



创联教育

China Chuanglian Education Group Limited

中國創聯教育集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code: 2371



INTERIM REPORT 2015

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CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015

The board (the “Board”) of directors (the “Directors”) of China Chuanglian Education Group Limited (the “Company”) hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2015 (the “Reporting Period”), together with the comparative figures for the corresponding period in 2014 as follows:

	Notes	Six months ended 30 June	
		2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Revenue	3	35,086	23,149
Cost of sales and services		(17,739)	(7,974)
Gross profit		17,347	15,175
Other income	4	921	511
Selling and marketing expenses		(11,571)	(4,004)
Administrative expenses		(37,380)	(17,878)
Impairment of trade and other receivables		–	(2,476)
Impairment loss on amount due from an associate		–	(2,483)
Share of results of associates		(5)	–
Finance costs	5	(199)	(90)
Loss before tax		(30,887)	(11,245)
Income tax (expense) credit	6	(859)	193
Loss for the period	7	(31,746)	(11,052)
Other comprehensive income			
<i>Item that may be reclassified to profit or loss:</i>			
Exchange differences arising on translation and other comprehensive income for the period		129	1,118
Total comprehensive expense for the period		(31,617)	(9,934)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015

	Notes	Six months ended 30 June	
		2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Loss for the period attributable to:			
Owners of the Company		(32,653)	(10,699)
Non-controlling interests		907	(353)
		(31,746)	(11,052)
Total comprehensive expense for the period attributable to:			
Owners of the Company		(32,524)	(9,581)
Non-controlling interests		907	(353)
		(31,617)	(9,934)
Loss per share	9		
Basic and diluted (RMB cents)		(0.76)	(0.26)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	<i>Notes</i>	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Non-current assets			
Plant and equipment	10	6,385	5,534
Intangible assets		98,361	102,483
Goodwill		378,852	378,852
Interests in associates		2,836	841
		486,434	487,710
Current assets			
Trade and other receivables	11	93,227	80,104
Bank balances and cash		191,125	83,361
		284,352	163,465
Current liabilities			
Trade and other payables	12	51,023	41,752
Amount due to a shareholder		92	30
Income tax payable		11,495	12,843
Borrowing		5,000	5,000
		67,610	59,625
Net current assets		216,742	103,840
Total assets less current liabilities		703,176	591,550

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	<i>Notes</i>	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Capital and reserves			
Share capital	13	38,787	34,920
Reserves		636,805	529,526
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Equity attributable to owners of the Company		675,592	564,446
Non-controlling interests		3,638	2,241
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Total equity		679,230	566,687
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Non-current liability			
Deferred tax liability	15	23,946	24,863
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		703,176	591,550
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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

	Attributable to owners of the Company												
	Convertible preference share	Share capital	Share premium	Special reserve	Translation reserve	Capital redemption reserve	Share options reserve	Contribution from shareholders	Other reserve	Accumulated losses	Total	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2014 (Audited)	205,864	67,027	835,885	15,536	(7,889)	595	48,393	1,927	297,996	(932,781)	532,553	2,539	535,092
Loss for the period	-	-	-	-	-	-	-	-	-	(10,699)	(10,699)	(353)	(11,052)
Other comprehensive income for the period													
- Exchange differences arising on translation	-	-	-	-	1,118	-	-	-	-	-	1,118	-	1,118
Total comprehensive (expense) income for the period	-	-	-	-	1,118	-	-	-	-	(10,699)	(9,581)	(353)	(9,934)
Issue of preference share	-	76,305	151,430	-	-	-	-	-	(227,735)	-	-	-	-
Issue of shares upon conversion of preference shares	67,295	(124,102)	56,807	-	-	-	-	-	-	-	-	-	-
Reduction of share capital upon capital reorganisation	(240,162)	-	-	-	-	-	-	-	-	240,162	-	-	-
At 30 June 2014 (Unaudited)	32,997	19,230	1,044,122	15,536	(6,771)	595	48,393	1,927	70,261	(703,318)	522,972	2,186	525,158

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

	Attributable to owners of the Company												
	Convertible preference										Non-controlling		
	Share capital	Share reserves	Share premium	Special reserve	Translation reserve	Capital redemption reserve	Share options reserve	Contribution from shareholders	Other reserve	Accumulated losses	Total	interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2015 (Audited)	34,920	-	990,929	15,536	(1,486)	595	49,650	1,927	140,761	(668,386)	564,446	2,241	566,687
Loss for the period	-	-	-	-	-	-	-	-	-	(32,653)	(32,653)	907	(31,746)
Other comprehensive income for the period													
- Exchange differences arising on translation	-	-	-	-	129	-	-	-	-	-	129	-	129
Total comprehensive (expense) income for the period	-	-	-	-	129	-	-	-	-	(32,653)	(32,524)	907	(31,617)
Recognition of equity-settled share-based payment expenses	-	-	-	-	-	-	21,792	-	-	-	21,792	-	21,792
Issue of share upon exercise of share options	78	-	4,007	-	-	-	(988)	-	-	-	3,097	-	3,097
Issue of shares upon placing	3,789	-	121,244	-	-	-	-	-	-	-	125,033	-	125,033
Transaction costs attributable to issue of shares upon placing	-	-	(6,252)	-	-	-	-	-	-	-	(6,252)	-	(6,252)
Contribution from non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	490	490
At 30 June 2015 (Unaudited)	38,787	-	1,109,928	15,536	(1,357)	595	70,454	1,927	140,761	(701,039)	675,592	3,638	679,230

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

	Six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
OPERATING ACTIVITIES		
Loss before tax	(30,887)	(11,245)
Adjustments for:		
Finance costs	199	90
Interest income	(390)	(273)
Amortisation of intangible assets	4,122	4,463
Depreciation of plant and equipment	3,919	2,643
Reversal of impairment loss in respect of trade and other receivables	(531)	–
Impairment loss on available for sale investments	–	399
Impairment loss on trade and other receivables	–	2,476
Impairment loss on amount due from an associate	–	2,483
Share-based payment expenses	21,792	–
Loss on disposal of plant and equipment	–	2
Share of results of associates	5	–
Operating cash flows before movements in working capital	(1,771)	1,038
Increase in trade and other receivables	(12,391)	(13,174)
Increase in trade and other payables	9,271	2,862
Cash used in operations	(4,891)	(9,274)
Income tax paid	(3,124)	(4,538)
NET CASH USED IN OPERATING ACTIVITIES	(8,015)	(13,812)
INVESTING ACTIVITIES		
Establishment of an associate	(2,000)	(1,050)
Purchase of plant and equipment	(4,741)	(639)
Repayment from an associate	–	1,250
Interest received	390	273
Repayment from a director	–	352
Proceeds on disposal of plant and equipment	–	287
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(6,351)	473

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

	Six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
FINANCING ACTIVITIES		
Capital injection by non-controlling interests	490	–
Proceeds on issue of shares upon placing	125,033	–
Advance from a shareholder	62	8,401
Interest paid on bank and other borrowings	(199)	(90)
Proceeds from issue of shares upon exercise of share options	3,097	–
Payment of transaction cost attributable to issue of shares upon placing	(6,252)	–
NET CASH FROM FINANCING ACTIVITIES	122,231	8,311
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	107,865	(5,028)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	83,361	50,917
Effect of foreign exchange rate changes	(101)	75
CASH AND CASH EQUIVALENTS AT 30 JUNE, represented by bank balances and cash	191,125	45,964

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL AND BASIS OF PREPARATION

China Chuanglian Education Group Limited (the “Company”) was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of its registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and its principal place of business in Hong Kong is located at Rooms 905-6, 9th Floor, MassMutual Tower, 38 Gloucester Road, Wanchai, Hong Kong.

The Company is principally engaged in investment holding and securities trading. Other than those major operating subsidiaries established in the People’s Republic of China (the “PRC”) whose functional currency is Renminbi (“RMB”), the functional currency of the remaining subsidiaries is Hong Kong dollars (“HK\$”).

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

The condensed consolidated financial statements of the Group for the six months ended 30 June 2015 have been prepared in accordance with Hong Kong Accounting Standard 34 (HKAS 34) Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rule”).

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2015 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2014.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

In the current interim period, the Group has applied, for the first time, the following new Interpretation and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions

The application of the above new and revised amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

3. SEGMENT INFORMATION

Information reported to the board of directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

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

1. Advertising media – provision of advertising services in respect of placing advertisements on the outdoor billboards and light-emitting diode (“LED”) screens of the Group to advertisers and advertising agencies;
2. Other media – provision of consultancy and media business operation services and TV programmes distribution services; and
3. Educational consultancy and online training and education – provision of educational consultancy services and online training and education services.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results

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

Six months ended 30 June 2015

	Advertising media RMB'000 (Unaudited)	Other media RMB'000 (Unaudited)	Educational consultancy and online training and education RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
REVENUE				
External sales	-	3,971	31,115	35,086
Segment (loss) profit	(1,341)	3,352	(5,239)	(3,228)
Unallocated other income				281
Unallocated corporate expenses				(27,741)
Finance costs				(199)
Loss before tax				(30,887)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (Continued)

Six months ended 30 June 2014

	Advertising media RMB'000 (Unaudited)	Other media RMB'000 (Unaudited)	Educational consultancy and online training and education RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
REVENUE				
External sales	250	4,293	18,606	23,149
Segment (loss) profit	(1,991)	1,704	2,319	2,032
Impairment of trade and other receivables				(736)
Impairment loss on available-for- sale investments				(399)
Impairment loss on amount due from an associate				(2,483)
Unallocated other income				294
Unallocated corporate expenses				(9,863)
Finance costs				(90)
Loss before tax				(11,245)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities

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

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Segment assets		
Advertising media	627	307
Other media	71,883	69,905
Educational consultancy and online training and education	486,389	475,708
Total segment assets	558,899	545,920
Unallocated corporate assets	211,887	105,255
Consolidated assets	770,786	651,175
Segment liabilities		
Advertising media	11,035	11,228
Other media	12,642	17,154
Educational consultancy and online training and education	26,643	16,455
Total segment liabilities	50,320	44,837
Unallocated corporate liabilities	41,236	39,651
Consolidated liabilities	91,556	84,488

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. OTHER INCOME

	Six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Interest income	281	273
Net foreign exchange gain	-	21
Other interest income	109	-
Reversal of impairment loss in respect of trade and other receivables	531	-
Others	-	217
	921	511

5. FINANCE COSTS

	Six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Interest on bank and other borrowings wholly repayable within five years	199	90

6. INCOME TAX EXPENSE (CREDIT)

	Six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
PRC Enterprise Income Tax		
– Current year	1,776	600
Deferred tax credit	(917)	(793)
	859	(193)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging:

	Six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Depreciation of plant and equipment	3,919	2,643
Amortisation of intangible assets (included in cost of services)	4,122	4,463
Impairment loss recognised on available-for-sale investments	–	399
Net foreign exchange losses	109	–
Share-based payment expenses (exclude directors' and chief-executive's emoluments)	16,735	–
Loss on disposal of plant and equipment	–	2
Operating lease rentals in respect of rented premises	3,545	5,850

8. DIVIDEND

No dividends were paid, declared or proposed during the interim period. The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: Nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9. LOSS PER SHARE

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

	Six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Loss		
Loss for the period attributable to owners of the Company for the purpose of basic and diluted loss per share	(32,653)	(10,699)
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	4,274,153	4,169,023

The computation of diluted loss per share does not assume the exercise of the Company's share options because the exercise price of those share options were higher than the average market price for shares or their exercise would result in a decrease in loss per share. Diluted loss per share was the same as the basic loss per share as there were no potential dilutive ordinary shares outstanding on share options for both periods.

10. MOVEMENTS IN PLANT AND EQUIPMENT

During the six months ended 30 June 2015, the Group paid approximately RMB4,741,000 for acquisition of certain plant and equipment in the PRC (six months ended 30 June 2014: approximately RMB639,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11. TRADE AND OTHER RECEIVABLES

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Trade receivables	22,619	18,969
Less: impairment loss recognised	(3,647)	(4,183)
	18,972	14,786
Other receivables	71,977	63,555
Less: impairment loss recognised	(137)	(137)
	71,840	63,418
Deposits	829	1,205
Prepayments	1,586	695
	93,227	80,104

The Group does not hold any collateral over these receivables.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11. TRADE AND OTHER RECEIVABLES (CONTINUED)

Trade receivables are due according to the terms on the relevant contract. The following is an ageing analysis of trade receivables net of impairment losses presented based on the invoice date at the end of reporting period which approximate the respective revenue recognition date.

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Within 30 days	14,112	6,287
31 to 60 days	1,000	504
61 to 180 days	-	2,796
181 to 365 days	3,860	4,817
Over 365 days	-	382
	18,972	14,786

12. TRADE AND OTHER PAYABLES

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Trade payables	6,731	205
Other payables	5,686	3,879
Fund advance for TV programmes production	10,790	11,790
Payable of litigation claim	10,639	10,639
Receipts in advance	16,019	12,763
Accruals	1,158	2,476
	51,023	41,752

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. TRADE AND OTHER PAYABLES (CONTINUED)

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

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Within 30 days	6,526	–
Over one year	205	205
	6,731	205

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. SHARE CAPITAL

	Number of shares		Share capital		Equivalent nominal value of ordinary shares	
	30 June 2015 '000 (Unaudited)	31 December 2014 '000 (Audited)	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Ordinary shares of HK\$0.01 each as at 30 June 2015 (31 December 2014: HK\$0.01 each)						
Authorised:						
At beginning of the period/year	100,000,000	10,000,000	1,000,000	1,000,000	879,100	879,100
Increase of shares upon capital reorganisation	-	90,000,000	-	-	-	-
At end of the period/year	100,000,000	100,000,000	1,000,000	1,000,000	879,100	879,100
Issued and fully paid:						
At beginning of the period/year	4,169,023	2,369,023	41,690	236,902	34,920	205,864
Issue of shares upon conversion of preference shares	-	1,800,000	-	87,602	-	69,218
Issue of share upon exercise of share options	9,700	-	97	-	78	-
Issue of shares upon placing	473,800	-	4,738	-	3,789	-
Reduction of share capital upon capital reorganisation	-	-	-	(282,814)	-	(240,162)
At end of the period/year	4,652,523	4,169,023	46,525	41,690	38,787	34,920

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. CONVERTIBLE PREFERENCE SHARES AND CONSIDERATION PAYABLE

Convertible preference shares at HK\$0.1 each

	Number of shares		Share capital		Equivalent nominal value of preference shares	
	30 June	31 December	30 June	31 December	30 June	31 December
	2015	2014	2015	2014	2015	2014
	'000	'000	HK\$'000	HK\$'000	RMB'000	RMB'000
Authorised:						
At beginning of the period/year	2,000,000	2,000,000	200,000	200,000	157,629	157,629
Increment (Note)	-	-	-	-	-	-
At end of the period/year	2,000,000	2,000,000	200,000	200,000	157,629	157,629
Issued and fully paid:						
At beginning of the period/year	-	850,000	-	85,000	-	67,027
Issue during the period/year	-	950,000	-	95,000	-	76,305
Conversion to ordinary shares	-	(1,800,000)	-	(180,000)	-	(143,332)
At end of the period/year	-	-	-	-	-	-

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

On 8 August 2013, the Company issued 950,000,000 convertible preference shares of par value of HK\$0.1 each as the initial consideration for acquisition of Housden Holdings Limited. The profit guarantee was met and additional 950,000,000 convertible preference shares of par value of HK\$0.1 each was issued under the acquisition agreements in relation to the acquisition of Housden Holdings Limited during the year ended 31 December 2014.

The issue price of 1,900,000,000 convertible preference shares is HK\$0.21 per share. The conversion rate of each convertible preference share is one ordinary share. The major terms of the above-mentioned preference shares are set out below:

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. CONVERTIBLE PREFERENCE SHARES AND CONSIDERATION PAYABLE (CONTINUED)

- (i) The holders of convertible preference shares shall have the right to convert all or part of their preference shares at any time into fully paid ordinary shares, provided that (1) any conversion of the preference shares will not trigger a mandatory offer obligation under Rule 26 of the Hong Kong Code on Takeovers and Mergers on the part of the holders of convertible preference shares who exercised the conversion rights; and (2) the public float of the shares shall not be less than 25%.
- (ii) The convertible preference shares are transferable and do not have voting rights attached. The holders of convertible preference share have the same right as the holders of ordinary shares who are entitle to the dividend declared by the Company.
- (iii) The convertible preference shares are non-redeemable.

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

15. DEFERRED TAX LIABILITY

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

	RMB'000
At 1 January 2014	26,655
Credit to profit or loss	(2,059)
Exchange realignment	267
At 31 December 2014	24,863
Credit to profit or loss	(917)
At 30 June 2015	23,946

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

16. SHARE-BASED PAYMENT TRANSACTION

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 28 May 2014 for the primary purpose of providing incentives to directors, eligible employees and external consultants and will expire on 28 May 2024.

The table below discloses movement of the Company's share options held by the Group's directors, employees and consultants:

	Number of share options
Outstanding as at 1 January 2015	36,400,000
Granted during the period	230,730,000
Exercised during the period	(9,700,000)
Forfeited during the period	(6,000)
Outstanding as at 30 June 2015	257,424,000

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

17. RELATED PARTY TRANSACTIONS

- (a) Other than disclosed elsewhere in the consolidated financial statements, the Company had not entered into any transactions with related party during both periods.
- (b) Compensation of key management personnel

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

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Short-term benefits	1,694	1,453
Post-employment benefits	30	17
Share – based payment expenses	4,734	–
	6,458	1,470

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

18. EVENT AFTER THE END OF THE REPORTING PERIOD

On 3 August 2015, Top Succeed Holdings Limited (“Top Succeed”), a wholly-owned subsidiary of the Company, and China Public Procurement Limited (“CPP”) entered into the loan capitalisation agreement in relation to the subscription of 149,677,419 ordinary shares of HK\$0.01 each in the issued share capital of CPP by Top Succeed (or its nominee(s)) at HK\$0.155 per share for capitalising the debts amounted to HK\$23,200,000 owed by CPP to Top Succeed. The subscription was completed on 13 August 2015. Details are disclosed in the announcement of the Company dated 3 August 2015.

19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the Reporting Period, the Group recorded a revenue of approximately RMB35,086,000 (six months ended 30 June 2014: approximately RMB23,149,000), representing an increase of 51.6% as compared to the last corresponding period. The loss attributable to owners of the Company for the Reporting Period was approximately RMB32,653,000 (six months ended 30 June 2014: approximately RMB10,699,000), representing an increase of approximately 205.2% as compared to the last corresponding period. The basic loss per share for the Reporting Period was RMB0.76 cent (six months ended 30 June 2014: basic loss per share RMB0.26 cent), representing an increase of approximately 192.3% as compared to the last corresponding period.

Of these, revenue derived from educational consultancy and online training and education, other media and advertising media were approximately RMB31,115,000, RMB3,971,000 and RMB0 respectively (six months ended 30 June 2014: approximately RMB18,606,000, RMB4,293,000 and RMB250,000 respectively). The revenue derived from educational consultancy and online training and education is usually subject to certain seasonality as more users would prefer to undertake the trainings closer to the end of the year. As an illustration, the revenue derived from educational consultancy and online training and education for the six months ended 30 June 2014 only accounted for approximately 26.8% of the annual revenue for the year ended 31 December 2014.

Cost of sales and services for the Reporting Period was approximately RMB17,739,000 (six months ended 30 June 2014: approximately RMB7,974,000), representing an increase of approximately 122.5% as compared to the last corresponding period. The increase in cost of sales and services was mainly due to the increase in project co-operation expenses as well as research and development expenses. Selling and marketing expenses for the Reporting Period was approximately RMB11,571,000 (six months ended 30 June 2014: approximately RMB4,004,000), representing an increase of approximately 189.0% as compared to the last corresponding period. The increase in selling and marketing expenses was mainly due to increase in salaries, project co-operation expenses, meeting expenses, consulting and legal expenses. Administrative expenses for the Reporting Period was approximately RMB37,380,000 (six months ended 30 June 2014: approximately RMB17,878,000), representing an increase of 109.1% as compared to the last corresponding period. The increase in administrative expenses was mainly due to the share-based expense of approximately RMB21,792,000 arising from the option granted to eligible participants on 4 May 2015 as incentives for better development of the Group's businesses. Such expense does not have any impact on the Group's cash flow.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in the provision of the online training and education services.

As one of the pioneers of online education in the PRC, our online education services mainly focus on providing vocational training in relation to job adaptation and skill enhancement to civil servants and professional technical personnel, including but not limited to lawyers, accountants, doctors, teachers, etc., in the PRC. According to the PRC laws and the requirements under relevant provisions, civil servants and professional technical personnel in the PRC have to undertake an annual required minimum continuing professional training in both the public required subjects and the relevant professional subjects in order to satisfy for their job requirements and professional development needs. The Group is principally engaged in providing online training on the public required subjects and has accumulated over 7,000 hours of video contents in the public related subjects over the past few years.

We are committed to provide online vocational training to civil servants and professional technical personnel and strive to become their life-long and comprehensive online learning partner.

The income from the online training and education services business is the major contributor of the Group's income and accounted for approximately 88.7% of the Group's income for the Reporting Period. The Directors expect that the online training and education services business will continue to dominate the revenue mix of the Group in the second half of the year.

Leveraging on our self-developed core network service management platform to link up internet learning service, training management, educational resources and the capability to support large-scale simultaneous online training, we are providing online training to over 5 million civil servants and professional technical personnel in 10 provinces, 16 cities and 9 national ministries with up to 69 different categories of online educational services during the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OUTLOOK

In 2015, we will continue to make good use of the favorable policies of the PRC government towards online vocational training and education. Based on the technological innovation of our core business, quality enhancement and well-recognised brand, we will focus on the following three aspects:

- 1) Further promote our online training and education services to the personnel of Ministry of Human Resources and Social Security of the PRC;
- 2) Through providing technical support and services for various professional association and their corresponding platform, we will enhance our business influence and brand recognition in order to consolidate the leading position in the field of online vocational training and education. We will endeavor to make use of our platform to accelerate the growth of our user base, with a view to better serve a larger scale of professional technical personnel and satisfy their continuing learning needs; and
- 3) Since 2014, we have cooperated with China Electronic Commerce Association of the Ministry of Industry and Information Technology as well as the National Occupational Capability Evaluation Centre of the National Development and Reform Commission and jointly launched the “National e-business applications employing online learning platform”, to train a group of managers and employees in the e-business field, solve the employment and business start-up problems of university graduates, and promote rapid development of e-commerce. On 10 March 2015, we signed the “National Rural Grassroots Cadres (Village) E-business Training Cooperation Agreement” with China E-business Association of the Ministry of Industry and Information Technology, aligning with the State Council Document No. 1 which addresses the “three rural issues”, aiming at carry out the development of e-business training for national rural grassroots cadres and promoting “production, supply, sale” of agricultural supplements.

In addition to providing online training in public related subjects, the Group has entered into strategic co-operation agreements with New Oriental Xuncheng Network Technology Co., Ltd. and Study & Sun International Education Group and many other institutions to explore the provision of training in the professional subjects through the Group’s self-developed core network service management platform.

MANAGEMENT DISCUSSION AND ANALYSIS

We believe that training and education is a life-long process. Apart from the arena of online vocational training, the Group is also keen on expanding its business into other areas of education. The Group has entered into a strategic co-operation agreement with Beijing Gehua CATV Network Co., Ltd. and Xinhua Net Co., Ltd. in July 2015 in relation to their mode of cooperation in the establishment of an intelligent educational public service cloud platform (the "Platform") for the provision of education and training services to education departments, various education institutions, students and parents in the PRC. The Platform will be operated via cable television networks, the internet and telecommunication networks to offer the users access to the Platform on a tri-networks integration basis with top class education resources for K12 education (i.e. primary and secondary education). The Platform will be launched in Beijing as a trial location with an aim to promote to the other cable television networks in the PRC.

In addition to the Group's current business-to-business ("B-to-B") model through personal computer networks, the Group is well aware of the increasing popularity of education and training through the mobile ends. The above co-operation on the Platform for K12 education represents the first publicly launched mobile application of the Group. In addition to this, the Group is currently developing another mobile application targeting online vocational training users which is expected to be launched in 2016. We believe that launching of the different mobile applications will gradually enhance the direct connection between the Group and the end consumers to provide the Group with other business opportunities through the business-to-consumer ("B-to-C") model. We believe that the continuing development of the Group's B-to-C model will gradually bring certain changes to the existing ecosystem in the field of training and education. Such change will enable the Group to further diversify its businesses and the Group can accumulate more accurate big data for future marketing businesses through this process.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2015, the Group had bank balances and cash of approximately RMB191,125,000 (at 31 December 2014: approximately RMB83,361,000).

As at 30 June 2015, the Group's net current assets totalled approximately RMB216,742,000 (at 31 December 2014: approximately RMB103,840,000).

The Group's current ratio was approximately 4.21 times as at 30 June 2015 as compared with 2.74 times as at 31 December 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

GEARING RATIO

The gearing ratio of the Group (measured as total liabilities to total assets) was 11.9% as at 30 June 2015 (at 31 December 2014: 13.0%).

CAPITAL STRUCTURE

As at 30 June 2015, the Company's issued share capital was approximately HK\$46,525,226 and the number of its issued ordinary shares was 4,652,522,578 shares of HK\$0.01 each.

During the Reporting Period, the Company has issued and allotted 473,800,000 new ordinary shares at a price of HK\$0.330 per share by means of placing.

The Company has also issued and allotted 450,000 and 9,250,000 new ordinary shares at par value of HK\$0.37 and HK\$0.4 each, respectively, as a result of the exercise of share options to the share option holders of the Company.

FUND RAISING ACTIVITIES

Placing of non-listed warrants under general mandate

On 23 April 2015, the Company entered into the conditional placing agreement (the "Warrant Placing Agreement") with Changjiang Securities Brokerage (HK) Limited (the "Placing Agent"), which the Placing Agent agreed to place up to 473,804,000 non-listed warrants conferring rights to subscribe for up to 473,804,000 warrant shares at the warrant exercise price of HK\$0.26 per warrant share (the "Warrant Placing"). On 30 April 2015, the Company and the Placing Agent entered into a termination deed to terminate the Warrant Placing Agreement as it would not be favourable to the Company to pursue the Warrant Placing in view of the possible additional time and work required to proceed with the Warrant Placing as well as the significant difference between the Warrant Exercise Price and the current market price.

Placing of new shares under general mandate

On 30 April 2015, the Company entered into a placing agreement with Orient Securities Limited (the "Placing Agent"), as the placing agent in relation to a placement of 473,800,000 placing shares at a price of HK\$0.330 per placing share on best effort basis (the "Placing"). The maximum net proceeds from the Placing of approximately HK\$148.5 million are intended to be used for general working capital and for any possible business development or investment of the Group when appropriate opportunities arise. The Placing was completed on 22 May 2015 in accordance with the terms and conditions of the Placing Agreement dated 30 April 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

FOREIGN EXCHANGE EXPOSURE

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

CHARGE ON GROUP ASSETS

As at 30 June 2015 and 31 December 2014, the Group did not have any charges on its assets.

CONTINGENT LIABILITIES

On 12 June 2010, an indirectly-owned subsidiary of the Company, ChuangZhi LiDe (Beijing Technology Development Limited* (創智利德(北京)科技發展有限公司 or “ChuangZhi LiDe”) has been brought to the first court hearing at 河北省廊坊經濟技術開發區人民法院 by 日本赤見電機株式會社 (“Japan Chijian”). Japan Chijian has brought a claim for alleged breach of contractual undertakings in relation to the construction of a LED display panel located in the PRC for an amount of approximately RMB12,378,000.

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

With reference to a legal opinion obtained from the PRC legal advisor, likelihood of an unfavorable outcome is probable and the amount of the loss of RMB7,500,000 can be reasonably estimated. As a result, provision of RMB7,500,000 in respect of such claim was made and included in other payables in the condensed consolidated financial statements.

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

* For identification purpose only

MANAGEMENT DISCUSSION AND ANALYSIS

As advised by Chuangzhi LiDe on 9 April 2014, High Court of Hebei province* (河北省高級人民法院) (the “High Court”) promulgated the final decision, which the judgment issued by the Intermediate Court has been upheld. Accordingly, ChuangZhi LiDe has to pay an amount of approximately RMB10,342,000 plus the accrued interest with reference to the loan interest rate determined by the People’s Bank of China as from 16 April 2008 until payment thereon to Japan Chijian and borne the related court expenses of approximately RMB206,000.

The total provision for the litigation claims in the consolidated financial statement of the Group as at 31 December 2013 was approximately RMB10,722,000 and the Board considered that the amount is adequate and no further provision is required. After due and careful consideration, the Board resolved not to lodge further appeal against the High Court ruling. It is in the interest of the Company and the shareholders of the Company as a whole and has no material adverse impact on the existing business of the Group.

Details regarding the above-mentioned legal proceedings have been set out in the announcement dated 22 April 2014 published by the Company.

CAPITAL COMMITMENT

As at 30 June 2015, the Group has no material capital commitment (at 31 December 2014: RMB1,050,000).

EMPLOYEE INFORMATION AND REMUNERATION POLICY

As at 30 June 2015, the Group had 137 employees (31 December 2014: 115 employees) in Hong Kong and the PRC and the total staff costs (including all Directors’ remuneration and fees) are approximately RMB30,917,000 for the Reporting Period (six months ended 30 June 2014: approximately RMB4,258,000).

We offer competitive remuneration package, including medical and retirement benefits, to eligible employees. In order to attract, retain and motivate eligible employees, including the Directors, the Company had adopted a share option scheme (the “Share Option Scheme”). As at 30 June 2015, there were 257,424,000 share options remained outstanding which can be exercised by the grantees of the Share Option Scheme.

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

* For identification purpose only

MANAGEMENT DISCUSSION AND ANALYSIS

APPOINTMENT AND RESIGNATION OF EXECUTIVE DIRECTORS

Changes in directorship during the six months ended 30 June 2015 are as follows:

Mr. Wu Xiaodong, was appointed as an executive Director with effect from 1 April 2015; and

Mr. Liu Zhong Hua, resigned as an executive Director with effect from 12 June 2015.

UPDATE ON DIRECTOR'S INFORMATION

Pursuant to Rule 13.51B (1) of the Listing Rules, the change in information of the director of the Company is set out below:

- Mr. Han Bing's service contract as an Independent non-executive director has been renewed for a term of 3 years commencing from 28 August 2015 to 27 August 2018.

SHARE OPTION SCHEME

The Company operated the equity-settled Share Option Scheme on 31 October 2004 under which the Board might, at its discretion, offer any employees (whether full time or part time), executives or officers of the Company or any of its subsidiaries (including any executive director), consultants, agents or legal and financial advisers to the Company or its subsidiaries whom the Board considered, in its sole discretion, as having contributed to the Company or any of its subsidiaries.

The share option scheme was adopted for a period of 10 years commencing from 31 October 2004 (the "Share Option Scheme 2004"). Shareholders of the Company in the annual general meeting of the Company dated 28 May 2014 resolved to terminate the Share Option Scheme 2004 and to adopt the new share option scheme (the "Share Option Scheme 2014"). The Share Option Scheme 2014 was adopted for a period of 10 years commencing from 28 May 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, 450,000 share options exercised and no share option was granted, lapsed and cancelled under the 2004 Share Option Scheme. Movements of share options for the Reporting Period under the 2004 Share Option Scheme are summarised as follows:

List of Grantees	Balance as at 1 January 2015	Granted during the Reporting Period	Exercised during the Reporting Period	Lapsed during the Reporting Period	Cancelled during the Reporting Period	Balance as at 30 June 2015	Exercise Price HK\$	Date of Grant	Exercise Period
Directors									
Wang Shuping	500,000	-	-	-	-	500,000	0.37	11/09/2013	11/09/2013-10/09/2016
Wu Xiaodong (appointed on 1 April 2015)	2,000,000	-	-	-	-	2,000,000	0.37	11/09/2013	11/09/2013-10/09/2016
Liu ZhongHua (resigned on June 2015)	2,000,000	-	-	-	-	2,000,000	0.37	11/09/2013	11/09/2013-10/09/2016
Subtotal	4,500,000	-	-	-	-	4,500,000			
Employees									
In aggregate	28,900,000	-	(450,000)	-	-	28,450,000	0.37	11/09/2013	11/09/2013-10/09/2016
Subtotal	28,900,000	-	(450,000)	-	-	28,450,000			
Consultants									
In aggregate	3,000,000	-	-	-	-	3,000,000	0.37	11/09/2013	11/09/2013-10/09/2016
Subtotal	3,000,000	-	-	-	-	3,000,000			
Total	36,400,000	-	(450,000)	-	-	35,950,000			

Note:

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

MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, 230,730,000 share options granted, 9,250,000 share options exercised, 6,000 share options lapsed and no share option was cancelled under the 2014 Share Option Scheme. Movements of share options for the Reporting Period under the 2014 Share Option Scheme are summarised as follows:

List of Grantees	Balance as at 1 January 2015	Granted during the Reporting Period	Exercised during the Reporting Period	Lapsed during the Reporting Period	Cancelled during the Reporting Period	Balance as at 30 June 2015	Exercise Price HK\$	Date of Grant	Exercise Period
Directors									
Lu Xing	-	2,000,000 (Note 2)	-	-	-	2,000,000	0.4	04/05/2015	04/05/2015-03/05/2018
Li Jia	-	10,000,000 (Note 2)	-	-	-	10,000,000	0.4	04/05/2015	04/05/2015-03/05/2018
Wu Xiaodong	-	2,000,000 (Note 2)	-	-	-	2,000,000	0.4	04/05/2015	04/05/2015-03/05/2018
Leung Siu Kee	-	1,000,000 (Note 2)	-	-	-	1,000,000	0.4	04/05/2015	04/05/2015-03/05/2018
Han Bing	-	1,000,000 (Note 2)	-	-	-	1,000,000	0.4	04/05/2015	04/05/2015-03/05/2018
Wang Shuping	-	1,000,000 (Note 2)	-	-	-	1,000,000	0.4	04/05/2015	04/05/2015-03/05/2018
Liu Zhong Hua (resigned on 12 June 2015)	-	2,000,000 (Note 2)	-	-	-	2,000,000	0.4	04/05/2015	04/05/2015-03/05/2018
Subtotal	-	19,000,000	-	-	-	19,000,000			
Employees									
In aggregate	-	47,530,000 (Note 2)	(1,950,000)	(6,000)	-	45,574,000	0.4	04/05/2015	04/05/2015-03/05/2018
Subtotal	-	47,530,000	(1,950,000)	(6,000)	-	45,574,000			
Consultant									
In aggregate	-	164,200,000 (Note 2)	(7,300,000)	-	-	156,900,000	0.4	04/05/2015	04/05/2015-03/05/2018
Subtotal	-	164,200,000	(7,300,000)	-	-	156,900,000			
Total	-	230,730,000	(9,250,000)	(6,000)	-	221,474,000			

Notes:

- Share option will automatically lapsed after the period of 6 months following the date of such cessation or termination.
- The closing price of the shares of the Company immediately before the date on which the options were granted was HK\$0.4100.

MANAGEMENT DISCUSSION AND ANALYSIS

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at 30 June 2015, the following Directors or chief executives of the Company had held the following interests or short positions in the shares, underlying shares (as defined in the Securities and Futures Ordinance (the "SFO")) and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules:

Long positions in the Company:

Name of Directors	Nature of interests	Number of issued ordinary shares held	Number of underlying shares held pursuant to share options	Aggregate number of shares held	Approximate aggregate percentage of the issued share capital
Lu Xing ("Mr. Lu")	Beneficial owner	22,100,000	2,000,000	813,728,323	17.49%
	Held by controlled corporation	789,628,323 (Note 1)	-		
Li Jia	Beneficial owner	7,736,000	10,000,000	17,736,000	0.38%
Wu Xiaodong	Beneficial owner	3,000	4,000,000	4,003,000	0.08%
Han Bing	Beneficial owner	1,900,000	1,000,000	2,900,000	0.06%
Wang Shuping	Beneficial owner	-	1,500,000	1,500,000	0.03%
Leung Siu Kee	Beneficial owner	-	1,000,000	1,000,000	0.02%
Liu Zhong Hua (Resigned on 12 June 2015)	Beneficial owner	29,000,000	4,000,000	33,000,000	0.70%

Note:

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



MANAGEMENT DISCUSSION AND ANALYSIS

Save as disclosed above, as at 30 June 2015, none of the Directors or chief executives of the Company held any interests or short positions in the shares, underlying shares (as defined in the SFO) or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange, pursuant to the Model Code.

DIRECTOR'S RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the above sections headed "Directors' and Chief Executives' Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company or its Associated Corporations" and "Share Option Scheme", at no time during the Reporting Period was the Company or any of its subsidiaries a party to any arrangements to enable any of the Directors or the Company's members of its management to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate and none of the Directors, their spouse or their children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the Reporting Period.

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

As at 30 June 2015, the following persons (other than Directors or chief executives of the Company) had an interest or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

MANAGEMENT DISCUSSION AND ANALYSIS

Long positions in the Company:

Name of substantial shareholders of the Company	Nature of interests	Number of issued ordinary shares/ underlying shares held	Aggregate number of shares held	Approximate aggregate percentage of the issued share capital
Headwind Holdings Limited	Beneficial owner	680,000,000 (Note 1)	680,000,000	14.61%
Guo Zhen Bao	Beneficial owner Held by spouse	172,746,032 155,296,000 (Note 2)	328,042,032	7.05%
Ho Wai Kong ("Mr. Ho")	Held by controlled corporation Held by spouse	248,639,306 50,220,000 (Note 4)	298,859,306	6.42%
Guo Binni	Beneficial owner Held by spouse	50,220,000 248,639,306 (Note 3)	298,859,306	6.42%
Rotaland Limited	Beneficial owner	247,139,306 (Note 3)	247,139,306	5.31%

Notes:

1. These 680,000,000 shares are held by Headwind Holdings Limited, which is incorporated in the British Virgin Islands with limited liability and wholly owned by Mr. Lu.
2. These 155,296,000 shares are held by Ms. Ren Jiyang who is the spouse of Mr. Guo Zhen Bao.
3. Of these 248,639,306 shares, 247,139,306 shares are held by Rotaland Limited; and 1,500,000 shares are held by Similan Limited. Rotaland Limited and Similan Limited are companies incorporated in the British Virgin Islands with limited liability and wholly owned by Mr. Ho.
4. These 50,220,000 shares are held by Ms. Guo Binni who is the spouse of Mr. Ho.

Save as disclosed above, as at 30 June 2015, the Company had not been notified of any interests or short position being held by any substantial shareholder in the shares or underlying shares in the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

MANAGEMENT DISCUSSION AND ANALYSIS

CORPORATE GOVERNANCE CODE

Throughout the Reporting Period, the Company has applied and complied with the code provisions in the Corporate Governance Code (the "CG Code") set out in Appendix 14 of the Listing Rules except the following deviation:

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

During the Reporting Period, the chairman of the Board was performed by Mr. Lu Xing and the Company did not have a chief executive. The Board will keep reviewing the current structure of the Board from time to time and should candidates with suitable knowledge, skill and experience be identified, the Company will make appointments to fill the posts as appropriate.

COMPLIANCE WITH MODEL CODE

During the Reporting Period, the Company has adopted the Model Code as its code of conduct regarding securities transactions by its Directors. The Company had made specific enquiries of all Directors, and the Company was not aware of any non-compliance with the required standard in the Model Code.

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

During the Reporting Period, the Company has issued and allotted 473,800,000 new ordinary shares at a price of HK\$0.330 per share by means of placing.

The Company has also issued and allotted 450,000 and 9,250,000 new ordinary shares at par value of HK\$0.37 and HK\$0.4 each, respectively, as a result of the exercise of share options to the share option holders of the Company.

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

RISKS RELATING TO THE CONTRACTUAL ARRANGEMENTS

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

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

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

* For identification purpose only

MANAGEMENT DISCUSSION AND ANALYSIS

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

	Significance and contribution to the Group			
	Revenue		Total assets	
	For the year		As at	
	ended 31 December		31 December	
	2013	2014	2013	2014
Beijing Chuanglian Education	24.3%	90.4%	2.8%	8.3%

Revenue and assets subject to the Contractual Arrangements

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

	Revenue	Total assets
	RMB'000	RMB'000
	For the year ended	As at
	31 December 2014	31 December 2014
Beijing Chuanglian Education	69,529	54,145

Risks associated with the Contractual Arrangements

- (1) The PRC Government may determine that the Contractual Arrangements are not in compliance with the applicable PRC laws, rules, regulations or policies. There can be no assurance that the Contractual Arrangements will be deemed by the PRC government to be in compliance with the licensing, registration or other regulatory requirements, with existing policies or with requirements or policies that may be adopted in the future, or that the Contractual Arrangements may be effectively enforced without limitation.
- (2) The Group depends upon the Contractual Arrangements in conducting the online training and education services business in China and receiving payments through Beijing Chuanglian Education, which may not be as effective as direct ownership.
- (3) The registered shareholder of Beijing Chuanglian Education (i.e. the Guarantor) may have potential conflict of interests with other shareholders of the Company and hence defaulting risks by the Guarantor cannot be eliminated completely.

MANAGEMENT DISCUSSION AND ANALYSIS

- (4) As the Group relies on the operating licenses held by Beijing Chuanglian Education, any deterioration of the relationship between Beijing Chuanglian Education and the Group could materially and adversely affect the business operation of the Group.
- (5) The Contractual Arrangements may be challenged by the PRC tax authorities on the basis that the Contractual Arrangements were not entered into based on arm's length negotiations and as a result, the Group may face adverse tax consequences.

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

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

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") currently consists of three independent non-executive Directors, namely, Mr. Leung Siu Kee, Mr. Han Bing and Ms. Wang Shuping. The unaudited financial interim results and the interim report of the Group for the Reporting Period have been reviewed by the Audit Committee.

By Order of the Board

China Chuanglian Education Group Limited

Lu Xing

Chairman

Hong Kong, 28 August 2015

As at the date of this report, the Board comprises Mr. Lu Xing (Chairman), Mr. Li Jia and Mr. Wu Xiaodong as executive Directors; and Mr. Leung Siu Kee, Mr. Han Bing and Ms. Wang Shuping as independent non-executive Directors.