremely influential mother-child media alliance. Our professional contents covers a lot of aspects, including educational programmes, customer guide, maternal & child nutrition etc. All these contents are widely distributed by the following four platforms: CI Web PC, CI Web Mobile, Mother's Community Mobile and Pregnancy Reminder Mobile. The Group and our brand have built up a great reputation, and many famous media have also offered to cooperate.

CI Web has created a brand new cooking series called "So Yummy", each episode of which lasts three minutes. The series not only has video clips, but also some special programmes, aiming to showcase ingredients, kitchenware and cooking processes. We have more than 10 media partners. Each episode has over two million views.

In order to meet users' personal needs, we have set up a live streaming programme called "Expert Interview". We invite nutritionists, Chinese medicine practitioners and parenting experts to closely communicate with CI Web users through multiple avenues. The simultaneous viewers who are mothers reached a peak of over 340 thousand. In addition, CI Web is devoted to setting up its own live streaming team and joining several live streaming platforms. We have got a lot of loyal fans. Live streaming marketing activities help increase the influence and exposure of our brands.

We set up Asia Children Charity Foundation, and we pay attention to public welfare

Apart from operating the CBM platform, CI Web also pays attention to public welfare. We set up Asia Children Charity Foundation this year. It is a non-religious, non-political and non-profit charity. The foundation is currently committed to providing children who need help in mainland China with medical care, education and occupational skills etc.

Wide recognition in the industry

The products and services of the CI Web have gained recognition within the industry. On 5 July 2016, our Mother Community APP and the Pregnancy Reminder APP won the "2016 Best Experience Product in the Mother-Child Industry"（2016母嬰行業最佳產品體驗獎）and the "2016 Most Influential Product in the Mother-Child Industry"（2016母嬰行業最具影響力產品獎）of the "2016 Top List of Categorized APPs in China"（2016中國APP分類排行榜）by the "Internet Weekly"（《互聯網週刊》）of the Chinese Academy of Science, the Information Research Center of the Chinese Academy of Social Sciences（中國社會科學院信息化研究中心）and eNet.com.cn.

Smart hardware is new development trend, helping increase users' loyalty

The "internet+mother-child medical care" model stimulates the growth of mother-child smart hardware. CI Web plays a leading role in the R&D of smart medical hardware with a third party institute. The sales of our fetal heart monitoring device has started online. The integration of smart hardware into internet+mother-child medical care enables users to get, analyze and monitor heath information in a more convenient way.

The "Fetal Heart Monitoring Device" of our Group has pregnancy reminder function, which meets pregnant women's needs better with the help of big data, connecting a bigger group of pregnant women together. The pregnancy reminder App of our smart hardware and the maternal products, education and personal guidance meticulously designed by CI Web let pregnant women enjoy a professional, convenient, considerate smart pregnancy.

OUTLOOK

- **Continue to provide a smart family lifestyle and promote upgrade of mother-child industry**

  During the reporting period, based on our established "Smart Mother-Child Strategies", we are planning to expand into new industries, e.g., health, education, finance and entertainment. This strategy is based on the Group's observation of market trends and big data accumulated over the years and we find that the current mother-child network fail to meet the deep requirements of mothers and children. In 2017, the Group is committed to promoting the concept of smart family lifestyle to mother-child groups, extending traditional and single maternal and child services to areas including finance, health care, tourism, insurance, early childhood education and home entertainment. As the full implementation of the two-child policy has brought great business opportunities for the market and new parents of the post-80s and post-90s generations continue to upgrade the way of consumption, the Group will accelerate the integration of the Internet and the mother-child industry, extend services for mother-child families across platforms, establish smart mother-child ecosystem in China which has a full understanding of users and improve product quality and customer experience. The Company will provide users with more accurate information and services through personalized recommendations under the big data analysis. We also track the effect of use of users, analyze user's concept of consumption, habits and real needs and explore more possibilities.

- **Actively explore cross-border partners and maximize synergies**

  In 2016, the Group cooperated with several organizations in different areas in the market of Children-Babies-Maternity, which not only expanded the Group's business areas and provided users with a wide range of services, but also enriched the brand connotation and enhanced the overall recognition of the enterprise. In the new year, the Group will continue to source appropriate strategic partners to further enhance the market position, and achieve strong combination of brand synergies with cooperators through interrelationships and interpretation between brands and partners to gain mutual benefits.

- **Offline experience activities designed according to what is around us recently to enhance user's sense of participation**

  Looking back on 2016, the Group participated in and organized a number of offline activities to enhance face-to-face communication with users. In the new year, while improving its online services, we start from the needs of families, mothers and children, simulate all kinds of scenes in life, and constantly tries to adopt multiple interactive forms to obtain user suggestions and adjusts the product and service strategy, so that users can directly participate in the optimization of product strategy and the state of enterprise and we can turn online data and traffic into offline scene.

- **Expand and develop intelligent hardware to provide innovative products and services**

  While promoting the intelligent hardware "fetal heart monitoring device", the Group takes advantage of in-depth learning and professional human intervention approach to provides users with more accurate knowledge, experience and recommendation and offers weight management, sports management, diet management, symptom management, fetal movement management and a series of health management tools to help users form a healthy lifestyle and achieve the upgrade of "Internet + mother-child health care" model.

- **Identify excellent original content and enhance user loyalty**

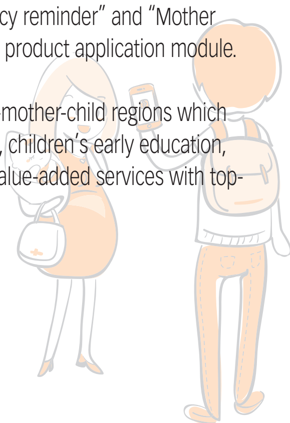
  During the year under review, the Group exclusively designed original content in forms of animation and live stream to convey concept of the brand, which was widely acclaimed by the professionals and amateurs. In the new year, the Group will continue to explore and create excellent diversified original content, keep up with market hotspot issues, strengthen the combination between content, platform and users to meet requirements of users with different preferences and achieve the brand value through the quality of content.

  The Group will continue to optimize the existing platform of original content, integrate traditional mother-child media and excellent mother-child UGM like WeChat, Microblog, client-side news to achieve combination of high-quality information resources in the mother-child area, provide mother-child users with a more professional platform for reading materials and receiving information, enhance user loyalty, gain more attention, and improve the Group's influence and contribution to the mother-child industry.

The business target and actual business progress comparison

The following table shows the comparison between the actual business progress during the twelve months ended 31 December 2016 and the plans in the prospectus as at 30 June 2015:

Business Target	Particulars	Actual business progress during the period from 1 January 2016 to 31 December 2016
Strengthening research and development capabilities of contents and service products	Increase original contents on platforms and improve user interface; Develop new web-based and mobile apps of mother-child products in order to maintain market status; Develop interactive family entertainment system product, early learning and early education centers management system.	• Develop several platform of original knowledge content, mainly in the format of "PGC (Professional Generated Content) + OGC (Occupational Generated Content) + UGC (User Generated Content)", such as original cartoon clip series and original mother-child columns. Develop live steaming on various platforms. • Develop all forms of platform as well as continuous maintenance and upgrade of existing apps, such as "Pregnancy reminder" and "Mother Zone", and continue to integrate into varies product application module. • Conduct research and development in pan-mother-child regions which include parent-child relationship nourishing, children's early education, and family entertainment, and to develop value-added services with top-tier partners in China.



Business Target	Particulars	Actual business progress during the period from 1 January 2016 to 31 December 2016
Enhancing the user base and Internet traffic of our Platform	Increase number of visits of our CI 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.	• Our CI Web has multi-platforms to maintain a certain number of users, and maintain a leading status among fellow industry players. According to third-party platform monitoring data, During 2016, the monthly active users ("MAU") of CI Web of the Group and the daily active users ("DAU") reached 52.25 million and 2.44 million respectively, representing an increase of 61.8% and 87.7% respectively as compared to that of 2015. The MAU and DAU of the Group's mobile APPs altogether (figure of mobile APPs altogether is the sum of 2 APPs under CI Web, namely "Pregnancy Reminder" and "Mother Zone") were 7.81 million and 1.81 million respectively, representing an increase of 290.5% and 262% respectively as compared to that of last year. • The plan of marketing of interactive family entertainment system product and early learning is under continuous development.
Developing 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 sold CBM related services and products through self-developed mobile APP as well as the third party platform and continuously developed e-commerce business through multiple channels. • We continued to implement the "Smart Mother-Child Strategy". Regarding the demand of modern families as the core, the Group is expanding mother-child value-added services to comprehensive family services. Cross-border projects under planning and in pipeline include medical, wealth management, intergenerational travels and early childhood education programs. • In addition to the fetal heart monitoring device（胎心儀）, the Group is already developing other intelligent devices so as to help the users to obtain, analyze and monitor health data more conveniently.
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 during the Period.

Business Target	Particulars	Actual business progress during the period from 1 January 2016 to 31 December 2016
Enhancing marketing and promotional services	Organize more social activities and expand our marketing and promotion team.	• The Group has been expanding its marketing and promotion. We have held some relatively large events, for instance, "2016 Trend of Parenting Event—The future of Mother & Child" was held in Beijing, Guangzhou and Shanghai in April 2016. • The Group took an active part in 16th "CBME China" and focused on the hotspot issues in the industry including the development trend of the industry after the implementation of the two-child policy and the combination of technology and mother-child industry to explore the mother-child industry trend in the frontier areas. • The Group organized "Annual Celebration for Mother Zone". • The Company continued to engage Ms. Christine Fan, a famous artist in Taiwan, as the spokesperson of CI Web, in order to improve the market recognition of CI Web and establish the image of the brand.
Working capital and other general corporate purposes	Utilise the working capital according to our needs and for other general corporate purpose.	• The working capital were used on daily operation and general corporate purposes.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The Group's revenue for the year ended 31 December 2016 was approximately RMB84.9 million, representing an increase of approximately 6.4% over approximately RMB79.8 million for the year ended 31 December 2015, primarily due to the rapid development in CBM industry which created a large demand for online advertising of CBM products and the enhanced traffic and reputation of ci123.com encouraged customers to put more budgets in brand displaying on the website. Meanwhile, the Company successfully engaged Ms. Christine Fan, a famous artist in Taiwan, as the spokesperson of its website in China. The event enhanced the brand image and appeal of the Group, and is expected to bring about more potential cooperation opportunities. The revenues contributed from e-commerce and sale of goods were insignificant during the year ended 31 December 2016.

Cost of sales

The Group's cost of sales for the year ended 31 December 2016 was approximately RMB10.7 million, representing an increase of approximately 9.2% over approximately RMB9.8 million for the year ended 31 December 2015, primarily due to the increase in the salaries and welfares, which were driven by the increase in the number of editorial staff.

Gross profit and gross profit margin

The Group's gross profit for the year ended 31 December 2016 was approximately RMB74.2 million, representing an increase of approximately 6.0% over approximately RMB70.0 million for the year ended 31 December 2015. During the year, the Group's gross profit margin decreased slightly from approximately 87.7% to approximately 87.4% due to higher costs in relation to domestic sales of imported products.

Other income and gains

The Group's other income and gains for the year ended 31 December 2016 was approximately RMB5.1 million, compared to approximately RMB2.4 million for the year ended 31 December 2015, primarily due to the increase of 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 2016 was approximately RMB9.2 million, representing an increase of approximately 7.0% over approximately RMB8.6 million for the year ended 31 December 2015, primarily attributable to the increased salary level of employees in the Market Department and Customer Service Department as well as the number of employees.

Administrative expenses

The Group's administrative expenses for the year ended 31 December 2016 was approximately RMB10.5 million, representing a decrease of approximately 35.6% over approximately RMB16.3 million for the year ended 31 December 2015, primarily due to legal and professional expenses incurred from preparation for the Company's listing on GEM no longer existed in 2016.

Research and development costs

The Group's research and development costs for the year ended 31 December 2016 was approximately RMB15.7 million, representing an increase of approximately 14.6% over approximately RMB13.7 million for the year ended 31 December 2015, primarily attributable to the increase in the salary level of core employees in R&D department.

Income tax expense

The Group's income tax expense for the year ended 31 December 2016 was approximately RMB1.5 million, representing an increase of approximately 50.0% over approximately RMB1.0 million for the year ended 31 December 2015, 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 2016 was approximately RMB42.0 million, representing an increase of approximately 28.4% over approximately RMB32.7 million for the year ended 31 December 2015.

Earnings per Share

Earnings per Share rose by 14.7% from RMB0.0381 in 2015 to RMB0.0437 in 2016.

Gearing ratio

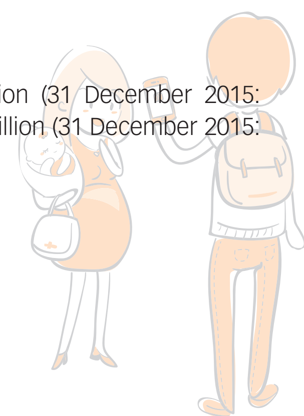
As at 31 December 2016, the gearing ratio of the Group, calculated as total liabilities, divided by total assets, was 4.9% (31 December 2015: 8.0%).

Capital expenditure

Our capital expenditure was RMB0.2 million for the year ended 31 December 2016 (31 December 2015: RMB0.7 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 2016, the Group had net current assets of approximately RMB277.7 million (31 December 2015: approximately RMB265.3 million) and the cash and cash equivalents of approximately RMB230.4 million (31 December 2015: approximately RMB247.8 million).



As at 31 December 2016, the Group had bank borrowing of RMB2.0 million (31 December 2015: RMB10.0 million). 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:

	2016 **RMB'000**	2015 RMB'000
Net cash flows from operating activities	**40,114**	11,089
Net cash (used in)/from investing activities	**(59,544)**	(20,064)
Net cash flows from/(used in) financing activities	**(9,956)**	233,546
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**(29,386)**	224,571
Cash and cash equivalents at beginning of year	**247,795**	9,618
Effect of foreign exchange rate changes, net	**12,038**	13,608
CASH AND CASH EQUIVALENTS AT END OF YEAR	**230,447**	247,795
Cash and cash equivalents as stated in the statement of financial position	**230,447**	247,795

Operating activities

Net cash flows from operating activities increased from approximately RMB11.1 million in 2015 to RMB40.1 million in 2016, which was primarily attributable to (i) higher revenue with normal cash collection and account receivables within credit terms and (ii) investment in contract deposits of RMB10.0 million in 2015 while nil in 2016.

Investing activities

Net cash flows used in investing activities was approximately RMB59.5 million in 2016, compared to net cash flows used in investing activities of RMB20.1 million in 2015, which was primarily attributable to (i) net cash outflow for loan to others of RMB62.5 million; (ii) Repayment of finance lease receivable with the amount of RMB12.6 million and (iii) purchase of a financial product with the amount of RMB12.0 million.

Financing activities

Net cash flows used in financing activities was approximately RMB10.0 million in 2016, compared to net cash flows from financing activities of approximately RMB233.5 million in 2015, which was primarily attributable to the net proceeds from the Company's listing in 2015 while nil in 2016.

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 2016, the Group had no capital commitment (31 December 2015: 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. 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 2016, the Group has a total of 174 employees including executive Directors (31 December 2015: 162 employees). Total staff costs were approximately RMB27.5 million for the Period (31 December 2015: approximately RMB22.9 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 RMB10.0 million accounting for 10.0% of the registered capital of Shanghai Baiyi Animation Cultural Broadcasting Company Limited, 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 investment was disposed subsequently in January 2017.

Charges of assets

As at 31 December 2016, the Group did not make any pledged bank deposit (31 December 2015: Nil).

Contingent liabilities

As at 31 December 2016, the Group did not have any significant contingent liabilities (31 December 2015: Nil).

Dividends

The Board does not recommend the payment of a final dividend for the year ended 31 December 2016 (for the year ended 31 December 2015: Nil).

Loan to an entity

On 26 February 2016, Star Universal Holdings Limited, a wholly-owned subsidiary of the Company as lender (the "Lender") entered into a loan facility agreement ("Loan Agreement") with an independent third party, Lofty Force Limited as borrower (the "Borrower") with the facility of HK$60,000,000, bearing interest at a rate of 6.0% per annum for a period of 36 months. For details, please refer to the paragraph headed "Use of Net Proceeds" in this report. The loan has been repaid on 3 January 2017.

DIRECTORS AND SENIOR MANAGEMENT'S PROFILE

DIRECTORS

Executive Directors

Mr. Cheng Li（程力）, aged 34, 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. Hu Qingyang（胡慶楊）, aged 40, 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 31, 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.

Non-executive Directors

Ms. Li Juan（李娟）, aged 38, 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.

* *For identification purpose only*

Mr. Wu Haiming (吳海明), aged 49, 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 52, 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.

Independent Non-executive Directors

Mr. Wu Chak Man (胡澤民), aged 44, 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 company whose 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 48, 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 58, 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.

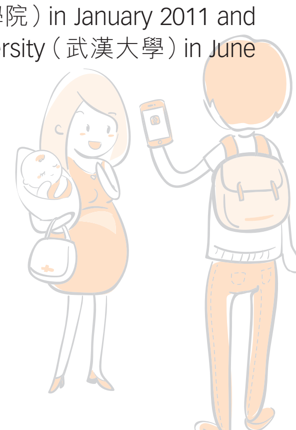
Save as disclosed above, there are no other directorships held by our Directors in any listed company whose securities are listed on any stock exchange in Hong Kong or overseas within the three years preceding the date of this annual report.

SENIOR MANAGEMENT

Mr. Zhang Hua (張華), aged 33, 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 34, 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), the PRC in July 2006.

Mr. Shen Tonghui (沈彤輝), aged 34, 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 33, 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 31, 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 32, 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 for the year ended 31 December 2016.

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 for the year ended 31 December 2016, 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 2016 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.

For the year ended 31 December 2016, 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

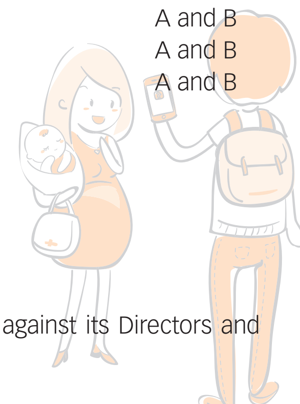
Pursuant to the Corporate Governance Code, the Board adopted a board diversity policy on 19 June 2015. The Company recognises and embraces the benefits of diversity of Board members. While all Board appointments will continue to be made on a merit basis based on its business needs from time to time while 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 know their responsibilities as directors and the operation and business activities of the Company. The Company would give any newly appointed Director 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:

Name of Director	Types of Training
Executive Directors	
Mr. Cheng Li	A and B
Mr. Zhang Lake Mozi	A and B
Mr. Hu Qingyang	A and B
Non-executive Directors	
Ms. Li Juan	A and B
Mr. Wu Haiming	A and B
Mr. Hsieh Kun Tse	A and B
Independent non-executive Directors	
Mr. Wu Chak Man	A and B
Mr. Zhao Zhen	A and B
Mr. Ge Ning	A and B

A: Attend director training, including accounting, financial, management or other training
B: Reading the relevant corporate governance practices, legal rules and legislative updates



DIRECTORS' AND OFFICERS' INSURANCE

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

CORPORATE GOVERNANCE REPORT

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 2016, the Board has held 6 meetings.

The individual attendance record of each Director at the meetings of the Board for the year ended 31 December 2016 is set out below:

Name of Director	Attendance/Number of meetings of the Board Number of Board Meeting(s)
Executive Directors	
Mr. Cheng Li	6/6
Mr. Zhang Lake Mozi	6/6
Mr. Hu Qingyang	6/6
Non-executive Directors	
Ms. Li Juan	6/6
Mr. Wu Haiming	6/6
Mr. Hsieh Kun Tse	6/6
Independent non-executive Directors	
Mr. Wu Chak Man	6/6
Mr. Ge Ning	6/6
Mr. Zhao Zhen	6/6

For the year ended 31 December 2016, the Company convened an annual general meeting on 9 May, 2016. The attendance of each Director at the annual general meeting in 2016 is set out below:

Name of Director	Attendance/Number of General Meeting(s)
Executive Directors	
Mr. Cheng Li	1/1
Mr. Zhang Lake Mozi	1/1
Mr. Hu Qingyang	1/1
Non-executive Directors	
Ms. Li Juan	1/1
Mr. Wu Haiming	0/1
Mr. Hsieh Kun Tse	1/1
Independent non-executive Directors	
Mr. Wu Chak Man	0/1
Mr. Ge Ning	1/1
Mr. Zhao Zhen	1/1

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.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

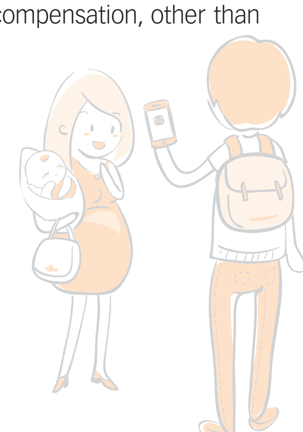
Each of the executive Directors and non-executive Directors has entered into a service contract with the Company for three years commencing from the Listing Date and can be terminated by not less than three months' notice in writing served by either party on the other.

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"), Mr. Wu Haiming, Mr. Zhang Lake Mozi and Mr. Hsieh Kun Tse 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

The 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 2016, 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 2016.

During the year ended 31 December 2016, the audit committee held six meetings to consider and approve among others the following:

(a) to review the Group's consolidated financial result for the year ended 31 December 2015, the three months ended 31 March 2016, the six months ended 30 June 2016 and the nine months ended 30 September 2016 before submission to the Board, with a focus on compliance with accounting standards, the GEM Listing Rules and other requirements in relation to financial reporting of the audit committee;

(b) to discuss the effectiveness of the internal controls system throughout the Group, including financial, operational and compliance controls, and risk management; and

(c) to review the accounting principles and practices adopted by the Group and other financial reporting matters.

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	6/6
Mr. Ge Ning	6/6
Ms. Li Juan	6/6

Remuneration Committee

The 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 Plan, as well as the benefit plans to the key employees. For the year ended 31 December 2016, the Company has held one remuneration committee meeting on 18 March 2016. The record of attendance is set out below:

Name of Director	Attendance/ Number of Remuneration Committee Meeting(s)
Mr. Ge Ning	1/1
Mr. Zhao Zhen	1/1
Mr. Cheng Li	1/1

Nomination Committee

The 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. For the year ended 31 December 2016, the Company has held one nomination committee meeting on 18 March 2016. The record of attendance is set out below:

Name of Director	Attendance/ Number of Nomination Committee Meeting(s)
Ms. Li Juan	1/1
Mr. Ge Ning	1/1
Mr. Zhao Zhen	1/1

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 and satisfy the requirements under the Rule 5.15 of the GEM Listing Rules for the Year 2016. The Company considers the training of each of the joint company secretaries during Year 2016 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, 2016, 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, 2016, 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:	
Annual audit service	1,880
Non-audit services：	
Tax advisory services	60
Total	1,940

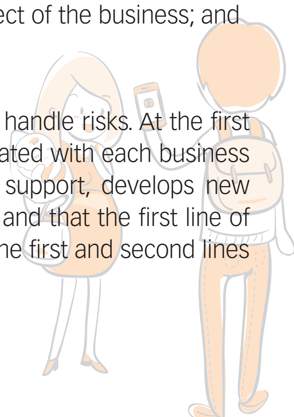
RISK MANAGEMENT AND INTERNAL CONTROLS

The Company recognises that good risk management is essential for the long-term and sustainable growth of a business. The Board is responsible for maintaining adequate and effective risk management and internal controls to protect assets of shareholders and the Company and is also responsible for its effectiveness. The Board entrusts the audit committee to review the Group's internal control system. Management is responsible for the design, implementation and maintenance of a sound and effective internal control system underpinning the risk management framework. While taking into full account of the new requirements effective from 1 January 2016 under the GEM Listing Rules brought by Hong Kong Exchanges and Clearing Limited relating to risk management and internal control, the management also takes into consideration of the Company's actual business and operating environment in formulating the risk management and control framework.

The objectives of the risk management and internal control framework of the Company include:

- to enhance the risk management and internal control of the Company in compliance with the requirement of GEM Listing Rules;
- to establish and constantly improve the risk management and internal control system;
- to implement a top-down and company-wide risk management system that covers every aspect of the business; and
- to keep the baseline risk within an acceptable range.

The Company has adopted a three-tier risk management approach to identify, assess, mitigate and handle risks. At the first line of defence, business units are responsible for identifying, assessing and monitoring risks associated with each business or deal. The management, as the second line of defence, defines rule sets; provides technical support, develops new systems and oversees portfolio management. It ensures that risks are within the acceptable range and that the first line of defence is effective. As the final line of defence, the audit committee of the Company ensures that the first and second lines of defence are effective through constant inspection and monitoring.



The principle business and issues included in the assessment scope of internal control cover all the businesses and management issues of the five important elements under internal control (i.e. control environment, risk assessment, control activities, information and communication and supervision), including:

- sales and money collection management
- procurement and payment management
- asset management (including fixed asset and intangible asset)
- research and development management
- human resources and remuneration management
- capital management
- financial report management
- tax management
- general control of information system

In 2016, the Board and the audit committee review the effectiveness and adequacy of risk management and internal controls every quarter. The Board and audit committee also took adequate resources, capacity and experience of employees, training courses and relative budget into consideration.

Such procedures could reasonably but not absolutely guarantee that there was no material error, omission and fraud, and reduce but not remove mistakes in the Group's operating system and target business procedures.

The Group has conducted an annual review on whether there is a need for an internal audit department. Given the Group's relatively simple corporate and operation structure, as opposed to diverting resources to establish a separate internal audit department, the Board, supported by the audit committee, is directly responsible for risk management and internal control systems of the Group and for reviewing its effectiveness.

During 2016, based on information furnished to it and on its own observations, the Board is satisfied with the effectiveness and adequacy of present internal controls and risk management of the Company.

DISCLOSURE OF INSIDE INFORMATION

The Company acknowledges its responsibilities under the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong and the GEM Listing Rules and the overriding principle that inside information should be announced immediately when it is the subject of a decision. The procedures and internal controls for the handling and dissemination of inside information are as follows:

- the Company conducts its affairs with close regard to the disclosure requirement under the GEM Listing Rules as well as the "Guidelines on Disclosure of Inside Information" published by the Securities and Futures Commission of Hong Kong in June 2012;
- the Company has implemented and disclosed its policy on fair disclosure by pursuing broad, non-exclusive distribution of information to the public through channels such as financial reporting, public announcements and its website;

- the Company has strictly prohibited unauthorised use of confidential or inside information; and
- the Company has established and implemented procedures for responding to external enquiries about the Company's affairs, so that only the executive Directors, company secretary and investor relations officers are authorised to communicate with parties outside the Company.

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 1905, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.
Telephone number: +852 3742 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 2016.

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 disclosed in announcements of the Company on 25 and 26 January 2017, the Company has terminated the compliance adviser agreement with China Everbright Capital Limited ("China Everbright Capital") with effect from 31 January 2017 (the "Termination"). Save and except for the compliance adviser agreement entered into between the Company and China Everbright Capital dated 16 February 2015, neither China Everbright Capital nor its directors, employees or close associates had any material 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 on or prior to the Termination.

The Company has appointed Innovax Capital Limited ("Innovax Capital") as the new compliance adviser to the Company as required pursuant to Rule 6A.27 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange with effect from 1 February 2017 until the date, pursuant to Rule 6A.19 of the GEM Listing Rules, on which the Company complies with Rule 18.03 of the GEM Listing Rules in respect of the Company's financial results for the second full financial year commencing after the date of initial listing of the Company (being the year ending 31 December 2017), or until the compliance adviser agreement entered into between the Company and Innovax Capital is terminated in accordance with its terms, whichever is earlier. Innovax Capital is a licensed corporation to carry out types 1 (dealing in securities) and types 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong.

As at the date of this annual report, save and except for the compliance adviser agreement entered into between the Company and Innovax Capital, neither Innovax Capital nor its directors, employees or close associates had any material 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.

The Directors have pleasure in presenting their annual report and the audited accounts of the Group for the year ended 31 December 2016.

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.

BUSINESS REVIEW

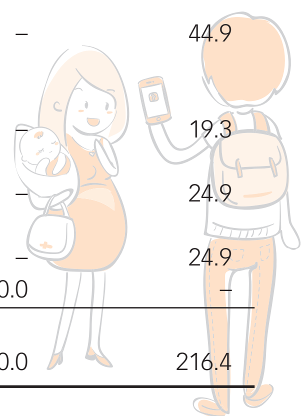
Detailed business review is set out in the section of "Management Discussion and Analysis" ("MD&A") in this annual report from pages 10 to 12. Future development of the company's business is set out in the section of "Chairperson's Statement" in this annual report at page 7 and "Management Discussion and Analysis" in this annual report from pages 12 to 15 respectively. As far as the Board is aware, the Company and its subsidiaries have complied in material respects with the relevant laws and regulations that have a significant impact on their business and operation.

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	**Utilized Amount up to 31 December 2016** HK$ million	**Unutilized Amount up to 31 December 2016** HK$ million
Strengthening research and development capabilities	55.3	52.8	–	52.8
Enhancing the user base and Internet traffic of our Platform	55.3	49.6	–	49.6
Developing our e-commerce business and related O2O business	55.3	44.9	–	44.9
Acquisition of or investment in other companies engaging in O2O and CBM related businesses	55.3	19.3	–	19.3
Enhancing marketing and promotional services	27.6	24.9	–	24.9
Working capital and other general corporate purposes	27.6	24.9	–	24.9
Providing loan facilities	–	60.0	60.0	–
Total	276.4	276.4	60.0	216.4



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.

As at 31 December 2016, 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 four financial years is set out on page 128 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 2016 are set out in the consolidated financial statement on page 79.

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 2016.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the annual general meeting to be held on Monday, 15 May 2017, the register of members of the Company will be closed from Wednesday, 10 May 2017 to Monday, 15 May 2017, 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 Tuesday, 9 May 2017.

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 2016 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

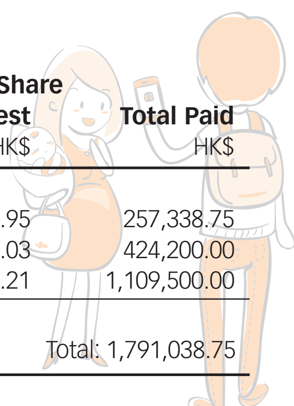
There are no provisions for pre-emptive rights under the Articles of Association of the Company or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders of the Company.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Share buy-backs made by the Company

The Company had bought back a total of 838,000 Shares on the GEM for the year ended 31 December 2016 and details of which are as follows:

Date of Repurchase	Number of Shares Repurchased	Price paid per Share		
		Highest	Lowest	Total Paid
		HK$	HK$	HK$
9 December 2016	130,000	2.00	1.95	257,338.75
12 December 2016	208,000	2.04	2.03	424,200.00
16 December 2016	500,000	2.22	2.21	1,109,500.00
	Total: 838,000			Total: 1,791,038.75



DIRECTORS' REPORT

All of the shares bought back during the year ended 31 December 2016 were subsequently cancelled in January 2017. Save as disclosed in this report, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2016. The Board considers that the value of the Shares in the capital market is significantly undervalued. The market value of which is far below their intrinsic value, taking into account the Group has sufficient and strong financial resources. The Board believes that the Company's healthy financial position allows the Company to conduct the above buy-backs while maintaining sufficient financial resources for the continuous growth of the Group's operations. The Board also believes the share buy back and subsequent cancellation of the bought back shares can improve the return to shareholders.

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 80 respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2016, the Company's reserves available for distribution, calculated in accordance with the Companies Law of the Cayman Islands (the "Companies Law") amounted to approximately RMB204.2 million (2015: RMB213.1 million), of which none has been proposed as final dividend for the year.

DIRECTORS

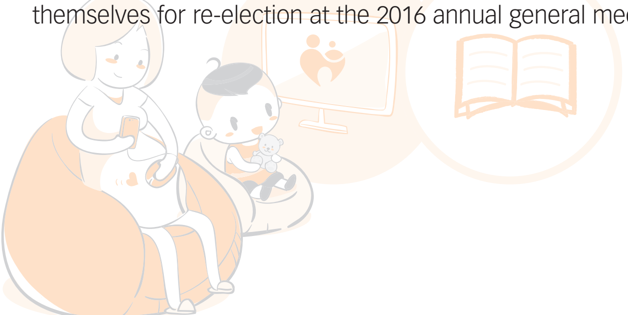
The Directors as of 31 December 2016 and up to the date of this report are:

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 Mr. Wu Haiming, Mr. Zhang Lake Mozi and Mr. Hsieh Kun Tse shall retire at the 2016 annual 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 28 (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 OF ITS ASSOCIATED CORPORATION

As at 31 December 2016, interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) held by the Directors and chief executives of the Company 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 were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to Section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules are as follows:

Long positions in the shares of the Company

Name of Director	Nature of Interest	Number of Shares or Underlying Shares	Approximate percentage of shareholding
Ms. Li Juan(1) (4)	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) (4)	Interest of spouse	529,200,000	51.55%
Mr. Cheng Li(2) (4)	Interest in a controlled corporation	120,000,000	
	Interest of concert party	409,200,000	
	Total:	529,200,000	51.55%
Mr. Zhang Lake Mozi(3)	Interest in a controlled corporation	84,000,000	8.18%

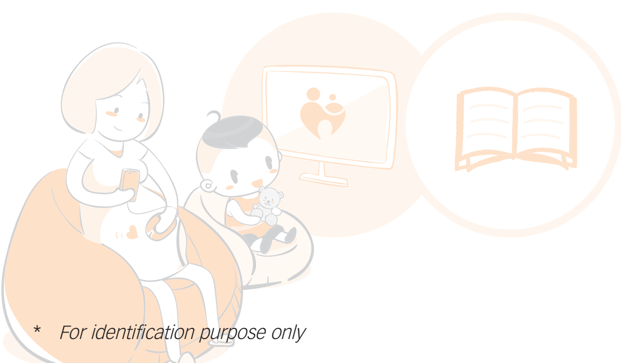
Notes:

(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 each of Loyal Alliance and Prime Wish. 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) Sharp Knight Limited ("Sharp Knight") holds the shares as trustee for and on behalf of 中誠馬（北京）投資顧問有限公司 (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. On 3 January 2017, Sharp Knight transferred 27,000,000 shares to an independent third party and Sharp Knight holds 57,000,000 shares after the transfer.

(4) 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.



* *For identification purpose only*

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*（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*（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[(2)]	Interest of spouse	85%
	Nanjing Xinchuang[(2)]	Interest of spouse	85%
Mr. Cheng Li	Nanjing Xihui[(2)]	Beneficial owner	15%
	Nanjing Xinchuang[(2)]	Beneficial owner	15%

Notes:

(1) 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) Pursuant to the contractual arrangement, each of Nanjing Xinchuang and Nanjing Xihui is deemed to be a wholly owned subsidiary of the Company.

Save as disclosed above, as at 31 December 2016, none of the Directors nor chief executives of the Company had registered an interest or short position 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) that was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or were recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

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

So far as the Directors are aware, as at 31 December 2016, the following persons (not being Directors or chief executives of the Company) have or be deemed or taken to have interests and/or short positions in the shares or the underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register required to be kept under Section 336 of the SFO:

* *For identification purpose only*

Long positions in the shares of the Company

Name	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%
TMF Trust (HK) Limited [3]	Trustee	51,600,000	5.03%
Winner Zone[4]	Trustee	104,400,000	10.17%
Ms. Guo Minfang[4]	Interest of controlled corporation	104,400,000	10.17%
Sharp Knight[5]	Trustee	84,000,000	8.18%
Ms. Wang Rong[5]	Interest of spouse	84,000,000	8.18%
Shanghai AMVC Culture Investment Management Center (a Limited Partnership)* (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 of controlled corporation	104,400,000	10.17%
Beijing Zhongchengma[5]	Beneficiary of a trust	84,000,000	8.18%

Notes:

(1) Each of Loyal Alliance and Prime Wish is directly and wholly owned by Ms. Li Juan.

(2) Victory Glory is directly and wholly owned by Mr. Cheng Li.

(3) Properous Commitment is directly held by TMF Trust (HK) Limited, a professional trustee engaged by the Company for the operation of the Share Award Plan.

(4) Winner Zone, solely owned by Ms. Guo Minfang, holds the shares as trustee for and on behalf of Shanghai AMVC Culture Investment Management Center (a Limited Partnership) (上海早鳥文化投資管理中心(有限合夥)), the general partner of which is Shanghai AMVC Investment Management Center (a Limited Partnership) (上海早鳥投資管理中心(有限合夥)) which is in turn held as to 25% by Ms. Guo Minfang and 50% by Ms. Cao Qiongming.

(5) Sharp Knight holds the shares as trustee for and on behalf of 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. On 3 January 2017, Sharp Knight transferred 27,000,000 shares to an independent third party and Sharp Knight holds 57,000,000 shares after the transfer.

(6) As disclosed in the Prospectus of the Company, 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.

* *For identification purpose only*

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

SHARE AWARD PLAN

As stated in the Prospectus, the Company intended to adopt a share award plan (the "Plan") within 12 months from the Listing Date, so as to recognize and appreciate the contribution of any qualified employees towards the growth and development of the Group. The Board has adopted the Plan on 6 July 2016. Mr. Hsieh Kun Tse, the non-executive Director, has transferred the entire issued share capital of Properous Commitment Holdings Limited ("Properous Commitment") which in turn holds 51,600,000 of the Shares of the Company, to the trustee at nil consideration on 8 September 2016. The trustee will hold on trust the award Shares for the benefit of the selected employees in accordance to the terms of the trust deed, until such award Shares are vested in the relevant selected employees in accordance with this Plan.

The plan is discretionary-based, and the Board has authorized the Share Award Plan Committee to manage the Plan, members of which include the controlling shareholder and executive Director Mr. Cheng Li, and the independent non-executive Director Mr. Ge Ning. Subject to the requirements of the GEM Listing Rules and all applicable laws from time to time, the Share Award Plan Committee shall make recommendations for the Board's approval. The Share Award Plan Committee shall be responsible for the administration of the Plan as well as communication with the trustee and the selected employees, including but not limited to the allocation of the award Shares to the selected employees upon obtaining such approval/authorization from the Board, and purchasing the award Shares on the market, as well as transferring the vested Shares to the selected employees. Before the vesting date, the selected employees have no right or interest in the award Shares (including the right to the dividends).

The maximum number of award Shares shall not exceed 10% of the issued share capital of the Company (including new Shares and existing Shares) from time to time, whereas the maximum number of Shares to be granted to a selected employee shall not exceed one percent (1%) of the issued share capital of the Company from time to time. The Directors have confirmed that the Company does not currently intend to issue any new Shares under the Plan. If new shares are to be issued under the Plan and assuming there are no existing shares to be used under the Plan, the maximum number of new shares to be issued will be 50,966,200 Shares as at the date of this report (taking into account of the current issued share capital of 1,025,662,000 Shares and 51,600,000 Shares held by Properous Commitment), representing approximately 4.97% of the existing issued share capital of the Company. The Company will seek a specific mandate in this regard as the grantees may be connected persons of the Company.

The Plan shall have effect and valid for ten years from the date of adoption to 5 July 2026. As at the date of this report, no Shares have been granted to qualified employees under the Plan.

For details of the Plan, please refer to the announcements of the Company dated 7 July 2016 and 14 July 2016.

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 2016.

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.

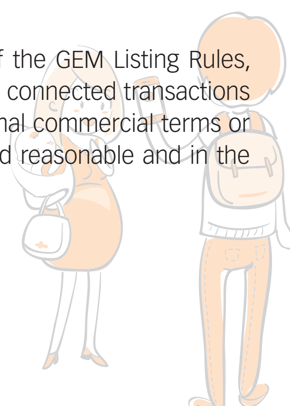
DIRECTORS, CONTROLLING SHAREHOLDERS AND SUBSTANTIAL SHAREHOLDERS' INTEREST IN COMPETING BUSINESS

None of the Directors, Controlling Shareholders and substantial Shareholders 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 2016.

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 2016 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 (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).

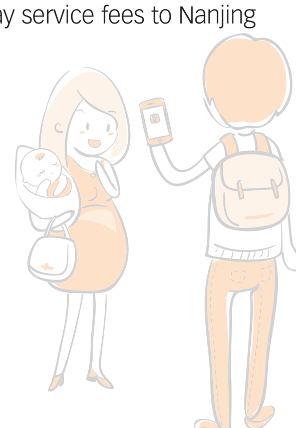
We are primarily engaged in operation of online platform focusing on the CBM market (the "Principal Business"), which is considered to be value-added telecommunications services, a sector where foreign investment is subject to significant restrictions under PRC laws and regulations. Accordingly, we cannot 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.

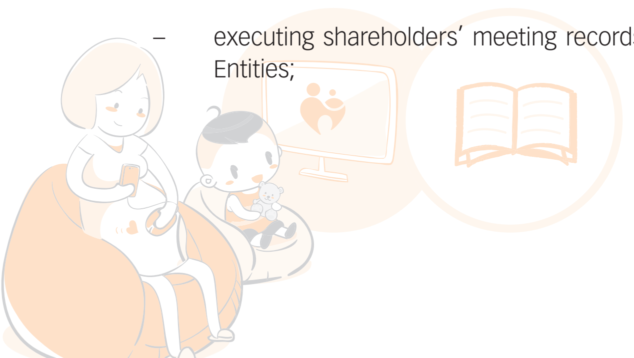
Shareholders' Rights Entrustment Agreement

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 2016, revenue attributable to the PRC Contractual Entities (i.e. the Contractual Arrangement) was approximately RMB82.8 million. During the year ended 31 December 2016, the total asset and net asset attributable to the PRC Contractual Entities was approximately RMB74.7 million and RMB25.7 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.

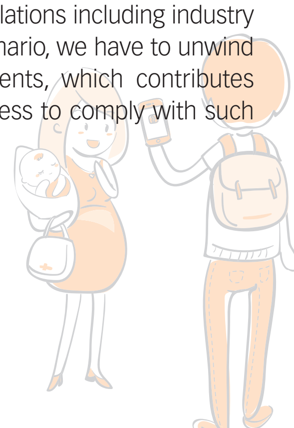
In addition, there are substantial uncertainties regarding the interpretation and application of current or future PRC laws and regulations. We are aware of a press articles which reported that a Supreme People's Court ruling in October 2012 and two arbitral decisions from SIETAC in 2010 and 2011 invalidated 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") has not be formally promulgated and implemented so far.

As advised by the Company's PRC Legal Advisers, as of the date of this annual report, the Draft New Law and the Notes are both drafts without any legal effect and have been 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 likely be permitted to continue, 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,

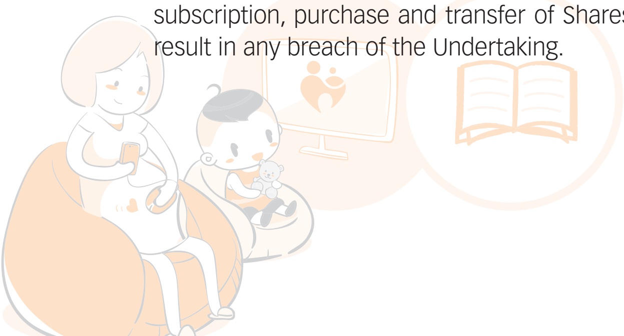
save that they may transfer their interests in our Company to "PRC investor(s)" (the "Transferee(s)") who alone or together as parties acting in concert (where applicable) will be "ultimate control persons" as defined under the Draft New Law and hold not less than 51% of the then issued share capital 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 likely be permitted to continue, 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.

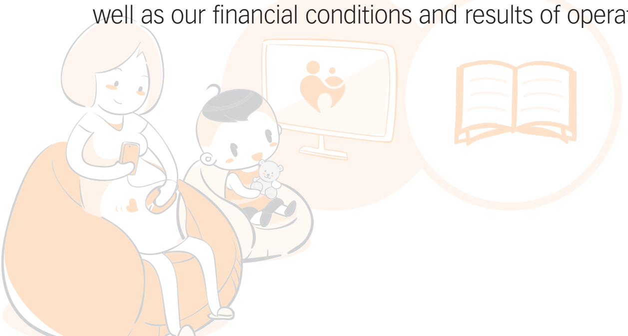
In addition, any suits, arbitration or any other form of legal or dispute resolution proceedings against the Relevant Shareholders may require all assets held by such shareholder to be kept under court custody during the proceedings. If such were the case, there is no assurance that the equity interests 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 such related party transactions does not fall under the definition of connected transaction or continuing connected transaction in Chapter 20 of the GEM Listing Rules and therefore 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 2016, 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 2016.

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 EMPLOYEES, CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's five largest customers accounted for 39.5% of the Group's total sales and the sales attributable to the Group's largest customer was approximately 9.4% of the Group's total sales. The aggregate purchases attributable to the Group's five largest suppliers were approximately 54.0% of the Group's total purchases and the purchase attributable to the Group's largest supplier was approximately 26.3% 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.

The Group adopts people-oriented approach, provides employees with reasonable working rewards and continues to improve systems in salary and benefits, training, professional health and safety to retain talents. The Group maintains good relationship with customers and establishes channels for solving customers' problems and giving feedback to ensure the quality of service. The Group also maintains good relationship with suppliers and conducts fair and strict review about suppliers.

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 GEM 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. There's no change in auditor in the preceding three years.

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

Hong Kong, 24 March 2017

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

REPORT FRAMEWORK AND SCOPE OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Environmental, Social and Governance Report of the Group was prepared in accordance with the "Environmental, Social and Governance Reporting Guide" (the "ESG Reporting Guide") set out in Appendix 20 of the GEM Listing Rules and primarily reported on the performance of the Group in the area of environmental and social responsibilities in 2016.

Adhering to the corporate philosophy of "integrity, professional, dedication and persistence", the Group gives back to society in good faith and promotes the core parenting values centring on health, happiness, self-confidence, effective and convenience. Its active efforts in fulfilling responsibilities to the environment and society form the cornerstone of its development strategy, operation and management in its pursuit of harmonious, long-term and sustainable development with society, environment and economy.

STAKEHOLDERS AND SIGNIFICANT ISSUES ASSESSMENT

We place great emphasis on the communication with stakeholders and their expectation regarding our environmental and social responsibilities. We have a wide range of channels in place to increase stakeholder engagement in business strategy planning, including but not limited to on-going dialogues, conferences and training courses. Meanwhile, we will also maintain active and honest communication with stakeholders to meet with their expectation and requirement, for the purpose of effectively balancing the expectations, opinions and objectives of all parties and maximizing their long-term best interests.

- **Stakeholders**

Users/customers	User/customer events Protection and management of customer/customer information Honest commercial practices
Shareholders/investors	Shareholders' meetings Annual reports, financial reporting and announcements Direct communication Group website Financial results Sustainable business development Investment and contribution to society Corporate transparency
Employees	Training courses Work-life balance Charity and community works Meetings and close communication Periodic performance review Career development planning Health and safety Remuneration and benefit Equal opportunity
Governments/regulators	Direct communication Compliance management Conference Policy compliance Business development strategy Local regulations and actual practices Business ethics Public engagement
Suppliers	Site visits and evaluation Close communication Order/contract execution Corporate reputation Product quality Environmental responsibilities
Community	Promoting employment Volunteer activities Investment and donation to community Contribution to society Environmental responsibilities

CI Web sees the identification and assessment of significant issues in the area of environmental and social responsibilities as its priority. It is dedicated to build a communication system with stakeholders and keeps abreast of their expectation and requirement. To determine the significant issues regarding environmental and social responsibilities for this report, CI Web also used the outline set out in the ESG Reporting Guide as its reference. In 2016, our efforts in fulfilling environmental and social responsibilities centred on such issues. In 2017, the Group will stay focus on stakeholders' priorities while consistently work towards its business goal and strategic objective so as to achieve sustainable business development.

ENVIRONMENT

The Group values management of environment. It recognizes the importance of sustainable environmental development to on-going business operation. During the course of business, it introduces the concept of environmental protection, complies with the requirements of local regulatory authorities and specific guide in the industry and is committed to the social responsibility of protecting environment as a corporate.

As the Group is an internet corporate, its operation has relatively small impact on environment. In 2016, its main emission during the normal course of business was carbon dioxide from energy consumption in the daily course of business and operation activities. Therefore, reduction of energy consumption is our priority.

The Group proposes "low-carbon office", establishes a set of management policy in many aspects including improving energy utilization rate, saving water, electricity and energy and recycle of wastes, and encourages employees to develop "low-carbon habit".

In 2016, to the best knowledge of the Group, it had no material non-compliance matter in connection with relative standards, rules and regulations.

- **Reduction of Air, Greenhouse Gas and Sewage Emission**

  In 2016, the Group implemented the following environmental management measures to cut air, greenhouse gas and sewage emission:

  - Encouraged employees to take public transport to work
  - Reduced unnecessary travels through encouraging teleconferencing and other communication means to mitigate the environmental impact of business trips
  - Posted water saving signs at offices to bring down emission of sewage effluent
  - The Group regularly cleans, inspects and repairs the air-conditioning system to reduce energy consumption in operation. Furthermore, it has established a set of management policy to control the operating hours and temperature of air-conditioners for the purposes of energy saving and emission reduction.

- **Waste Treatment**

  The Group takes up the responsibility of waste treatment and aims at optimising resources utilisation. Wastes including food waste, green waste, batteny, toner cartridge and used clothes is collected by qualified companies for recycle and reuse. The Group also promotes internal waste separation and disposes general waste on a regular basis.

  In 2016, the Group was not aware of any material non-compliance with the relevant standards, rules and regulations or any major accidents related to environmental pollution.

- **Energy Efficiency**

The Group believes that "energy" is an area of focus in sustainable development. Enhancing energy efficiency in operation not only helps environmental conservation, but also reduces cost and boosts operational efficiency in the long run.

The Group promotes environmental protection to internal staff in the course of daily operation, so as to raise their awareness on environmental protection and energy conservation. In its every day operation, the Group emphasises on reduction of power and paper consumption and nurtures a low carbon corporate culture.

As of the date of this report the Group implemented the following energy saving measures in daily operation:

- Raised employees' environmental protection awareness, such as requirement of turning off unnecessary electric appliances and lamps
- Adopted LED lightings in the office and certain business areas
- Encouraged reduction of use of disposable products, such as disposable cups and chopsticks
- Installed energy saving office equipment and activated the energy saving functions of office appliances and electronic products, such as turning on the auto switch-off function of photocopiers, computers and air-conditioners in idle
- Practised double-side printing and reuse of paper; bound waste papers as notebook; adopted recycle-use of packing box

SOCIETY

- **Employment and Labour Practices**

The Group insists on the "people-oriented" philosophy by providing a desirable working environment to employees, safeguarding their health and safety and encouraging them to align personal growth with corporate development so as to promote the mutual development of staff and the Group. This is because we believe that talent is our most valuable assets and the cornerstone of our long term development.

The Group complies with employment ordinance and other employment laws and regulations about working hours and time for rest.

The Group continues to improve regulatory framework including Employee Manual, Human Resources Management System, Management System of Employee's Performance and Attendance Management System, which provides expressively in employment, dismissal, salary and welfare and performance evaluation. The Human Resources Department is responsible for publicity of the rules and systems above to ensure staff's understanding of the Group's policy and their equal, fair and reasonable labor rights. For better selection, reserve and promotion of talents, the Group implements such schemes as recommendation of talents, voting for creative projects and work shift for staff.

The Group is committed to providing a fair and diversified workplace without discrimination. Both male and female staff of the Group share equal opportunities for employment and promotion. The Group also engages disabled staff as part-time or full-time staff and ensures same benefits with other staff.

The Group strictly follows its internal rules and system as well as the labour laws and relevant guidelines in its operating areas. As far as the Group is aware of, there was no material non-compliance with the relevant standards, rules and regulations in 2016.

As at 31 December 2016, the Group has a total of 174 employees, details of which are listed below:

Breakdown by Types of Employment
Fulltime: 96% Internship: 4%

Breakdown by Gender
Female: 64% Male: 36%

Breakdown by age
30 and below: 74%
31-50: 26%
Over 51: 0%

• Health and Safety

The Group strives to maintain high occupational safety and health standards. For the purpose of providing a safe workplace to employees, it regularly performs safety inspection on drinking facilities, air-conditioning and wiring, and carries out pest control and dust removal. The Group arranges health and safety trainings for all newly recruited employees to strengthen their overall health and safety awareness. As far as the Group is aware of, there was no material non-compliance with the relevant standards, rules and regulations in 2016.

In 2016, the Group adopted the following health and safety measures:

- Offered one-time health and safety trainings for new employees;
- Maintained a first-aid kit and conducted monthly check on medicine stock and expiry dates to ensure the Group can fulfil employees' daily health and first-aid needs;
- Set up a pantry to centralise the use of higher power electric appliances and established standards for electrical safety;
- Set up nursing room for breast feeding women employees;
- Provided employees with employment and annual physical examination.

During the year ended 13 December 2016, the Group did not encounter any major accident during the operation.

The Company is concerned about the life of employees and encourages the balance between work and family. The Company organizes the event of "Bring Kids to Work" for employees who have children so that children of employees can visit their parents at work. The Company encourages family members of employees to participate in the annual travel and outdoor activities together. The Company also holds the event of "Commencement Day" since 2016 for employees who have children at school age so that they can have a paid leave and bring children to school on the first day of school. The Company establishes club of staff and organizes sports events and amateur research activities for employees.

- **Development and Training**

The Group recognises the importance of staff development and training. For the purpose of enhancing overall staff quality and professional capabilities, it has established and implemented a staff training management system and built a training system and procedure that covered induction training, professional capabilities training and quality training. Such move facilitates the mutual growth of the employees and the Group, which is necessary in order to adapt to social changes and corporate development.

The Group organises monthly basic induction trainings for new employees on a regular basis, which include training courses, site visits and distribution of staff brand manual to help them quickly grasp information on the Group and corporate culture and fit in the team of the Group.

In order to enhance individual professional quality and efficiency, the Group encourages employees to upgrade their professional capabilities and offers a variety of professional capabilities trainings. In 2016, the Group provided internal professional capabilities trainings on the following topics:

Name/type of training	Summary of training
Marketing training	Trainings on business etiquettes, business negotiation, service standards for marketing and other departments
Management training	Professional training for management level
Customer service training	Sharing and application of case studies on customer service integrating PC, APP and new media
Office skills training	Training on a wide range of office software
Intradepartmental training	Training on operating standards, job requirements, operating procedures of each of the departments of the Group

- **Labour Standards**

The Group has a comprehensive human resources policy in place regarding recruitment, dismissal, promotion, annual leaves, trainings and benefits to support our works on manpower resources.

The Group complies with the PRC labour laws and the employment regulations in the relevant jurisdictions in which it operates so as to safeguard employees' interests. We also maintain strict compliance with the laws in relation to equal employment opportunities, prevention of child or forced labour in different regions. At the same time, the Group regularly reviews employment data and information, thereby preventing any non-compliance relating to child and forced labour.

- **Operating Practices**

CI Web is a leading vertical online platform for the Children-Babies-Maternity market in China, aiming at providing China's young families with value-added services like new media, contents, community, smart hardware, e-commerce and cross-border services. The Group adheres to the principle of integrity first and conducts business according to the operating practices which are in compliance with the local and international laws. It also requires its staff to follow the code of conduct.

- **Supply Chain Management**

The Group has established and implemented the material procurement management system and supplier management system. It generally carries out material procurement through price comparison and sentinel procurement with reference to the material requirement plan prepared by the production department and types of materials. In the selection of suppliers, we conduct screening and assessment based on their quality and price. Moreover, in order to make sure that our suppliers have the adequate capabilities in terms of quality assurance, safety and other environmental management works, we will conduct on-site visits to suppliers as necessary so as to secure the supply chain.

Our suppliers must be responsible for the operation of business and the Group conducts annual evaluation of the performance of major suppliers. Apart from key standards including quality, cost and service, we also evaluate their compliance with our environmental, social and corporate standard. We encourage and support their improvement in sustainable development. Trust between suppliers and us helps us to manage potential environmental and social risks and improve operation effectiveness. We communicate with suppliers who do not get good results in our evaluation for correction or improvement. The Group engages legal advisers to review suppliers' compliance and performance.

- **Product Responsibility**

The Group owns a wide range of platforms including the CI Web (www.ci123.com), mobile CI Web (m.ci123.com), mobile APPs and the IPTV APP. It also offers a variety of mobile APPs, such as the Pregnancy Reminder APP and Mother's Community for families ranging from those preparing for new born babies to those with 12 years-old kids, and has extended its service scope to the field of family interaction by providing family financial planning, medical, travel, insurance, early childhood education and entertainment services. CI Web is committed to providing young Chinese families with trust-worthy and personalized solutions all the way.

The Group attaches great importance to the quality and reputation of its information services and products so as to fulfil its promises on service quality and truthfulness of the information.

The Group pays attention to the protection of customer's information in daily operation and protects user information against unauthorized access, use and disclosure through a variety of security technologies and procedures. It also takes measures of management of customer, and has special staff who are responsible for maintaining and managing customer's data.

The Group has adopted measures like market research, Internet statistics and perennial agency agreements with law firms to ensure that the products comply with Chinese and international laws and regulations.

According to relative regulations and laws of the PRC, the Group has established and published under its platform user terms of service and privacy policy. It has customer service to solve customers' problems and feedback channels to ensure the quality of service. The Group also voluntarily accepts supervision of local government, market and quality control department as well as the public and has special personnel who are responsible for investigation and implementation of supervision measures.

During the year of 2016, to the best knowledge of the Group, it had no material non-compliance matter regarding to relevant standard, rules and regulations.

- ### Anti-corruption

  In order to ensure honesty, loyalty and ethical behaviour of the employees, the Group has in place a code of ethics and anti-corruption management regulations to monitor staff conduct and behaviour in daily operation. It also performs annual self-review process to reflect on the implementation of codes and rules to ensure they have been applied throughout the actual operation and management practices, so as to balance and safeguard the interests between the Group and the stakeholders and build up a long-term partnership. Furthermore, the Group also engages an independent auditor to conduct external audit to the Group. Through internal monitoring and external audit, the Group prevents and controls corruption and unethical behaviours. The reporting policy under the anti-corruption management regulations provides a channel and guidelines to report any misconduct, malpractice or illegal behaviour within the Group. Employee who has a malpractice concern can inform the relevant designated superiors or take the matter to the Chairman of the Audit Committee directly. Electronic reporting mailbox and a hotline were established, and all reporting is treated as confidential and in a sensitive manner. The Chairman of Audit Committee will review the complaint and decide how the investigation should proceed.

  The Group and its employees are in strict compliance with relevant laws, regulations and ethics standards. As far as the Group is aware of, there was no material non-compliance with the relevant standards, rules and regulations in 2016. Moreover, the Group or its employees was not involve in any litigation cases regarding corruption in 2016.

COMMUNITY

The Group values the harmonious and inclusive relationship between the Group and the community in which it operates. Through active community participation, the Group develops insight to the needs of the community and takes actions to cater the needs of the community in its business operation.

- ### Investment to Community

  - **Community Engagement**

    The Group proactively fulfils its responsibilities as a corporate citizen and actively gives back to society. It encourages staff to participate in a wide range of community activities so as to contribute to society, while steps up assistance to those in need. For the purpose of helping disadvantaged mothers and children, the Group set up the "Nurture with Love"(育見愛) charity program and organised a number of charity activities, including charity sales, visits to mountainous areas and fundraisings to give material support and enhance individual engagement to charity, thereby making sure our business activities promote community and social interests.

    In 2016, the Group organised "Breast Milk Donation" in collaboration with Nanjing Maternity and Child Health Care Hospital and other corporates, with the aim of encouraging more mothers to donate their breastmilk in support of the healthy development of more premature babies.

In May 2016, the "Nurture with Love" charity program of CI Web held a donation of used clothing through its Mother's Community App. The event collected over 10,000 sets of baby and children's clothing that met the donation requirements and helped more than 3,000 children living in underprivileged regions. On 30 August 2016, CI Web organised another donation of used clothes and invited mothers to give used clothes they no longer needed. The campaign was supported by caring mothers across the country who made generous donation.

Between 29 April and 1 May 2016, the Group launched the "Abundant Love on Labour Day" charity donation campaign, where it organised charity sales to sell parenting goods and raised funds to buy shoes for kids in Xichang to walk out of poverty.

- **Labour Demand**

  The Group organises professional seminars and internship programs to local college students with the aim of trying to solve their employment problems.

- **Education**

  At its first anniversary of listing, the Group set up the Asia Children's Charity Foundation (亞洲兒童慈善基金會), which aims at offering hand in medical, education and vocational skills to Chinese and Asian children in need.

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

Hong Kong, 24 March 2017

INDEPENDENT AUDITOR'S REPORT

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

OPINION

We have audited the consolidated financial statements of China Parenting Network Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 77 to 127, which comprise the consolidated statement of financial position as at 31 December 2016, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matters	How our audit addressed the key audit matters
Impairment assessment of interest-free loans to employees	
Since September 2016, the Group began to offer certain employees interest-free loans which amounted to no more than RMB15.0 million in aggregate. The employees, including key management personnel (the "Eligible Employees"), who have served the Group for more than three years can apply for interest-free loans to purchase home properties. As at 31 December 2016, the interest-free loans due from employees amounted to RMB8.8 million and will be repaid within five years. Management's assessment about the recoverable amounts requires significant judgement which focuses on the financial ability of the Eligible Employees. We focused on this area due to the significant management judgement involved and the materiality of the amounts. Related disclosures are included in notes 3 and 14 to the consolidated financial statements.	We assessed and tested the design and operation of the controls over initiating the interest-free loans and impairment assessment over the loan balances. We reviewed the purchase agreements of home properties, bank payment slips, historical social security records, personal credit reports issued by the People's Bank of China and the monthly salary report of each Eligible Employee who received the interest-free loan.

KEY AUDIT MATTERS (CONTINUED)

Key audit matters	How our audit addressed the key audit matters
Impairment assessment of trade receivables	
As at 31 December 2016, trade receivable balances were significant to the Group as they represented 11.3% of the total assets of the Group and a significant portion of the trade receivables were past due. The collectability of trade receivables is a key element of the Group's working capital management, which is implemented on an ongoing basis by management. In addition, impairment assessment of trade receivables requires significant management judgement. Management considers specific factors such as the age of the balances, existence of disputes, recent historical payment patterns and any other available information concerning the creditworthiness of counterparties. Management uses this information to determine whether a provision for impairment is required either for a specific transaction or for a customer's balance in total. We focused on this area because it requires a high level of management judgement and the amounts involved are material. Related disclosures are included in notes 3, 17 and 31 to the consolidated financial statements.	We assessed the Company's internal control over evaluating the recoverability of trade receivables. We evaluated management's assumptions used to calculate the impairment amount of trade receivables by checking the ageing of receivables and assessing significantly overdue individual trade receivables. We sent trade receivables confirmations, performed background research, checked historical payments and bank advices for the settlement of trade receivables subsequent to the year end on a sampling basis. We assessed the adequacy of the disclosures of the trade receivables and the related credit risk in the consolidated financial statements.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of 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.

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

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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.

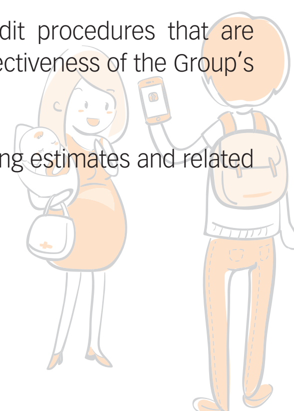
Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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



AUDITOR’S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor’s report is Chan, Yuen Tao.

Ernst & Young
Certified Public Accountants
Hong Kong
24 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
REVENUE	5	**84,913**	79,774
Cost of sales		**(10,733)**	(9,764)
Gross profit		**74,180**	70,010
Other income and gains	5	**5,059**	2,430
Administrative expenses		**(10,513)**	(16,271)
Selling and distribution expenses		**(9,214)**	(8,587)
Research and development costs		**(15,719)**	(13,705)
Finance costs	7	**(350)**	(151)
Other operating expenses		**–**	(21)
PROFIT BEFORE TAX	6	**43,443**	33,705
Income tax expense	10	**(1,487)**	(1,045)
PROFIT FOR THE YEAR		**41,956**	32,660
Attributable to:			
Owners of the parent		**44,867**	34,525
Non-controlling interests		**(2,911)**	(1,865)
		41,956	32,660
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	11		
Basic and diluted			
– For profit for the year		**RMB4.37 cents**	RMB3.81 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

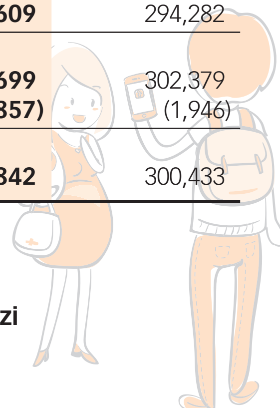
Year ended 31 December 2016

	2016 RMB'000	2015 RMB'000
PROFIT FOR THE YEAR	**41,956**	32,660
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**12,058**	13,606
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**54,014**	46,266
Attributable to:		
Owners of the parent	**56,925**	48,131
Non-controlling interests	**(2,911)**	(1,865)
	54,014	46,266

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**784**	1,052
Long-term receivables	14	**64,022**	11,505
Finance lease receivables, non-current portion	15	**–**	10,562
Available-for-sale investments	13	**10,375**	12,000
Total non-current assets		**75,181**	35,119
CURRENT ASSETS			
Inventories	16	**16**	35
Trade receivables	17	**41,890**	38,934
Prepayments, deposits and other receivables	18	**23,312**	2,841
Finance lease receivables, current portion	15	**–**	1,760
Cash and cash equivalents	19	**230,447**	247,795
Total current assets		**295,665**	291,365
CURRENT LIABILITIES			
Trade payables	20	**512**	25
Advances from customers	21	**2,511**	293
Other payables and accruals	22	**11,179**	14,440
Tax payable	10	**1,802**	1,293
Interest-bearing bank borrowings	23	**2,000**	10,000
Total current liabilities		**18,004**	26,051
NET CURRENT ASSETS		**277,661**	265,314
TOTAL ASSETS LESS CURRENT LIABILITIES		**352,842**	300,433
Net assets		**352,842**	300,433
EQUITY			
Equity attributable to owners of the parent			
Share capital	24	**8,094**	8,097
Treasury shares		**(4)**	–
Reserves	26	**349,609**	294,282
		357,699	302,379
Non-controlling interests		**(4,857)**	(1,946)
Total equity		**352,842**	300,433



Cheng Li
Director

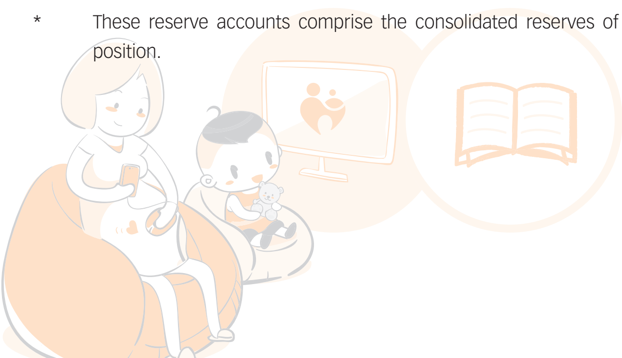
Zhang Lake Mozi
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2016

	Attributable to owners of the parent									
	Share capital RMB'000	Treasury Shares RMB'000	Share premium* RMB'000	Reserves funds* RMB'000	Other reserve* RMB'000	Exchange fluctuation reserve* RMB'000	Retained profits* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2016	8,097	–	226,286	6,994	16,842	13,606	30,554	302,379	(1,946)	300,433
Profit for the year	–	–	–	–	–	–	44,867	44,867	(2,911)	41,956
Other comprehensive income for the year:										
Exchange differences related to foreign operations	–	–	–	–	–	12,058	–	12,058	–	12,058
Total comprehensive income for the year	–	–	–	–	–	12,058	44,867	56,925	(2,911)	54,014
Repurchase of shares (note 34)	–	(7)	(1,598)	–	–	–	–	(1,605)	–	(1,605)
Cancellation of shares	(3)	3	–	–	–	–	–	–	–	–
Appropriation to statutory reserves	–	–	–	5,190	–	–	(5,190)	–	–	–
At 31 December 2016	8,094	(4)	224,688	12,184	16,842	25,664	70,231	357,699	(4,857)	352,842
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 related to 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
Capitalisation 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

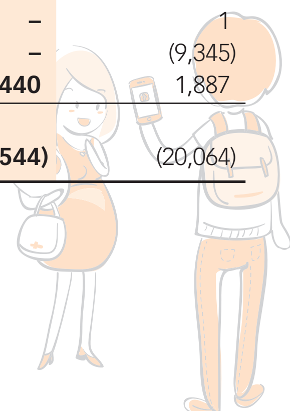
* These reserve accounts comprise the consolidated reserves of RMB349,609,000 (2015: RMB294,282,000) in the consolidated statement of financial position.



CONSOLIDATED STATEMENTS OF CASH FLOWS

Year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax	6	**43,443**	33,705
Adjustments for:			
Finance costs	7	**350**	151
Allowance for doubtful accounts	17	**62**	22
Finance lease interest income	5	**(440)**	(147)
Bank interest income	5	**(504)**	(84)
Depreciation	12	**471**	598
Loss on disposal of items of property, plant and equipment		**–**	10
Other income and gains		**(219)**	–
		43,163	34,255
Decrease/(increase) in prepayments, deposits and other receivables	18	**1,531**	(104)
(Decrease)/increase in other payables and accruals	22	**(3,261)**	393
Increase in trade receivables	17	**(3,018)**	(11,009)
Increase in long-term receivables	14	**(47)**	(11,200)
Increase in advances from customers	21	**2,218**	181
Increase/(decrease) in trade payables	20	**487**	(67)
Decrease in inventories	16	**19**	18
Cash generated from operations		**41,092**	12,467
Income tax paid	10	**(978)**	(1,378)
Net cash flows from operating activities		**40,114**	11,089
CASH FLOWS FROM INVESTING ACTIVITIES			
Loan to others		**(62,471)**	–
Purchase of short-term investment		**(12,000)**	–
Purchases of available-for-sale investments		**(375)**	(12,000)
Purchases of items of property, plant and equipment	12	**(183)**	(691)
Repayment of finance lease receivable		**12,560**	–
Proceeds from disposal of available-for-sale investment		**2,000**	–
Interest received	5	**485**	84
Proceeds from disposal of items of property, plant and equipment		**–**	1
Payment for sale and finance leaseback		**–**	(9,345)
Receipt of rental income		**440**	1,887
Net cash used in investing activities		**(59,544)**	(20,064)



CONSOLIDATED STATEMENTS OF CASH FLOWS

Year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of bank loans		**(10,000)**	–
Repurchase of ordinary shares		**(1,606)**	–
Interest paid	7	**(350)**	(151)
New bank borrowings		**2,000**	10,000
Proceeds from issue of shares		**–**	248,339
Share issue expenses		**–**	(12,992)
Dividend declared and paid to the shareholders		**–**	(11,699)
Capital injection from non-controlling interests		**–**	49
Net cash flows (used in)/from financing activities		**(9,956)**	233,546
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(29,386)**	224,571
Cash and cash equivalents at beginning of year	19	**247,795**	9,618
Effect of foreign exchange rate changes, net		**12,038**	13,606
CASH AND CASH EQUIVALENTS AT END OF YEAR	19	**230,447**	247,795
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**230,447**	247,795
Cash and cash equivalents as stated in the statement of financial position		**230,447**	247,795

1. CORPORATE AND GROUP INFORMATION

China Parenting Network Holdings Limited (the "Company" or "CI Web") 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 CI Web, mobile CI 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 approval 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.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Company name	Place of incorporation/ registration	Issued/ registered share capital	Equity interest held Direct	Equity interest held 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, Hong Kong
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. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (Continued)

Company name	Place of incorporation/ registration	Issued/ registered share capital	Equity interest held Direct	Equity interest held 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
Nanjing Qianyi Animation Company Limited ("Nanjing Qianyi")**	PRC/ 31 January 2016	RMB1,000,000	–	60%	Provision of cartoon design services and technical support and consultancy related services, the PRC

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

** Nanjing Qianyi was established in the PRC and is held as to 60% by Nanjing Xile, 30% by Shanghai Baiyi Animation Cultural Broadcasting Company Limited and 10% by Guangzhou Baiyi Animation Technology Company Limited.

2.1 BASIS OF PREPARATION

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 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 Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2016. 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

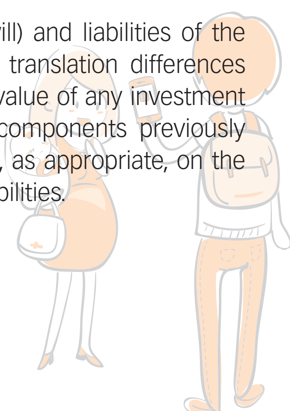
(c) the Group's voting rights and potential voting rights.

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 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 derecognises (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 recognises (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 recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.



2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IFRS 10, IFRS 12 and IAS 28	*Investment Entities: Applying the Consolidation Exception*
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
IFRS 14	*Regulatory Deferral Accounts*
Amendments to IAS 1	*Disclosure Initiative*
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*
Amendments to IAS 27	*Equity Method in Separate Financial Statements*
Annual Improvements 2012-2014 Cycle	*Amendments to a number of IFRSs*

Except for the amendments to IFRS 10, IFRS 12 and IAS 28, amendments to IFRS 11, IFRS 14, amendments to IAS 16 and IAS 41, amendments to IAS 16 and IAS 38, and certain amendments included in the Annual Improvements 2012-2014 Cycle, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the amendments are described below:

Amendments to IAS 27: Equity Method in Separate Financial Statements

The amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in their separate financial statements have to apply that change retrospectively.

The amendments have had no impact on the Group's financial statements.

Annual Improvements 2012-2014 Cycle

IAS 34 Interim Financial Reporting

The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment is applied retrospectively.

The amendments have had no significant impact on the Group's financial statements.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

Annual Improvements 2012-2014 Cycle (Continued)

Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- the materiality requirements in IAS 1;
- that specific line items in the statement(s) of profit or loss and other comprehensive income and the statement of financial position may be disaggregated;
- that entities have flexibility as to the order in which they present the notes to financial statements; and
- that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and other comprehensive income. The amendments have had no significant impact on the Group's 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:

Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*[2]
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*[2]
IFRS 9	*Financial Instruments*[2]
IFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*[2]
IFRS 16	*Leases*[3]
Amendments to IAS 7	*Disclosure Initiative*[1]
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[1]
Amendments to IFRS 10 and IAS 28	*Sales or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to IAS 40	*Transfers of Investment Property*[2]
IFRIC22	*Foreign Currency Transactions and Advance Consideration*[2]
Amendments to IFRS 12	*Disclosure of Interests in Other Entities*[1]
Amendments to IFRS 1	*First-time Adoption of International Financial Reporting Standards*[2]
Amendments to IAS 28	*Investments in Associates and Joint Ventures*[2]

1. Effective for annual periods beginning on or after 1 January 2017
2. Effective for annual periods beginning on or after 1 January 2018
3. Effective for annual periods beginning on or after 1 January 2019
4. No mandatory effective date yet determined but available for adoption

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

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 are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised 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 recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 capitalised 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 recognises 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 recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised 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 recognised 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 recognised 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 amortised cost using the effective interest rate method less any allowance for impairment. Amortised 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 amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in other operating 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 unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised 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 recognised in the statement of profit or loss as other income in accordance with the policies set out for "Revenue recognition" below.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (Continued)

Subsequent measurement (Continued)

Available-for-sale financial investments (Continued)

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.

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 amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised 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 derecognised (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 recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises 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 reorganisation 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 amortised cost

For financial assets carried at amortised 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, recognised 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).

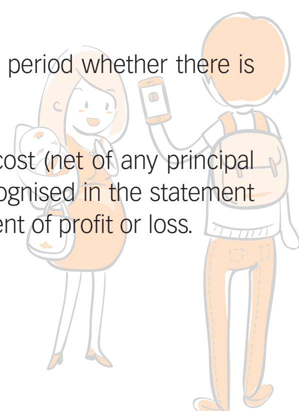
The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for 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 realised 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 recognised, the previously recognised 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 amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.



2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (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 recognised in the statement of profit or loss – is removed from other comprehensive income and recognised 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 recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, 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 other payables and accruals, loans and borrowings, as appropriate.

All financial liabilities are recognised 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, and interest-bearing bank borrowings.

Subsequent measurement

The subsequent measurement of loans and borrowings is as follows:

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised 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 recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised 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 amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised 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 recognised in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 recognised outside profit or loss is recognised 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 recognised for all taxable temporary differences, except:

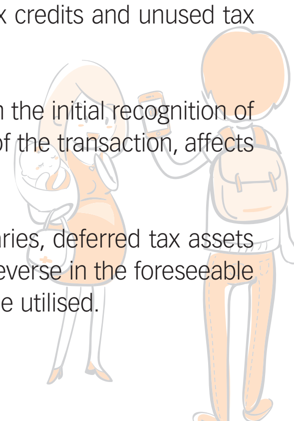
- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- 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.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised 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 utilised, 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 recognised 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 utilised.



2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (Continued)

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 utilised. Unrecognised deferred tax assets are reassessed at the end of the reporting period and are recognised 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 realised 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 recognised 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 recognised 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.

Revenue recognition

The Group derives its revenue from (i) the provision of marketing and promotional services of placing online advertisements such as banners, links and logos on its own website or APPs in the PRC, and (ii) e-commerce business. 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 recognised 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 judgements 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 advertisements (e.g., website redirecting) is recognised, 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 recognised when the products have been delivered to and accepted by the customers. Prepayment is normally required prior to delivery of products.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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$") and certain subsidiaries incorporated outside Mainland China use the Hong Kong dollar ("HK$") 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 translated 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.

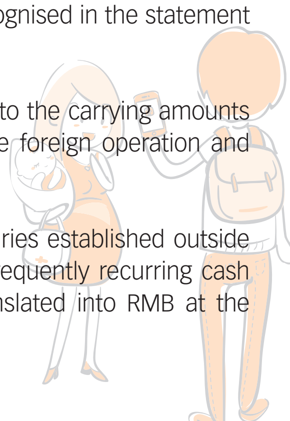
Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value 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 recognised in other comprehensive income or profit or loss is also recognised 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 recognised 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 recognised 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.



2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the financial statements requires management to make judgements, 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.

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 loans, trade and other receivables

Provision for impairment of deposits, loans, trade receivables and other receivables is made based on an assessment of the recoverability of loans, trade receivables and other receivables. The identification of doubtful debts requires management's judgement and estimates. Provision is made when there is objective evidence that the Group will not be able to collect the debts. Where the actual outcome or further expectation is different from the original estimate, these differences will impact on the carrying value of the receivables, doubtful debt expenses and write-back in the period in which the estimate has been changed. As at 31 December 2016, the carrying amounts of trade receivables and interest-free loans to employees are RMB41,890,000 (2015: RMB38,934,000) and RMB8,800,000 (2015: Nil) respectively.

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 a 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

Significant judgement 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 recognises 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 2016, no revenue from transactions with a single customer amounted to 10% or more of the Group's sales (2015: Nil).

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.

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

	2016 **RMB'000**	2015 RMB'000
Revenue		
Marketing and promotional services	**81,913**	76,520
E-commerce	**589**	1,378
Sale of goods	**2,411**	1,876
	84,913	79,774
Other income and gains		
Bank interest income	**504**	84
Finance lease interest income	**440**	147
Exchange gain	**219**	472
Government grants – related to expense*	**3,677**	1,714
Other income	**219**	13
	5,059	2,430

* Government grants were received from the government of the PRC mainly for refunding previously paid value added tax or as listing incentives. There are no unfulfilled or contingencies relating to the grants.

6. PROFIT BEFORE TAX

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

	Notes	2016 RMB'000	2015 RMB'000
Cost of inventories sold		**2,452**	2,306
Cost of services provided		**2,882**	2,784
Depreciation	12	**471**	598
Research and development costs:			
Current year expenditure		**15,719**	13,705
Minimum lease payments under operating leases		**2,536**	1,206
Auditors' remuneration		**1,428**	1,081
Listing expense		**–**	10,820
Employee benefit expense (excluding directors' and chief executive's remuneration (note 8)):			
Wages and salaries		**23,549**	19,534
Pension scheme contributions (defined contribution scheme)		**1,192**	1,138
Loss on disposal of items of property, plant and equipment		**–**	10
Foreign exchange differences, net	5	**(219)**	(472)
Impairment of trade receivables		**62**	22
Bank interest income	5	**(504)**	(84)
Finance lease interest income	5	**(440)**	(147)
Government grants	5	**(3,677)**	(1,714)

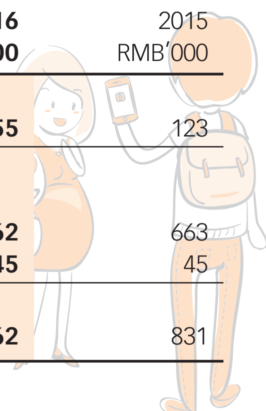
7. FINANCE COSTS

Finance costs represent the interest-bearing bank borrowings of RMB350,000 (2015: RMB151,000).

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:

	2016 RMB'000	2015 RMB'000
Fees	**255**	123
Other emoluments:		
Salaries, allowances and benefits in kind	**962**	663
Pension scheme contributions	**45**	45
	1,262	831



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

(a) Independent non-executive directors

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

	2016 RMB'000	2015 RMB'000
Mr. Wu Chak Man	**85**	41
Mr. Zhao Zhen	**85**	41
Mr. Ge Ning	**85**	41
	255	123

There were no other emoluments payable to the independent non-executive directors during the year (2015: Nil).

(b) Executive directors and non-executive directors

2016	**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 (*)	**–**	**482**	**39**	**521**
Mr. Zhang Lake Mozi	**–**	**148**	**–**	**148**
Mr. Hu Qingyang	**–**	**332**	**6**	**338**
Non-executive directors:				
Mr. Wu Haiming	**–**	**–**	**–**	**–**
Ms. Li Juan	**–**	**–**	**–**	**–**
Mr. Hsieh Kun Tse	**–**	**–**	**–**	**–**
	–	**962**	**45**	**1,007**

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

(b) Executive directors and non-executive directors (Continued)

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

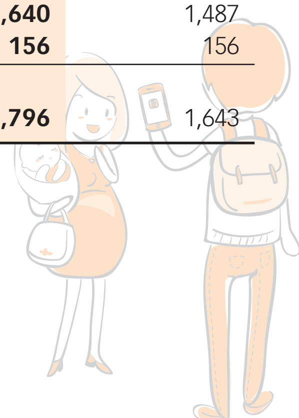
* Mr. Cheng Li is also the chief executive officer.

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 (2015: four) highest paid employees who are neither a director nor chief executive of the Group are as follows:

	2016 **RMB'000**	2015 RMB'000
Salaries, allowances and benefits in kind	**1,640**	1,487
Pension scheme contributions	**156**	156
	1,796	1,643



9. FIVE HIGHEST PAID EMPLOYEES (CONTINUED)

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	
	2016	2015
Nil to HK$500,000	**4**	4

During the reporting period, no highest employees waived or agree to waive any remuneration and no remuneration was paid by the Group to any of the five highest paid employee as an inducement to join or upon joining the Group or as compensation for loss of office.

10. INCOME TAX

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、國家税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税政策的通知》) promulgated by the State Council on 20 April 2012, if a corporate enterprise is recognised as a software enterprise before tax filing of its first profitable year, the corporate enterprise can enjoy a preferential treatment (i.e., 2-year exemption and 3-year half payment) from its first profitable year. Nanjing Xibai has been recognised as a software enterprise on 27 May 2016 and filed in local tax bureau. Therefore, it 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.

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

	2016	2015
	RMB'000	RMB'000
Current – PRC		
Charge for the year	**1,487**	1,045
Total tax charge for the year	**1,487**	1,045

10. INCOME TAX (CONTINUED)

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:

	2016		2015	
	RMB'000	**%**	RMB'000	%
Profit before tax	**43,443**		33,705	
Tax calculated at the PRC statutory tax rate of 25%	**10,861**	**25**	8,426	25
Lower tax rate(s) for specific provinces or enacted by local authority	**(11,135)**	**(26)**	(8,590)	(25)
Tax losses not recognised	**1,682**	**4**	1,177	3
Expenses not deductible for tax	**79**	**–**	32	–
Tax charge at the Group's effective tax rate	**1,487**	**3**	1,045	3

The effective tax rates of the Group was 3% in 2016 (2015: 3%).

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.

At 31 December 2016, no deferred tax has been recognised 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 recognised totalled approximately RMB100,298,000 at 31 December 2016 (2015: RMB50,067,000).

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 1,026,460,789 (2015: 907,038,356) in issue during the year.

There were no potentially dilutive ordinary shares in issue during the years ended 31 December 2016 and 2015, 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:

	2016	2015
	RMB'000	RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent	**44,867**	34,525

	Number of shares	
	2016	2015
Shares		
Weighted average number of ordinary shares in issue	**1,026,460,789**	907,038,356

12. PROPERTY, PLANT AND EQUIPMENT

	Office equipment RMB'000	Computers and servers RMB'000	Total RMB'000
31 December 2016			
At 1 January 2016			
Cost	374	3,010	3,384
Accumulated depreciation	(282)	(2,050)	(2,332)
Net carrying amount	92	960	1,052
At 1 January 2016, net of accumulated depreciation	92	960	1,052
Additions	–	183	183
Depreciation provided during the year (note 6)	(35)	(436)	(471)
Exchange realignment	7	13	20
At 31 December 2016, net of accumulated depreciation	64	720	784
At 31 December 2016			
Cost	381	3,207	3,588
Accumulated depreciation	(317)	(2,487)	(2,804)
Net carrying amount	64	720	784

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

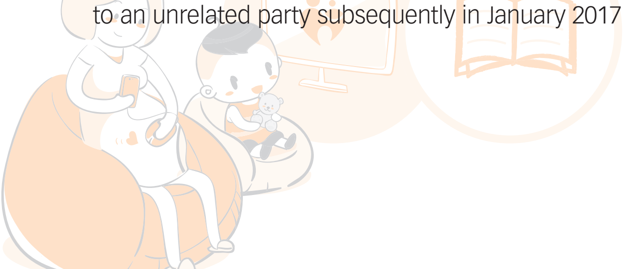
	Office equipment RMB'000	Computers and servers RMB'000	Total RMB'000
31 December 2015			
At 1 January 2015			
Cost	281	2,470	2,751
Accumulated depreciation	(262)	(1,519)	(1,781)
Net carrying amount	19	951	970
At 1 January 2015, net of accumulated depreciation	19	951	970
Additions	92	599	691
Disposals	–	(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

13. AVAILABLE-FOR-SALE INVESTMENTS

	2016 RMB'000	2015 RMB'000
Non-current		
Unlisted investments, at cost	**10,375**	12,000

As at 31 December 2016, 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.

An investment in Shanghai Baiyi Animation Cultural Broadcasting Company Limited of RMB10,000,000 was transferred to an unrelated party subsequently in January 2017 with no gain or loss recognised.



14. LONG-TERM RECEIVABLES

	2016 **RMB'000**	2015 RMB'000
Rental deposit	**801**	755
Loans to employees*	**8,800**	–
Contract deposits**	**750**	10,750
Loan to others***	**53,671**	–
	64,022	11,505

* In September 2016, the Group began to offer certain employees interest-free loans which amounted to no more than RMB15.0 million in aggregate. The employees, including key management personnel, who have served the Group for more than three years can apply for interest-free loans to purchase home properties. The balance, including interest-free loans to key management personnel of RMB2,950,000, represents the interest-free loans to employees which will be repaid within five years.

** Contract deposit as of 31 December 2016 represents funds supporting the research and development of a cooperation party to be refunded upon the expiry of the contract in 2019 as mentioned in note 33.

*** The balance represents a loan extended to Lofty Force Limited, an unrelated company with an annual interest rate of 6% due in March 2019. The loan has been early terminated and fully repaid by the unrelated party on 3 January 2017.

15. FINANCE LEASE RECEIVABLES

	2016 **RMB'000**	2015 RMB'000
Sale and finance leaseback receivables, current portion	**–**	1,760
Sale and finance leaseback receivables, non-current portion	**–**	10,562
	–	12,322

At 31 December 2016, the sale and finance leaseback receivables have been early repaid by the lessee.

16. INVENTORIES

	2016 **RMB'000**	2015 RMB'000
Finished goods	**16**	35
	16	35

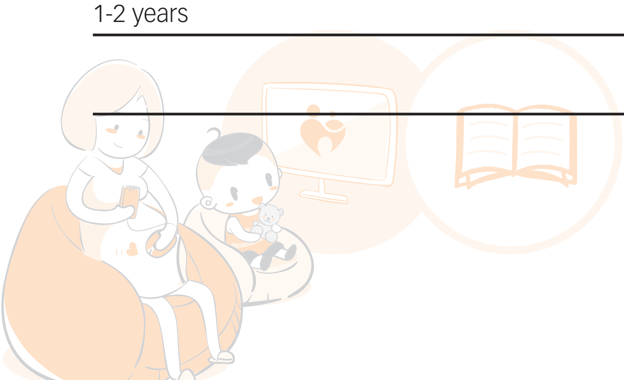
17. TRADE RECEIVABLES

	2016 **RMB'000**	2015 RMB'000
Trade receivables	**41,890**	38,934
Impairment	**–**	–
	41,890	38,934

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 minimise 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:

	2016 **RMB'000**	2015 RMB'000
Within 3 months	**20,904**	20,473
3-6 months	**10,797**	10,495
6 months -1 year	**9,439**	7,434
1-2 years	**750**	532
	41,890	38,934



17. TRADE RECEIVABLES (CONTINUED)

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

	2016 **RMB'000**	2015 RMB'000
At 1 January	**–**	–
Impairment losses recognised (note 6)	**62**	22
Amount written off as uncollectible	**(62)**	(22)
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:

	2016 **RMB'000**	2015 RMB'000
Neither past due nor impaired	**25,893**	22,368
Less than one year past due	**15,997**	16,566
	41,890	38,934

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

	2016 RMB'000	2015 RMB'000
Prepaid expense	**42**	1,175
Deductible sales tax	**–**	565
Employee advance	**1,080**	587
Rental deposits	**10**	18
Other receivable*	**22,164**	452
Prepayment	**16**	44
	23,312	2,841

* Other receivable mainly represents the purchase of a financial product and a contract deposit paid to an unrelated party of RMB12,000,000 and RMB10,000,000 respectively, which have both been subsequently collected in January 2017.

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

	2016 RMB'000	2015 RMB'000
Cash and bank balances	**230,447**	247,795

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to RMB94,451,000 (2015: RMB32,782,000). 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 authorised 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 aging analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2016 **RMB'000**	2015 RMB'000
Within three months	**512**	25
	512	25

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

21. ADVANCES FROM CUSTOMERS

	2016 **RMB'000**	2015 RMB'000
Advances from customers	**2,511**	293

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

22. OTHER PAYABLES AND ACCRUALS

	2016 **RMB'000**	2015 RMB'000
Deferred expense	**97**	–
Other payables	**1,152**	5,681
Accruals	**1,409**	871
Other tax payables	**3,453**	3,351
Employee related payable	**5,068**	4,537
Total	**11,179**	14,440

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

23. INTEREST-BEARING BANK BORROWINGS

	2016			2015		
	Effective interest rate (%)	**Maturity**	**RMB'000**	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans-unsecured	**4.35%**	**2017**	**2,000**	4.60%-4.85%	2016	10,000

	2016 RMB'000	2015 RMB'000
Analysed into:		
Bank loans		
Within one year or on demand	**2,000**	10,000

The Group's bank facilities amounted to RMB2,000,000, all of which had been utilised as at the end of the reporting period (2015: RMB10,000,000).

24. SHARE CAPITAL

	2016 RMB'000	2015 RMB'000
Issued and fully paid:		
1,026,162,000 (2015: 1,026,500,000) ordinary shares of HK$0.01 each	**8,094**	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**	**Share capital**
At 1 January 2015		1,000	–
Capitalisation Issue		799,999,000	6,310
Issuance of shares under the IPO		200,000,000	1,578
Issuance of shares under the Over-allotment Option		26,500,000	209
At 31 December 2015 and 1 January 2016		1,026,500,000	8,097
Shares repurchased in 2016	(a)	(338,000)	(3)
At 31 December 2016		1,026,162,000	8,094

Notes:

(a) Repurchase of shares

The Company purchased 838,000 of its shares on the Hong Kong Stock Exchange for a total consideration of RMB1,606,000, of which 338,000 shares were cancelled afterwards. The remaining 500,000 shares were recorded as treasury shares in the consolidated statement of financial position.

25. 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.

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 2016 and no share options were outstanding under the Scheme as at 31 December 2016 and 2015.

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 80 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 capitalised as paid-up capital of the subsidiaries, provided that the remaining balance after the capitalisation is not less than 50% of the registered capital.

27. 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 2016, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2016 RMB'000	2015 RMB'000
Within one year	**1,889**	1,781
In the second to fifth years, inclusive	**1,085**	1,932
	2,974	3,713

28. RELATED PARTY TRANSACTIONS

(a) Material transactions with key management personnel:

	2016 RMB'000	2015 RMB'000
For the year		
Maximum aggregate amount of loans	**2,950**	–
At the year-end		
Loans to key management personnel	**2,950**	–

The loans granted to key management personnel who are not directors of the company are interest-free housing loans and have fixed terms of repayment of five years, which are included in loans to employees in Note 14.

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

	2016 RMB'000	2015 RMB'000
Short term employee benefits	**3,593**	2,932
Pension scheme contributions	**278**	272
	3,871	3,204

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

29. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end 31 December 2016 are as follows:

2016

Financial assets

	Loans and receivables RMB'000	Available-for-sale investments RMB'000	Total RMB'000
Available-for-sale investments	–	10,375	10,375
Long-term receivables	63,221	–	63,221
Trade receivables	41,890	–	41,890
Financial assets included in prepayments, deposits and other receivables	23,244	–	23,244
Cash and cash equivalents	230,447	–	230,447
	358,802	10,375	369,177

29. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Interest-bearing bank and other borrowings	**2,000**
Financial liabilities included in other payables and accruals	**1,152**
Trade payables	**512**
	3,664

2015

Financial assets

	Loans and receivables RMB'000	Available-for-sale investments RMB'000	Total RMB'000
Available-for-sale investments	–	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

29. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

Financial liabilities

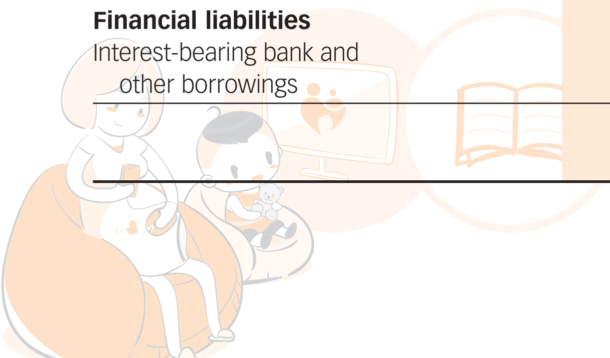
	Financial liabilities at amortised cost RMB'000
Interest-bearing bank and other borrowings	10,000
Financial liabilities included in other payables and accruals	5,681
Trade payables	25
	15,706

30. 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**	
	2016 RMB'000	2015 RMB'000	**2016 RMB'000**	2015 RMB'000
Financial assets				
Long-term receivable	**63,221**	10,750	**61,744**	8,496
Finance lease receivables, non-current portion	–	10,562	–	10,562
Finance lease receivables, current portion	–	1,760	–	1,760
	63,221	23,072	**61,744**	20,818

	Carrying amounts		**Fair values**	
	2016 RMB'000	2015 RMB'000	**2016 RMB'000**	2015 RMB'000
Financial liabilities				
Interest-bearing bank and other borrowings	**2,000**	10,000	**2,000**	10,000
	2,000	10,000	**2,000**	10,000



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

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.

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 2016 was assessed to be insignificant.

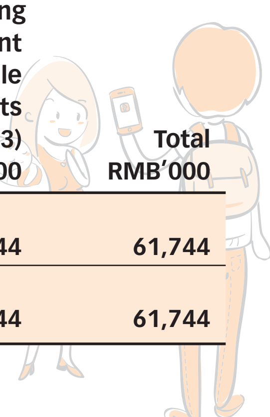
Fair value hierarchy

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 2016

	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	–	–	**61,744**	**61,744**
	–	–	**61,744**	**61,744**



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

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

Liabilities for which fair values are disclosed:

As at 31 December 2016

	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	**–**	**2,000**	**–**	**2,000**
	–	**2,000**	**–**	**2,000**

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

31. 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 summarised 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 3% (2015: 2%) of the Group's sales were denominated in currencies other than the functional currencies of the operating units making the sale, whilst approximately 78% (2015: 81%) 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.

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, 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 recognised 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 recognised 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 2016, 43% (31 December 2015: 34%), 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 2016 (31 December 2015: 11%) 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.

31. 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:

	2016			
	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	**–**	**–**	**2,000**	**2,000**
Financial liabilities included in other payables and accruals	**1,152**	**–**	**–**	**1,152**
Trade payables	**–**	**512**	**–**	**512**
	1,152	**512**	**2,000**	**3,664**

	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

31. 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 maximise 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 years ended 31 December 2016 and 31 December 2015.

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:

	2016 **RMB'000**	2015 RMB'000
Total current liabilities	**18,004**	26,051
	18,004	26,051
Total current assets	**295,665**	291,365
Total non-current assets	**75,181**	35,119
	370,846	326,484
Gearing ratio	**5%**	8%

32. DIVIDEND

The Company does not recommend the payment of a final dividend for the year ended 31 December 2016 (year ended 31 December 2015: Nil).

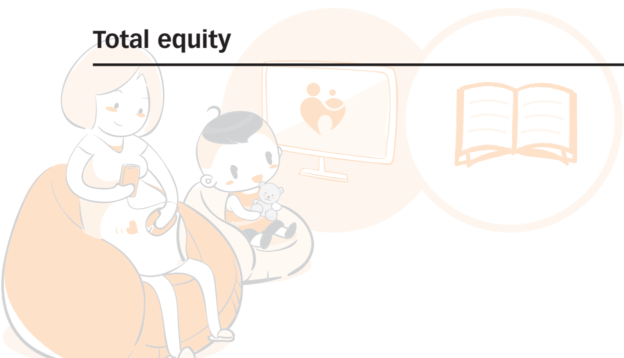
33. EVENTS AFTER THE REPORTING PERIOD

There was no material subsequent event during the period from 1 January 2017 to the approval date of these consolidated financial statements of 24 March 2017.

34. 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:

	2016 RMB'000	2015 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	**199**	280
Long-term receivables	**734**	688
Total non-current assets	**933**	968
CURRENT ASSETS		
Prepayments, deposits and other receivables	**95**	610
Cash and cash equivalents	**48,019**	212,628
Due from subsidiaries	**199,227**	33,621
Total current assets	**247,341**	246,859
CURRENT LIABILITIES		
Due to subsidiaries	**4,782**	12,017
Trade payable	**170**	–
Employee related payable	**15**	–
Total current liabilities	**4,967**	12,017
NET CURRENT ASSETS	**242,374**	234,842
TOTAL ASSETS LESS CURRENT LIABILITIES	**243,307**	235,810
Net assets	**243,307**	235,810
Equity		
Share capital	**8,094**	8,098
Treasury shares	**(4)**	–
Reserves (note)	**235,217**	227,712
Total equity	**243,307**	235,810



34. 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 2015	–	–	–	–
Loss 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
Loss for the year	–	–	(7,338)	(7,338)
Other comprehensive income for the year:				
Exchange differences on translation of foreign operations	–	16,441	–	16,441
Total comprehensive income for the year	–	16,441	(7,338)	9,103
Repurchase of shares	(1,598)	–	–	(1,598)
At 31 December 2016	224,688	31,041	(20,512)	235,217

35. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 24 March 2017.

FOUR YEAR FINANCIAL SUMMARY

	Year ended 31 December			
	2016	2015	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**84,913**	79,774	53,433	39,368
Net profit for the Year Attributable to the owners of the Company	**44,867**	34,525	13,645	4,817

	As at 31 December			
	2016	2015	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**370,846**	326,484	41,630	36,336
Total liabilities	**18,004**	26,051	21,895	16,489
Total equity	**352,842**	300,433	19,735	19,847