創联教育

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)

ANNUAL REPORT

2015

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Corporate Information

Executive Directors

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

Independent Non-executive Directors

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

Company Secretary

Mr. TING Pong Ming

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Authorised Representatives

Mr. LI Jia
Mr. TING Pong Ming

Auditor

SHINEWING (HK) CPA Limited

Principal Bankers

Citibank, N.A.

Registered Office

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

Principal Place of Business in Hong Kong

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

Principal Share Registrar and Transfer Office

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

Hong Kong Branch Share Registrar and Transfer Office

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

Website

www.chinahrt.com

Stock Code

2371

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

Results

	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000
Turnover	**97,281**	76,906	98,350	22,748	58,169
Gross profit/(loss)	**62,517**	52,705	73,004	(644,489)	(43,655)
(Loss)/profit for the year	**(296,649)**	23,935	10,383	(702,236)	(146,841)
(Loss)/profit for the year attributable to:					
Owners of the Company	**(298,658)**	24,233	7,712	(701,309)	(145,840)
Non-controlling interests	**2,009**	(298)	2,671	(927)	(1,001)
	(296,649)	23,935	10,383	(702,236)	(146,841)
Basic (loss)/earnings per share (RMB cent(s))	**(6.69)**	0.58	0.33	(35.34)	(8.30)
Adjusted results#					
Profit/(loss) before tax	**20,125**	30,266	17,632	(77,689)	(103,904)
Profit/(loss) attributable to owners of the Company	**15,363**	26,005	6,488	(80,384)	(102,903)
Basic earnings/(loss) per share (RMB' cent)	**0.34**	0.62	0.28	(4.05)	(5.85)

Assets and Liabilities

	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000
Non-current assets	**192,800**	487,710	498,528	30,572	684,787
Current assets	**322,408**	163,465	133,329	62,599	66,850
Current liabilities	**(61,316)**	(59,625)	(70,110)	(59,174)	(40,316)
Net current assets	**261,092**	103,840	63,219	3,425	26,534
Non-current liabilities	**(22,803)**	(24,863)	(26,655)	(43,519)	(37,703)
Non-controlling interests	**(5,334)**	(2,241)	(2,539)	132	(795)
Equity	**425,755**	564,446	532,553	(9,390)	672,823

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

On behalf of the Board of Directors (the "Board") of China Chuanglian Education Group Limited (the "Company"), I am pleased to present the annual report of the Company and its subsidiaries (collectively referred as the "Group") for the year ended 31 December 2015.

RESULTS

For the year ended 31 December 2015, the Group recorded a revenue of approximately RMB97,281,000, representing an increase of approximately 26.5% as compared to that of last year. The loss attributable to owners of the Company for the year ended 31 December 2015 was approximately RMB298,658,000. The loss attributable to owners of the Company for the year ended 31 December 2015 was mainly due to the impairment loss on goodwill related to the online training and education business of approximately RMB295,433,000 which does not have any impact on the Group's cash flow.

INDUSTRY REVIEW

The popularity of the internet in the PRC has been growing rapidly in recent years. According to the data published by the National Bureau of Statistics of China, the population of local internet users in the PRC increased from approximately 457.30 million in 2010 to approximately 648.75 million in 2014 representing compound annual growth rates of approximately 9.14%. Based on the research report of "China entertainment and media outlook 2015–2019" issued by PricewaterhouseCoopers in 2015, both the mobile internet access and the fixed broadband access in the PRC are expected to increase across 2016 to 2018, leading to expected year-on-year growths in the total internet access in the PRC of approximately 13.83% and approximately 12.84% in 2017 and 2018, respectively.

As a result of the increasing popularity of the internet in the PRC, it is also expected that the revenue of online education will continue to increase in the foreseeable future. According to the research report of "China Internet Education Trends Report" issued by Baidu Education in 2016, the market size of online education and training was approximately RMB161 billion, of which vocational education and training, being the second largest segment in the market, accounted for approximately 36% of the entire market. It is expected that market size of online education and training will continue to increase to RMB212 billion and RMB280 billion in 2017 and 2018 respectively.

With the increasing popularity in both the internet and online education in the PRC, we believe that there are lots of room for expansion and development of the Group's online education and training businesses.

BUSINESS REVIEW

The Group is principally engaged in the provision of the online training and education services in the PRC. As one of the very few pioneers of online education providers in the PRC, our online education services mainly focus on providing vocational training in relation to job adaption and skill enhancement to civil servants and professional technical personnel, including but not limited to lawyers, accountants, doctors, teachers, etc., in the PRC. According to the PRC laws and the requirements under relevant provisions, civil servants and professional technical personnel in the PRC are required to undertake an annual required minimum continuing professional training in both public required subjects and relevant professional subjects in order to satisfy their corresponding job requirements and professional development needs. The Group is principally engaged in providing online training on public required subjects and has accumulated over 7,000 hours of video contents in 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 revenue from the online training and education services business is the major contributor of the Group's revenue and accounted for approximately 89.3% of the Group's revenue for the year ended 31 December 2015 (2014: approximately 90.4%). The Directors expect that the online training and education services business will continue to dominate the revenue mix of the Group in the foreseeable future.

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 largescale simultaneous online training, we are providing online training to over 5 million civil servants and professional technical personnel in the PRC.

FUTURE PLANS

We believe that training and education is a life-long process. Building on our existing foundation in online vocational training and education, we will continue to explore into other areas of education. In 2015, the Group has already taken certain steps to try to enter into both the kindergarten education and K12 education (i.e. primary and secondary education). We intend to gradually establish a brand of education in "Chuanglian Education" which accompanies the learners throughout their lives.

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.We are currently developing certain mobile applications which target to link up the users by way of training and education in order to create a virtual community through training and education. We believe that the increasing penetration of the Group's mobile applications in the foreseeable will enable the Group to accumulate more accurate big data for future marketing businesses.

APPRECIATION

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

Lu Xing
Chairman

Hong Kong, 30 March 2016

FINANCIAL REVIEW

For the year ended 31 December 2015, the Group recorded a revenue of approximately RMB97,281,000 (2014: approximately RMB76,906,000), representing an increase of approximately 26.5% as compared to that of last year. The loss attributable to owners of the Company for the year ended 31 December 2015 was approximately RMB298,658,000 as compared to a profit attributable to the owners of the Company of approximately RMB24,233,000 for the year ended 31 December 2014. The loss attributable to owners of the Company for the year ended 31 December 2015 was mainly due to the impairment loss on goodwill related to the online training and education business of approximately RMB295,433,000 (2014: nil). The basic loss per share for year ended 31 December 2015 was RMB6.69cents as compared to a basic earnings per share of RMB0.58 cent for the year ended 31 December 2014.

Revenue derived from educational consultancy and online training and education, other media and advertising media were approximately RMB86,892,000, RMB10,389,000 and nil (2014: approximately RMB69,528,000, RMB7,378,000 and nil).

Cost of sales and services for the year ended 31 December 2015 was approximately RMB34,764,000 (2014: approximately RMB24,201,000), representing an increase of 43.6% as compared to last year. The increase in cost of sales and services was mainly due to the increase in project co-operation expenses and staff costs. Selling and marketing expenses for the year ended 31 December 2015 was approximately RMB19,008,000 (2014: approximately RMB11,399,000), representing an increase of approximately 66.8% as compared to last year. The increase in selling and marketing expenses was mainly due to the increase in salaries, project co-operation expenses, meeting expenses, consulting and legal expenses. Administrative expenses for the year ended 31 December 2015 was approximately RMB57,426,000 (2014: approximately RMB34,609,000), representing an increase of 65.9% as compared to last year. The increase in administrative expenses was mainly due to the share based expense of approximately RMB17,476,000 (2014: approximately RMB1,257,000) arising from the options granted to eligible participants on 4 May 2015, 2 July 2015 and 20 October 2015 as incentives for better development of the Group's businesses. Such expense does not have any impact on the Group's cash flow.

BUSINESS REVIEW

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BUSINESS OUTLOOK

In 2016, 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., 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.

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 obtained a 20% equity interest in 深圳市海創星匯網絡科技有限公司(Shenzhen Haichuang Xinghui Network Technology Company Limited*), which was subsequently renamed as 深圳市創聯星匯科技有限公司(Shenzhen Chuanglian Xinghui Technology Company Limited*), by way of capital contribution in April 2015. Such transaction enables the Group to get access to the kindergarten education area and strengthen the Group's capability in developing internet applied projects in relation to the new-generation information technology, which can operate across three major information media in computers, mobile phones and televisions.

The Group has also 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 cable television networks in the other locations within 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

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

As at 31 December 2015, the Group had bank balances and cash of approximately RMB191,776,000 as compared to the bank balances and cash of approximately RMB83,361,000 as at 31 December 2014.

The Group's net current assets totalled approximately RMB261,092,000 as at 31 December 2015, against approximately RMB103,840,000 as at 31 December 2014. The Group's current ratio was approximately 5.26 as at 31 December 2015 as compared with 2.74 as at 31 December 2014.

GEARING RATIO

The gearing ratio of the Group (measured as total liabilities to total assets) was approximately 16.3% as at 31 December 2015 (2014: approximately 13.0%).

CAPITAL STRUCTURE

As at 31 December 2015, the Company's issued share capital was approximately HK$46,525,000 (2014: approximately HK$41,690,000) and the number of its issued shares was 4,652,522,578 ordinary shares of HK$0.01 each.

During the year under review, the Company issued and allotted 473,800,000 new ordinary shares at a price of HK$0.330 per share by means of placing.

The Company also issued and allotted 450,000 and 9,250,000 new ordinary shares 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.

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.

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

	Significance and contribution to the Group			
	Revenue		**Total assets**	
	For the year ended 31 December		As at 31 December	
	2015	2014	2015	2014
Beijing Chuanglian Education	89.7%	90.4%	15.7%	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**
	For the year ended 31 December 2015 RMB'000	As at 31 December 2015 RMB'000
Beijing Chuanglian Education	87,224	81,104

** For identification purpose only*

Risks associated with the Contractual Arrangements

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

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

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

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

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

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

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

MATERIAL TRANSACTION

Continuing Connected Transactions in relations to New Contractual Arrangement

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

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

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

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

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

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

	Actual amount RMB'000
Service fee payable to 北京創聯中人技術服務有限公司 (Beijing Chuanglian Zhongren Technology Service Limited*)("Beijing Chuanglian Zhongren") by 北京創聯教育投資有限公司 (Beijing Chuanglian Education Investment Limited*) ("Beijing Chuanlian Education")1 pursuant to the Consultancy and Services Agreement [3]	22,797

Loan Agreement

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

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

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

	Actual amount RMB'000
Loan to Beijing Chuanglian Education by Beijing Chuanglian Zhongren pursuant to the Long Term Loan Agreement [3]	8,800
Interest payable to Beijing Chuanglian Zhongren by Beijing Chuanglian Education pursuant to the Consultancy and Services Agreement [3]	22

Reasons for and benefits of the Supplemental Agreements and Loan Agreement

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

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

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

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

Beijing Chuanglian Education is treated as the Company's wholly-owned subsidiary, at the same time, treated as Company's connected person as it is wholly owned by Mr. Lu, an executive Director, the Chairman of the Board and a substantial shareholder of the Company, for the purposes of Chapter 14A of the Listing Rules. As the applicable percentage ratios are more than 5% and the aggregate amount of the fees payable under the Consultancy and Services Agreement (as supplemented) and the loans to be granted under the Loan Agreement is expected to be more than HK$10,000,000 in aggregate, the transactions contemplated under the Consultancy and Services Agreement (as supplemented) and the Loan Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

The transactions contemplated under the Contractual Arrangements (as supplemented) and the Loan Agreement ("New Contractual Arrangements") technically constitute continuing connected transactions for the Company for the purposes of Chapter 14A of the Listing Rules, the Directors consider that it would be unduly burdensome and impracticable, and would add unnecessary administration costs to the Company, for the transactions contemplated under the New Contractual Arrangements, being the fees payable under the Consultancy and Services Agreement (as supplemented) and the loans to be granted under the Loan Agreement, to be subject to the annual cap requirement under Rule 14A.53 of the Listing Rules.

The Company has applied to the Stock Exchange, and the Stock Exchange has granted the conditional waiver on 26 October 2015, subject to the conditions required by the Stock Exchange.

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

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

Continuing Connected Transactions in relation to Services Framework Agreement

On 1 March 2010, Beijing Chuanglian Zhongren and 北京中人光華教育科技有限公司(Beijing Zhongren Guanghua Education Technology Company Limited* or "Zhongren Guanghua") entered into services framework agreement pursuant to which, among other matters, Zhongren Guanghua engaged Beijing Chuanglian Zhongren on an exclusive basis to provide certain technical services to Zhongren Guanghua for a term of 20 years in consideration for a service fee ("Services Framework Agreement"). Such service fee shall be 60% of the revenue generated by projects conducted by Zhongren Guanghua in relation to the provision of educational services as determined by the parties to the Services Framework Agreement. Mr. Lu is an executive Director, the Chairman of the Board and a substantial shareholder of the Company and therefore a connected person of the Company under Chapter 14A of the Listing Rules. As Zhongren Guanghua is 51% owned by Beijing Chuanglian Education, which is in turn wholly owned by Mr. Lu, Zhongren Guanghua is an associate of Mr. Lu and the transactions contemplated under the Services Framework Agreement constitutes continuing connected transactions for the Company.

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

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

The caps and actual fees paid or payable in respect of the transactions contemplated under the Services Framework Agreement for the year ended 31 December 2015 are set out below:

	Caps	Actual fees
	RMB'000	RMB'000
Service fee payable to Beijing Chuanglian Zhongren pursuant to the Services Framework Agreement	126,509	36,558

In view of Mr. Lu's equity interest in Beijing Chuanglian Education, Mr. Lu is deemed to have a material interest in the above continuing connected transactions and abstained from voting at the Board meeting approving the same. Apart from Mr. Lu, no other Directors are required to abstain from voting at the Board approving the continuing connected transactions.

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

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

Proposed new annual caps

The approved annual cap in respect of the transactions contemplated under the Services Framework Agreement for each of the three years ending 31 December 2015 was RMB94,082,000, RMB118,892,000 and RMB126,509,000 respectively and expired on 31 December 2015.

The actual transaction amount in respect of the transactions contemplated under the Services Framework Agreement for each of the three years ended 31 December 2015 was RMB14,147,000, RMB41,785,000 and RMB36,558,000 respectively. For the two months ended 29 February 2016, the actual transaction amount in respect of the transactions contemplated under the Services Framework Agreement was approximately RMB638,000.

The following table sets out the proposed annual cap in respect of the transactions contemplated under the Services Framework Agreement for each of the three years ending 31 December 2018:

	Year ending 31 December 2016	Year ending 31 December 2017	Year ending 31 December 2018
	RMB'000	RMB'000	RMB'000
Service fee payable to Beijing Chuanglian Zhongren pursuant to the Services Framework Agreement	42,612	46,980	49,358

The proposed new annual caps in respect of the transactions contemplated under the Services Framework Agreement have been determined with reference to:

(a) the actual transaction amounts in respect of the transactions contemplated under the Services Framework Agreement, being 60% of the corresponding revenue generated by the Projects for the three years ended 31 December 2015;

(b) the cooperation agreements signed between Zhongren Guanghua and local official training centres of the respective regions in terms of provincial or municipal level in the PRC and the national government bodies of the PRC in relation to the Projects;

(c) the expected number of online learners and the expected number of hours to be spent by the online learners, which depend on the number of local official training centres that have been cooperating with Zhongren Guanghua, the expected increase in the popularity of the Internet in the PRC and the future prospects of the online training and education industry in the PRC; and

(d) the expected amount of spending per online learner in different regions.

Reasons for and benefits of entering into the Services Framework Agreement

As at the date of this report, Zhongren Guanghua was owned as to 51% by Beijing Chuanglian Education and 49% by an independent third party. Zhongren Guanghua is principally engaged in the sale of publications, provision of internet information services and promotion of technologies and is the only company supported by the China Training Centre for Senior Civil Servants (中國高級公務員培訓中心) authorised by MHRSS to operate training programmes for civil servants and professionals and technicians in the PRC. Under the Services Framework Agreement, Beijing Chuanglian Zhongren will provide technical services, including without limitation, the development and upgrading of the online platforms constructed for the projects launched or to be launched by Zhongren Guanghua, and Beijing Chuanglian Zhongren is also responsible for maintenance and marketing of the websites managed by Zhongren Guanghua.

The service fee payable by Zhongren Guanghua pursuant to the Services Framework Agreement shall be 60% of the revenue generated by projects operated by Zhongren Guanghua in relation to the provision of educational services as determined by the parties to the Services Framework Agreement, in consideration of the provision of technical services by Beijing Chuanglian Zhongren to Zhongren Guanghua. The basis of the service fee was a commercial decision made by the parties in the initial cooperation period based on their negotiations considering the share of rights and responsibilities, respective investments and income expectation on the projects launched or to be launched by Zhongren Guanghua. In preparing the Services Framework Agreement, the parties had taken into account the major responsibilities of Beijing Chuanglian Zhongren, including all software and hardware investments necessary as well as its rights and obligations. However, it was impracticable to determine specific investment and a fixed amount of subsequent operating cost, and the future income potential could not be measured with reference to the existing market capacity and previous growth as the cooperative business is an emerging industry. In this regard, it was then agreed upon that given the unavailability of a particular contractual amount, the 60% payment ratio could more accurately reveal the importance of services provided by Beijing Chuanglian Zhongren and provide a viable compensation to the capital and operating costs incurred. Therefore, the 60% payment ratio is the outcome of commercial negotiations of the parties, and are in accordance with business practices for common long-term cooperation in the PRC.

Accordingly, the Directors (excluding the independent non-executive Directors) are of the view that (i) the Services Framework Agreement will facilitate the operation of Zhongren Guanghua so that extensive technical services can be provided to it by Beijing Chuanglian Zhongren; (ii) the provision of technical services pursuant to the Services Framework Agreement will enable Beijing Chuanglian Zhongren to capture more business opportunities and broaden its revenue stream; (iii) the terms of the Services Framework Agreement are fair and reasonable; (iv) the proposed new annual caps for and the transactions contemplated under the Services Framework Agreement are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. In view of Mr. Lu's equity interest in Beijing Chuanglian Education, which owns 51% of the equity interests in Zhongren Guanghua, Mr. Lu is deemed to have a material interest in the transactions contemplated under the Services Framework Agreement and abstained from voting at the Board meeting approving the same. Apart from Mr. Lu, no other Directors are required to abstain from voting at the Board approving the transactions contemplated under the Services Framework Agreement.

Mr. Lu is an executive Director, the Chairman of the Board and a substantial shareholder of the Company and therefore a connected person of the Company under Chapter 14A of the Listing Rules. As Zhongren Guanghua is 51% owned by Beijing Chuanglian Education, which is in turn wholly owned by Mr. Lu, Zhongren Guanghua is an associate of Mr. Lu and the transactions contemplated under the Services Framework Agreement would constitute continuing connected transactions for the Company. As the applicable percentage ratios are more than 5% and each of the proposed annual caps in respect of the transactions contemplated under the Services Framework Agreement is more than HK$10,000,000, the transactions contemplated under the Services Framework Agreement are subject to the requirements under Chapter 14A of the Listing Rules.

The independent non-executive Directors have reviewed the continuing connected transactions above and considered that the proposed annual caps in respect of the transactions contemplated under the Services Framework Agreement for each of the three years ending 31 December 2018 are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and Shareholders as a whole.

An EGM would be held by the Company enabling the independent Shareholders to approve the proposed annual caps in respect of the transactions contemplated under the Services Framework Agreement for the three years ending 31 December 2018. A circular containing further details is expected to be despatched to the Shareholders in due course.

FOREIGN EXCHANGE EXPOSURE

Substantially all of the business transactions of the Group are denominated in Renminbi and Hong Kong dollars. The Group adopts a conservative financial policy. As at 31 December 2015, the Group did not have any bank liabilities, interest or currency swaps or other financial derivatives for hedging purpose. Therefore, the Group is not exposed to any material interest and exchange risks.

CHARGES ON GROUP ASSETS

As at 31 December 2015, the Group did not have any charges on its assets (2014: Nil).

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.

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.

Save as disclosed herein, as at 31 December 2015, the Group did not have any material contingent liabilities.

CAPITAL COMMITMENT

As at 31 December 2015, the Group had outstanding capital commitment in respect of the acquisition of plant and equipment of approximately RMB1,683,000 (2014: Nil) and the investment of 35% of the issued share capital of an associate Guangxi Beibu Gulf Guolian Jichuang Education Investment Company Limited* (廣西北部灣國聯集創教育投資有限公司), of approximately RMB1,050,000 (2014: RMB 1,050,000).

EMPLOYEE INFORMATION AND REMUNERATION POLICY

As at 31 December 2015, the Group has 151 employees (2014: 115 employees) in Hong Kong and the PRC. The total staff cost was approximately RMB32,233,000 for the year ended 31 December 2015 (2014: approximately RMB18,296,000).

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

In order to attract, retain and motivate eligible employees, including the directors of the Company, the Company has adopted a share option scheme. The scheme enables eligible persons to obtain an ownership interest in the Company and thus motivates them to optimise their continuing contributions to the Group. As at 31 December 2015, there were 35,950,000 share options remained outstanding under share option scheme 2004. As at 31 December 2015, there were 275,184,000 share options remained outstanding under share option scheme 2014.

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.

EXECUTIVE DIRECTORS

Mr. LU Xing ("Mr. Lu"), aged 48, is an executive Director and chairman of the Board. Mr. Lu holds a bachelor degree. He worked in the PRC banking system for many years and accumulated extensive experience in financial management, project financing, risk assessment and control. Mr. Lu Xing was an executive director of V1 Group Limited (a company listed on the main board of Stock Exchange, stock code: 00082) and China Public Procurement Limited (a company listed on the main board of Stock Exchange, stock code: 01094) respectively and held various positions including Chief Operating Officer and Chief Financial Officer during his tenure as executive director. He has gained ample expertise, resources and networking in strategic planning, overall operation and financial management relating to Internet and media corporates, and has unique indepth insights, all-rounded strategic vision and sophisticated operation capability for successfully transforming operation of traditional industries into Internet business mode. Since the establishment of Chuanglian Education, Mr. Lu has been committed to transforming traditional teaching patterns into online education mode. So far Online Chuanglian Education has become the largest vocational education training platform in the PRC.

Mr. LI Jia ("Mr. Li"), aged 48, is an executive Director and chief strategy officer of the Company. Mr. Li has 12 years of experience in media operation and advertising business in the People's Republic of China. He graduated from Capital Medical University with a bachelor degree. From 2009 to 2010, he held the position of deputy general manager at Beijing CRI Glory Advertising Co., Ltd. (北京國廣光榮廣告有限公司) where he was responsible for media promotion and advertising sales for the domestic channels of China Radio International (CRI). From 2006 to 2009, he worked at Beijing ChinaIP. TV Advertising Co., Ltd. (北京寬視神州廣告有限公司) as executive deputy general manager and Asia Media Group (a company listed on the Tokyo Stock Exchange of Japan) as director of the business development department respectively. From 2004 to 2006, Mr. Li Jia was the deputy general manager of Beijing Yunhong Advertising Co., Ltd. (北京韵洪廣告有限公司), a wholly-owned subsidiary of Hunan TV & Broadcasting Intermediary Co., Ltd. (TIK) and the media director and deputy general manager of Beijing Ai'erbeisi Broadcasting & Advertising Co., Ltd. (北京愛耳貝思廣播廣告有限公司) respectively.

Mr. WU Xiaodong ("Mr. Wu"), aged 48, is an executive Director. Mr. Wu obtained his Master Degree in Accounting from Capital University of Economics and Business and has more than 18 years experiences in auditing, accounting and finance. He is a member of the Chinese Institute of Certified Public Accountants and had previously been the chief financial officer of Sound Environmental Resources Co., Ltd., a company listed on Shenzhen Stock Exchange. During 2009 to 2012, he was the executive director and chief financial officer of China Public Procurement Limited, a company listed on the Stock Exchange. From 2013 to March 2015, he served as the chief financial officer of the Company.

Mr. WANG Cheng ("Mr. Wang"), aged 39, is an executive Director and chief investment officer of the Company. He holds a bachelor degree in Economics from Nankai University, China and a master degree in Economics and Commerce from University of New South Wales, Australia respectively. He is also an associate member of Australia Society of CPAs. Mr. Wang has joined the Group since the beginning of 2012 and served positions such as the director of investor relations, director of strategic development and assistant to chairman. Mr. Wang has more than 15 years of experience in corporate operation, investment management, business reorganization, financial management, legal affairs, commercial negotiations and risk management. Before joining the Group, Mr. Wang worked for IBM Global Finance.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LEUNG Siu Kee ("Mr. Leung"), aged 39, is an independent non-executive Director. Mr. Leung is also the chairman of the audit committee of the Company and a member of the remuneration committee and nomination committee of the Company. Mr. Leung obtained his bachelor degree of Business Administration majoring in Accounting at the Hong Kong University of Science and Technology with first honour. He has extensive accounting knowledge as he had worked in two international accounting firms for more than 6 years, mainly to provide auditing and business assurance services. Afterwards, Mr. Leung has devoted to develop his career in corporate finance and corporate restructuring businesses. Currently, Mr. Leung is an associate member of the Hong Kong Institute of Certified Public Accountants and has been qualified for practice. He is also an independent non-executive Director of Cinderella Media Group Limited (HKSE Stock Code:550) from 8 September 2015.

Mr. HAN Bing ("Mr. Han"), aged 55, is an independent non-executive Director. Mr. Han is also the chairman of the nomination committee of the Company and a member of the audit committee and remuneration committee of the Company. Mr. Han is a director of Beijing H&J Law Firm, a post-graduate of Chinese Academy of Social Sciences majoring in Commercial Economics and a part-time PhD candidate of China University of Political Science and Law in Procedural Law. Mr. Han is also an International Certified Finance Manager (focusing on financial strategy). Mr. Han has long been involved in legal practices and accumulated abundant practical experiences in law. Mr. Han worked in People's Procuratorate of Haidian District, Beijing from 1980 to 1987. He has been a full-time practicing lawyer since 1987. He joined Beijing Economy Law Firm (北京市經濟律師事務所) as Director for Department of Legal Affairs on Finance and Investment (金融投資法律事務部) since 1992. In 1999, he initiated the establishment of Beijing H&J Law Firm. Mr. Han was invited to be a long-term legal advisor for almost 100 enterprises successively. Major employers include Air China Limited, The People's Political Consultative Daily《(人民政協報》), Xinhua Daily Telegraph, China Central Television's legal program She Hui Jing Wei《社會經緯》and Business service Centre (商業服務中心) of the State-owned Assets Supervision and Administration Commission of the State Council. Social honours awarded to Mr. Han include "2011 Top 100 Criminal Defense Lawyer in Beijing" ("二零一一年北京市百名優秀刑辯律師"), "2010 National Top Lawyer for Supporting the Development of SME" ("二零一零年護航中小企業發展全國優秀律師"), "Top 10 Outstanding Lawyer of 2010 China Entrepreneur Anniversary" ("二零一零年創業中國年度十大傑出律師"), "2008 Top 10 Quality-Service Lawyer in China's Modern Service Industry" ("二零零八年中國現代服務業十佳優質服務律師"), "National Outstanding Lawyer" ("全國優秀律師"), "2008 National Top Private Equity Finance Lawyer" ("二零零八年中國最佳私募股權金融律師"), etc.

Ms. WANG Shuping ("Ms. Wang"), aged 57, is an independent non-executive Director. Ms. Wang is also the chairman of the remuneration committee of the Company and a member of the audit committee and nomination committee of the Company. Ms. Wang graduated from the Politics & Law Department of Capital Normal University with a major in Politics and Law in 1992. She holds the qualification of Corporate Accountant in the PRC. Ms. Wang has been engaged in banking related businesses for many years and accumulated 35 years of extensive experience in banking management. Ms. Wang held various positions during her service with China Construction Bank, including the head of accounting department, chief auditor, deputy manager and deputy general manager. Ms. Wang served as the deputy manager of Beijing Xuanwu Sub-branch of China Construction Bank during 1999 to 2002. Ms. Wang held the position of the deputy manager of Beijing Railway Sub-branch of China Construction Bank during 2002 to 2010. And Ms. Wang was the deputy general manager of the Cash Operation Centre of the Beijing Branch of China Construction Bank during 2010 to 2011.

SENIOR MANAGEMENT

Mr. JIA Zhongjie ("Mr. Jia"), aged 66, is currently the Chief Operating Officer of the Company. He is also a research fellow professor, Vice Chairman of China Association for Continuing Engineering Education, Executive Vice President of China Auto Talents Society, Deputy Director of China Talents Research and President of Beijing Chuanglian Oriental Information Technology Institute Limited. In addition, Mr. Jia is also hired as Consultant and Adjunct Professors of School of Continuing Education of Tsinghua University, School of Government of Peking University and University of International Relations respectively.

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

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

Mr. SUNG Chi Keung ("Mr. Sung"), aged 40, is the chief financial officer of the Company. Mr. Sung obtained his Bachelor Degree in Business Administration, majoring in Professional Accountancy, from the Chinese University of Hong Kong and a Master Degree in Corporate Finance from the Hong Kong Polytechnic University. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Before joining the Group, Mr. Sung was the chief financial officer and company secretary of China Culiangwang Beverages Holdings Limited, a company listed on the Stock Exchange from August 2013 to March 2015. From August 2004 to June 2013, he was an executive director, the finance director and the company secretary of Asian Citrus Holdings Limited, a company dually listed on the AIM of the London Stock Exchange and the Stock Exchange. Prior to that, Mr. Sung has over 15 years of experience in financial management, accounting, taxation, auditing and corporate finance and previously worked for KPMG, PricewaterhouseCoopers Ltd. and Deloitte & Touche Corporate Finance Ltd.

Mr. TING Pong Ming ("Mr. Ting"), aged 48, graduated from The University of Hong Kong with a bachelor degree of Science. He obtained a master degree of Business Administration at the University of Strathclyde in the United Kingdom and a second bachelor degree in Law at Tsing Hua University in the PRC. Mr. Ting is an associate member of the Hong Kong Institute of Certified Public Accountants and fellow member of the Association of Chartered Certified Accountants. Mr. Ting has more than 11 years of experience in accounting and finance. Mr. Ting is currently the company secretary of the Company.

The Directors hereby present the annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES AND SEGMENT INFORMATION

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in note 41 to the consolidated financial statements. The Group is principally engaged in the provision of the online training and education services.

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

BUSINESS REVIEW

A fair review of the Group's business and its outlook are set out in the sections of Chairman's Statement and Management Discussion & Analysis. Certain financial key performance indicators are provided in the section of Financial Summary. Event affecting the Group occurred since the end of the financial year is set out in the part headed "Event after the reporting period".

The Group complies with the requirements under the Companies Ordinance, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Securities and Futures Ordinance (the "SFO") for the disclosure of information and corporate governance. The Group also complies with the requirements of Employment Ordinance and ordinances relating to occupational safety for the interest of employees of the Group.

The Group respects the environment and is committed to minimizing its carbon footprints as a socially responsible enterprise. Carbon footprint is defined as the total amount of direct and indirect emissions of Green House Gases (GHGs) expressed in terms of the equivalent amount of Carbon Dioxide of (CO2) emission. Non-hazardous wastes produced from the Group mainly consist of used paper such as office papers and marketing materials. To minimize the impact of carbon footprints on the environment, the Group implements the following practices to use paper efficiently:

- Duplex printing is set as the default mode for most network printers;
- Employees are reminded to practice photocopying wisely;
- Employees are encouraged to use both sides of paper;
- Paper waste is recycled instead of being directly disposed of in landfills;
- Paper is separated from other waste for easier recycling; and
- Boxes and trays are placed beside photocopiers as containers to collect single-sided paper for reuse purpose.

Electricity consumption is identified as having an adverse impact on the environment and natural resources. A typical commercial building uses more energy for lighting than for other electric equipment. The Group is determined to reduce energy consumption and implement conservation practices to reduce the effect of carbon footprint. Air conditioning and light zone arrangements reduce unnecessary electricity usage; employees enforce good practices in maintenance of lighting and electric equipment to ensure they are kept in good and proper condition to maximize efficiency.

Key Risk Factors

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

Impact of Local and International Regulations

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

Third-Party Risks

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

Key Relationships with Employees, Customers and Suppliers

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

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

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

RESULTS

The results of the Group for the year ended 31 December 2015 are set out in the consolidated statement of comprehensive income on page 47.

DIVIDEND

The Directors did not recommend payment of final dividend for the year ended 31 December 2015.

PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 28 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Movements in reserves of the Group during the year are set out in the consolidated statement of changes in equity on pages 49 and 50.

PRE-EMPTIVE RIGHTS

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

DIRECTORS

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

Executive Directors

Mr. Lu Xing *(Chairman)*	
Mr. Li Jia	
Mr. Wu Xiaodong	(appointed on 1 April 2015)
Mr. Wang Cheng	(appointed on 6 October 2015)
Mr. Liu Zhong Hua	(resigned on 12 June 2015)*

Independent Non-executive Directors

Mr. Leung Siu Kee
Mr. Han Bing
Ms. Wang Shuping

* Mr. Liu Zhong Hua resigned as executive Director in order to devote more time on his other personal commitments.

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

DIRECTORS' SERVICE CONTRACTS

Each of Mr. Lu Xing, Mr. Li Jia, Mr. Wu Xiaodong, Mr. Wang Cheng, Mr. Leung Siu Kee, Mr. Han Bing, Ms. Wang Shuping and Mr. Liu Zhong Hua (resigned on 12 June 2015) has entered into a service agreement with the Company for a term of three years.

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

DISCLOSURE OF CHANGES IN INFORMATION ON DIRECTORS

Pursuant to Rule 13.51(B) of the Listing Rules, the changes of information on Directors for the year ended 31 December 2015 are as follows:

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.

Mr. Leung Siu Kee's service contract as an independent non-executive Director has been renewed for a term of 3 years commencing from 22 December 2015. He has also been appointed as an independent non-executive Director of Cinderella Media Group Limited (HKSE Stock Code:550) since 8 September 2015.

Ms. Wang Shuping's service contract as an independent non-executive Director has been renewed for a term of 3 years commencing from 11 January 2016.

INDEMNITY OF DIRECTORS

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

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

EQUITY-LINKED AGREEMENT

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

Share Option Schemes

The Group has two equity-settled share option schemes which were adopted on 31 October 2004 (the "Share Option Scheme 2004") and 28 May 2014 (the "Share Option Scheme 2014") (collectively, the "Share Option Schemes") for the purpose of enabling the Company to grant options to Participants (as defined below) as incentives and rewards for their contribution to the Company or its subsidiaries. Under the Share Option Schemes, the Board might, at its discretion, offer options to any employees (whether full time or part time), executives or officers of the Company or any of its subsidiaries (including any executive Director), business consultants, agents or legal and financial advisers to the Company or its subsidiaries (the "Participants") whom the Board considered, in its sole discretion, as having contributed to the Company or any of its subsidiaries. The principal terms of the Share Option Scheme 2004 and Share Option Scheme 2014 are summarised as follows:

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

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

(i) the nominal value of the shares;

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

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

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

The total number of shares available for issue under the Share Option Scheme 2004 is 35,950,000, representing 0.77% of the issued shares of the Company as at the date of this annual report.

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

Movements of share options during the year ended 31 December 2015 under the Share Option Schemes are summarised as follows and details of which are set out in note 33 to the consolidated financial statements:

Movements of Share Option Scheme 2004 during the year

List of Grantees	Balance as at 1 January 2015	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Balance as at 31 December 2015	Exercise Price HK$	Date of Grant	Exercise Period	Vesting 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	–
Wang Cheng (appointed on 6 October 2015)	1,500,000	–	(450,000)	–	–	1,050,000	0.37	11/09/2013	11/09/2013–10/09/2016	–
Liu ZhongHua (resigned on 12 June 2015)	2,000,000	–	–	–	–	2,000,000	0.37	11/09/2013	11/09/2013–10/09/2016	–
Subtotal	6,000,000	–	(450,000)	–	–	5,550,000				–
Employees										
In aggregate	27,400,000	–	–	–	–	27,400,000	0.37	11/09/2013	11/09/2013–10/09/2016	Not more than 30% of the Option will be vested on 11 September 2014. Not more than 60% of the Option will be vested on 11 September 2015. Not more than 100% of the Option will be vested on 10 September 2016.
Subtotal	27,400,000	–	–	–	–	27,400,000				
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:

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

During the year ended 31 December 2015, 450,000 share options were exercised and no share option was granted, lapsed and cancelled under the 2004 Share Option Scheme.

Movements of Share Option Scheme 2014 during the year

List of Grantees	Balance as at 1 January 2015	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Balance as at 31 December 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
Wang Cheng	–	1,950,000 *(Note 2)*	(1,950,000)	–	–	–	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		20,950,000	(1,950,000)	–	–	19,000,000			
Employees									
In aggregate	–	47,280,000 *(Note 2)*	–	(806,000)	–	46,474,000	0.4	04/05/2015	04/05/2015–03/05/2018 *(Note 5)*
	–	2,510,000 *(Note 3)*	–	–	–	2,510,000	0.684	02/07/2015	02/07/2015–01/07/2019 *(Note 6)*
Subtotal	–	49,790,000	–	(806,000)	–	48,984,000			

List of Grantees	Balance as at 1 January 2015	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Balance as at 31 December 2015	Exercise Price HK$	Date of grant	Exercise Period
Consultants									
In aggregate	–	162,500,000 *(Note 2)*	(7,300,000)	–	–	155,200,000	0.4	04/05/2015	04/05/2015–03/05/2018
	–	48,000,000 *(Note 3)*	–	–	–	48,000,000	0.684	02/07/2015	02/07/2015–01/07/2018
	–	4,000,000 *(Note 4)*	–	–	–	4,000,000	0.261	20/10/2015	20/10/2015–19/10/2018
Subtotal	–	214,500,000	(7,300,000)	–	–	207,200,000			
Total	–	285,240,000	(9,250,000)	(806,000)	–	275,184,000			

Notes:

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

2. The closing price of the shares of the Company immediately before the date on which the options were granted was HK$0.4.

3. The closing price of the shares of the Company immediately before the date on which the options were granted was HK$0.684.

4. The closing price of the shares of the Company immediately before the date on which the options were granted was HK$0.261.

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

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

During the year ended 31 December 2015, 285,240,000 share options were granted, 9,700,000 share options were exercised (450,000 share options of Share Option Scheme 2004 and 9,250,000 share options of Share Option Scheme 2014), 806,000 share options were lapsed and no share option was cancelled under the Share Option Schemes.

The total number of shares available for issue under the Share Option Scheme 2014 is 453,081,257, representing 9.74% of the issued shares of the Company as at the date of this annual report.

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

As at 31 December 2015, the following Directors or chief executive of the Company had held the following interests or short positions in the shares, underlying shares (as defined in the Securities and Futures Ordinance (the "SFO")) and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules:

Long positions in the Company:

Name of Directors	Nature of interests	Number of issued ordinary shares held	Number of underlying shares held pursuant to share options	Aggregate number of shares held	Approximate aggregate percentage of the issued share capital
Lu Xing ("Mr. Lu")	Beneficial owner	28,136,000	2,000,000	819,764,323	17.61%
	Held by controlled corporation	789,628,323 *(Note 1)*	–		
Li Jia	Beneficial owner	7,936,000	10,000,000	17,936,000	0.38%
Wu Xiaodong	Beneficial owner	10,003,000	4,000,000	14,003,000	0.30%
Wang Cheng	Beneficial owner	12,166,000	1,050,000	13,216,000	0.28%
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:

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

Save as disclosed above, as at 31 December 2015, none of the Directors or chief executive of the Company held any interests or short positions in the shares, underlying shares (as defined in the SFO) or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange, pursuant to the Model Code.

ARRANGEMENT FOR DIRECTORS TO PURCHASE SHARES OR DEBENTURES

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

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

As at 31 December 2015, the following persons (other than Directors or chief executives of the Company) had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Name of substantial shareholders of the Company	Nature of interests	Number of issued ordinary shares/ underlying shares held	Aggregate number of shares held	Approximate aggregate percentage of the issued share capital
Headwind Holdings Limited	Beneficial owner	680,000,000 *(Note 1)*	680,000,000	14.61%
Guo Zhen Bao	Beneficial owner	172,746,032	328,042,032	7.05%
	Held by spouse	155,296,000 *(Note 2)*		
Ho Wai Kong ("Mr. Ho")	Beneficial owner	500,000	500,000	0.01%
	Held by controlled corporation	241,639,306 *(Note 3)*	292,359,306	6.28%
	Held by spouse	50,220,000 *(Note 4)*		
Guo Binni	Beneficial owner	50,220,000 *(Note 4)*	292,359,306	6.28%
	Held by spouse	242,139,306 *(Note 3)*		
Rotaland Limited	Beneficial owner	247,139,306 *(Note 3)*	247,139,306	5.31%

Notes:

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

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

3. Of these 241,639,306 shares, 240,139,306 shares are held by Rotaland Limited; and 1,500,000 shares are held by Similan Limited. Rotaland Limited and Similan Limited are companies incorporated in the British Virgin Islands with limited liability and wholly owned by Mr. Ho.

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

Save as disclosed above, as at 31 December 2015, the Company had not been notified of any interest or short position being held by any substantial shareholder of the Company in the shares or underlying shares in the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

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

COMPETING INTERESTS

As at 31 December 2015, none of the Directors, the management shareholders or substantial shareholders of the Company or any of their respective close associates has engaged in any business that competes or may compete with the business of the Group, or has any other conflict of interests with the Group.

MAJOR SUPPLIERS AND CUSTOMERS

The percentage of purchases for the year ended 31 December 2015 attributable to the Group's major suppliers is as follows:

	Percentage of purchases
The largest supplier	11.5%
Five largest suppliers combined	29.6%

The percentage of sales for the year ended 31 December 2015 attributable to the Group's major customers is as follows:

	Percentage of sales
The largest customer	15.1%
Five largest customers combined	54.3%

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

MANAGEMENT CONTRACTS

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

RELATED PARTY TRANSACTIONS

Related party transactions during the year are disclosed in note 37 to the consolidated financial statements.

** for identification purpose only*

EVENT AFTER THE REPORTING PERIOD

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

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 10 June 2016 to 15 June 2016, both days inclusive, during which period no transfers of shares shall be registered. In order to qualify for attending and voting at the forthcoming annual general meeting of the Company, all transfers of shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Boardroom Share Registrar (HK) Limited, 31/F., 148 Electric Road, North Point, Hong Kong for registration not later than 4:30 p.m. on 8 June 2016.

ANNUAL GENERAL MEETING

The AGM of the Company will be held on Wednesday, 15 June 2016 and the notice of AGM will be published and despatched to shareholders of the Company in due course.

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

During the year, the Company issued and allotted 450,000 and 9,250,000 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.

The Company has also issued and allotted 473,800,000 ordinary shares at a price of HK$0.330 per share by means of placing.

On 30 April 2015, the Company entered into a placing agreement with Orient Securities Limited (the "Placing Agreement"), as the placing agent in relation to a placement of 473,800,000 ordinary shares at a price of HK$0.330 per placing share on best effort basis to not less than six placees (the "Placing").

The closing price per ordinary share as quoted on the Stock Exchange on 30 April 2015, being the date of the placing agreement was HK$0.410. The gross proceeds from the Placing was approximately HK$156.4 million. The net proceeds from the Placing of approximately HK$148.5 million, representing a net issue price of approximately HK$0.313 per placing share 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 Directors have considered various fund raising methods and believe that taking into account the prevailing market conditions, the Placing represents an opportunity for the Group to raise equity capital for its future developments. In addition, the Placing will broaden the Company's shareholder base and strengthen its capital base and working capital position. The Placing was completed on 22 May 2015 in accordance with the terms and conditions of the Placing Agreement dated 30 April 2015.

Detail of the above transaction were published in the Company's announcements dated 30 April 2015 and 22 May 2015.

Date of announcements	Event	Net proceeds (approximately)	Intended use of proceeds as announced	Actual use of proceeds
30 April 2015 and 22 May 2015	Placing of 473,800,000 new Shares under the General Mandate	HK$148.5 million	For general working capital of the Group for any possible business development or investment of the Group when appropriate opportunities arise	Approximately HK$ 11 million for subscription of CPP shares with the remainder used or to be used as general working capital

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

PUBLIC FLOAT

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

CORPORATE GOVERNANCE

Please see the "Corporate Governance Report" set out on pages 36 to 44 of this annual report for details of its compliance with the Corporate Governance Code.

AUDITOR

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

On behalf of the Board

Lu Xing
Chairman

Hong Kong, 30 March 2016

INTRODUCTION

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

CORPORATE GOVERNANCE PRACTICES

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

DIRECTORS' SECURITIES TRANSACTIONS

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

THE BOARD OF DIRECTORS

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

Executive Directors

Mr. Lu Xing	
Mr. Li Jia	
Mr. Wu Xiaodong	(appointed on 1 April 2015)
Mr. Wang Cheng	(appointed on 6 October 2015)
Mr. Liu Zhong Hua	(resigned on 12 June 2015)

Independent Non-executive Directors

Mr. Leung Siu Kee
Mr. Han Bing
Ms. Wang Shuping

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

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

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

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

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

For the year ended 31 December 2015, 29 Board meetings were held. The details of the attendance record of the Directors are as follows:

		Attendance
Executive Directors		
Mr. Lu Xing		3/29
Mr. Li Jia		21/29
Mr. Wu Xiaodong	(appointed on 1 April 2015)	18/23
Mr. Wang Cheng	(appointed on 6 October 2015)	2/7
Mr. Liu Zhong Hua	(resigned on 12 June 2015)	11/13
Independent Non-executive Directors		
Mr. Leung Siu Kee		1/29
Mr. Han Bing		6/29
Ms. Wang Shuping		24/29

For the year ended 31 December 2015, 3 general meetings were held. The details of the attendance record of the Directors are as follows:

		Attendance
Executive Directors		
Mr. Lu Xing		2/3
Mr. Li Jia		2/3
Mr. Wu Xiaodong	(appointed on 1 April 2015)	3/3
Mr. Wang Cheng	(appointed on 6 October 2015)	0/1
Mr. Liu Zhong Hua	(resigned on 12 June 2015)	2/2
Independent Non-executive Directors		
Mr. Leung Siu Kee		0/3
Mr. Han Bing		0/3
Ms. Wang Shuping		0/3

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

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

For the year ended 31 December 2015, the Company had arranged to provide to all Directors with the professional training namely "Framerwork for Market Misconduct and Case Study" and "Connected Transactions" to update their knowledge. Each of the Directors had noted and studied the above mentioned training and that the Company had received from each of the Directors the confirmations on taking continuous professional training.

CHAIRMAN AND CHIEF EXECUTIVE

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

During the year ended 31 December 2015, the chairman of the Board was performed by Mr. Lu Xing and the Company did not have a chief executive. The Board will keep reviewing the current structure of the Board from time to time and should candidates with suitable knowledge, skill and experience be identified, the Company will make appointments to fill the post as appropriate.

NON-EXECUTIVE DIRECTORS

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

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

The service agreement of Mr. Han Bing has been renewed for a three-year term of service commencing from 28 August 2015 to 27 August 2018, which can be terminated by either party giving not less than three months' notice in writing.

The service agreement of Mr. Leung Siu Kee has been renewed for a three-year term of service commencing from 22 December 2015 to 21 December 2018, which can be terminated by either party giving not less than three months' notice in writing.

The service agreement of Ms. Wang Shuping has been renewed for a three-year term of service commencing from 11 January 2016 to 10 January 2019, which can be terminated by either party giving not less than three months' notice in writing.

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

DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

The remuneration of Directors is determined with reference to their duties and responsibilities in the Company as well as the prevailing market conditions. Details of emoluments of Directors for the year ended 31 December 2015 are set out in note 13 to the consolidated financial statements. The emoluments paid to senior management of the Group for the year ended 31 December 2015 falls within the following bands:

	Number of senior management
Nil to HK$1,000,000 (equivalent to approximately RMB814,000)	2
HK$1,500,001 to HK$2,000,000 (equivalent to approximately RMB1,221,000 to RMB1,194,000)	1

REMUNERATION COMMITTEE

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

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

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

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

Members	**Attendance**
Ms. Wang Shuping *(Chairman)*	1/1
Mr. Leung Siu Kee	1/1
Mr. Han Bing	1/1

NOMINATION COMMITTEE

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

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

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

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

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

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

During the year and as at the date of this report, the Nomination Committee comprises three independent nonexecutive Directors including Mr. Han Bing, Mr. Leung Siu Kee and Ms. Wang Shuping. Mr. Han Bing is the current chairman of the Nomination Committee.

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

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

Members	Attendance
Mr. Han Bing *(Chairman)*	1/1
Mr. Leung Siu Kee	1/1
Ms. Wang Shuping	1/1

BOARD DIVERSITY POLICY

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

AUDIT COMMITTEE

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

During the year and as at the date of this report, the Audit Committee comprises three independent nonexecutive Directors including Mr. Leung Siu Kee, Mr. Han Bing and Ms. Wang Shuping. Mr. Leung Siu Kee is the current chairman of the Audit Committee.

The Audit Committee formally meets two times during the year and other informal meetings were conducted as and when necessary. These meetings were held together with senior management and external auditor as and when necessary. During the year, the Audit Committee held 2 meetings to consider the external auditor's proposed audit fees, their independence and scope of the audit; review the internal control and risk management systems; review the interim and annual financial statements, particularly judgemental areas, accounting principles and practice adopted by the Group; review the external auditor's management letter and management's response; and review the Group's adherence to the CG Code. The Group's unaudited interim results and audited annual results for the year ended 31 December 2015 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

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

Members	Attendance
Mr. Leung Siu Kee *(Chairman)*	2/2
Mr. Han Bing	2/2
Ms. Wang Shuping	2/2

CORPORATE GOVERNANCE FUNCTIONS

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

For the year ended 31 December 2015 and as at the date of this report, the Board had reviewed the corporate governance matters of the Company. Saved for the deviation disclosed under the "Chairman and Chief Executive", the Company had complied with the principles and applicable code provisions of the CG Code and was not aware of any non-compliance to relevant applicable legal and regulatory requirements.

AUDITOR'S REMUNERATION

During the year, the remuneration in respect of audit services paid/payable to the Company's external auditor, SHINEWING (HK) CPA Limited, is amounted to HK$1,520,000.

Type of Services	HK$
Non-audit services	320,000
Statutory audit services	1,200,000
Total	1,520,000

DIRECTORS' RESPONSIBILITY FOR FINANCIAL STATEMENTS

Annual Report and Financial Statements

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

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

Accounting Period

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

Accounting Records

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

Going Concern

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

COMPANY SECRETARY

Mr. Ting Pong Ming ("Mr. Ting") was appointed as the company secretary of the Company. According to Rule 3.29 of the Listing Rules, Mr. Ting took no less than 15 hours of relevant professional training for the year ended 31 December 2015.

SHAREHOLDERS' RIGHTS

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

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

Putting enquiries to the Board

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

INVESTOR RELATIONS

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

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

For the year ended 31 December 2015, there was no amendments to the existing Memorandum and Articles of Association of the Company.

RISK MANAGEMENT AND INTERNAL CONTROL

During the year, the Board complied with the code provisions on risk management and internal control as set out in the CG Code. The Board has overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and maintaining appropriate and effective risk management and internal control systems for the Group. The systems are designed to manage the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The management of the Company has established a set of comprehensive policies, standards and procedures in areas of operational, financial and risk controls for safeguarding assets against unauthorized use or disposition; for maintaining proper accounting records; and for ensuring the reliability of financial information to achieve a satisfactory level of assurance against the likelihood of the occurrence of fraud and errors.

The Board has overseen the Company's risk management and internal control systems on an ongoing basis. A year end review of the effectiveness of the Company's and its subsidiaries risk management and internal control systems has been conducted annually and the systems are considered to be effective and adequate. The Company also has an internal audit function to carry out the analysis and independent appraisal of the adequacy and effectiveness of the systems, and has procedures in place to keep information confidential and manage actual or potential conflicts of interest. Stringent internal structures have been designed to prevent the misuse of inside information and avoid conflicts of interest.

信永中和
ShineWing

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

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

We have audited the consolidated financial statements of China Chuanglian Education Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 47 to 128, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

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

Hong Kong
30 March 2016

	NOTES	2015 RMB'000	2014 RMB'000
Revenue	7	**97,281**	76,906
Cost of sales and services		**(34,764)**	(24,201)
Gross profit		**62,517**	52,705
Other income	9	**7,818**	4,706
Selling and marketing expenses		**(19,008)**	(11,399)
Administrative expenses		**(57,426)**	(34,609)
Impairment loss on goodwill	19	**(295,433)**	–
Impairment loss on associates	20	**(1,643)**	–
Gain on disposal of subsidiaries	35	**–**	17,690
Unrealised gain on fair value changes of held for trading investments		**9,624**	–
Share of result of associates	20	**(3)**	(209)
Finance costs	10	**(342)**	(390)
(Loss) profit before tax		**(293,896)**	28,494
Income tax expenses	11	**(2,753)**	(4,559)
(Loss) profit for the year	12	**(296,649)**	23,935
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation and other comprehensive income for the year		**6,796**	6,403
Total comprehensive (expenses) income for the year		**(289,853)**	30,338
(Loss) profit for the year attributable to:			
Owners of the Company		**(298,658)**	24,233
Non–controlling interests		**2,009**	(298)
		(296,649)	23,935
Total comprehensive (expenses) income for the year attributable to:			
Owners of the Company		**(291,862)**	30,636
Non–controlling interests		**2,009**	(298)
		(289,853)	30,338
(Loss) earnings per share			
Basic and diluted (RMB cents)	16	**(6.69)**	0.58

Consolidated Statement of Financial Position

As at 31 December 2015

	NOTES	2015 RMB'000	2014 RMB'000
Non–current assets			
Plant and equipment	17	**4,936**	5,534
Intangible assets	18	**92,599**	102,483
Goodwill	19	**83,419**	378,852
Interests in associates	20	**1,195**	841
Prepayment for acquisition of plant and equipment		**10,651**	–
		192,800	487,710
Current assets			
Trade and other receivables	21	**102,632**	80,104
Amount due from non–controlling interest holder	22	**–**	–
Held for trading investments	23	**28,000**	–
Bank balances and cash	24	**191,776**	83,361
		322,408	163,465
Current liabilities			
Trade and other payables	25	**43,705**	41,752
Amount due to a shareholder	26	**188**	30
Income tax payable		**12,433**	12,843
Bank borrowing	27	**4,990**	5,000
		61,316	59,625
Net current assets		**261,092**	103,840
Total assets less current liabilities		**453,892**	591,550
Capital and reserves			
Share capital	28	**38,786**	34,920
Reserves		**386,969**	529,526
Equity attributable to owners of the Company		**425,755**	564,446
Non–controlling interests		**5,334**	2,241
Total equity		**431,089**	566,687
Non–current liability			
Deferred tax liability	30	**22,803**	24,863
		453,892	591,550

The consolidated financial statements on pages 47 to 128 were approved and authorised for issue by the board of directors on 30 March 2016 and are signed on its behalf by:

Wang Cheng
Director

Wu Xiaodong
Director

	Attributable to owners of the Company												
	Share capital	Convertible preference share capital reserves	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
				(Note a)		(Note b)		(Note c)	(Note d)				
At 1 January 2014	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
Profit (loss) for the year	–	–	–	–	–	–	–	–	–	24,233	24,233	(298)	23,935
Other comprehensive income for the year													
– Exchange differences arising on translation	–	–	–	–	6,403	–	–	–	–	–	6,403	–	6,403
Total comprehensive income (expense) for the year	–	–	–	–	6,403	–	–	–	–	24,233	30,636	(298)	30,338
Recognition of equity–settled share–based payment expenses (Note 33)	–	–	–	–	–	–	1,257	–	–	–	1,257	–	1,257
Issue of preference shares (Note 29)	–	76,305	80,930	–	–	–	–	–	(157,235)	–	–	–	–
Issue of shares upon conversion of preference shares (Note 28)	69,218	(143,332)	74,114	–	–	–	–	–	–	–	–	–	–
Reduction of share capital upon capital reorganisation (Note 28)	(240,162)	–	–	–	–	–	–	–	–	240,162	–	–	–
At 31 December 2014	34,920	–	990,929	15,536	(1,486)	595	49,650	1,927	140,761	(668,386)	564,446	2,241	566,687

	Attributable to owners of the Company												
	Share capital RMB'000	Convertible preference share capital reserves RMB'000	Share premium RMB'000	Special reserve RMB'000	Translation reserve RMB'000	Capital redemption reserve RMB'000	Share options reserve RMB'000	Contribution from shareholders RMB'000	Other reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
				(Note a)		(Note b)		(Note c)	(Note d)				
At 1 January 2015	34,920	–	990,929	15,536	(1,486)	595	49,650	1,927	140,761	(668,386)	564,446	2,241	566,687
(Loss) profit for the year	–	–	–	–	–	–	–	–	–	(298,658)	(298,658)	2,009	(296,649)
Other comprehensive income for the year													
– Exchange differences arising on translation	–	–	–	–	6,796	–	–	–	–	–	6,796	–	6,796
Total comprehensive income (expense) for the year	–	–	–	–	6,796	–	–	–	–	(298,658)	(291,862)	2,009	(289,853)
Recognition of equity-settled share-based payment expenses (Note 33)	–	–	–	–	–	–	31,672	–	–	–	31,672	–	31,672
Acquistion of additional interest in a subsidiary (Note 36)	–	–	–	–	–	–	–	–	(379)	–	(379)	594	215
Issue of shares upon placing (Note 28)	3,789	–	121,244	–	–	–	–	–	–	–	125,033	–	125,033
Transactions costs attributable to issue of shares	–	–	(6,252)	–	–	–	–	–	–	–	(6,252)	–	(6,252)
Issue of shares upon exercise of share options (Note 28)	77	–	4,535	–	–	–	(1,515)	–	–	–	3,097	–	3,097
Capital contribution by non-controlling interest	–	–	–	–	–	–	–	–	–	–	–	490	490
At 31 December 2015	38,786	–	1,110,456	15,536	5,310	595	79,807	1,927	140,382	(967,044)	425,755	5,334	431,089

Notes:

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

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

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

(d) Other reserve represents (i) the difference between the consideration and the book value of the identifiable assets and liabilities attributable to the acquisition of additional equity interest in subsidiaries; (ii) the difference between the fair value and the conversion price of convertible preference shares issued attributable to the acquisition of a subsidiary; and (iii) the fair value of contingent consideration arising in acquisition of a subsidiary, Housden Holdings Limited. The contingent consideration had been transferred to convertible preference share capital reserves and share premium upon issuance of the convertible preference shares during the year ended 31 December 2014.

	NOTE	2015 RMB'000	2014 RMB'000
OPERATING ACTIVITIES			
(Loss) profit before tax		**(293,896)**	28,494
Adjustments for:			
Finance costs		**342**	390
Interest income		**(1,020)**	(511)
Reversal of impairment loss on trade and other receivables		**(531)**	(535)
Recovery of written off on trade and other receivables		**(1,305)**	–
Write back of trade and other payables		**(205)**	(3,410)
Government subsidies		**(100)**	(74)
Amortisation of intangible assets		**11,801**	11,144
Depreciation of plant and equipment		**3,217**	5,227
Impairment loss on intangible assets		**–**	368
Impairment loss on associates		**1,643**	–
Loss on derecognition of other receivables		**1,705**	–
Impairment loss on trade and other receivables		**–**	112
Write off of other receivables		**–**	1,540
Share–based payment expenses		**17,476**	1,257
Loss on disposal of plant and equipment		**403**	2
Impairment loss on plant and equipment		**–**	570
Impairment loss on goodwill		**295,433**	–
Unrealised gain on fair value changes of held for trading investments		**(9,624)**	–
Gain on disposal of subsidiaries	35	**–**	(17,690)
Share of result of associates		**3**	209
Operating cash flows before movements in working capital		**25,342**	27,093
Increase in trade and other receivables		**(23,618)**	(12,024)
Increase in trade and other payables		**2,307**	19,930
Cash generated from operations		**4,031**	34,999
Income tax paid		**(5,223)**	(5,631)
NET CASH (USED IN) FROM OPERATING ACTIVITIES		**(1,192)**	29,368

	NOTE	2015 RMB'000	2014 RMB'000
INVESTING ACTIVITIES			
Purchase of plant and equipment		**(3,196)**	(531)
Addition of intangible assets		**(1,917)**	(1,000)
Acquisition / establishment of an associate		**(2,000)**	(1,050)
Prepayment for acquisition of plant and equipment		**(10,651)**	–
Interest received		**1,020**	511
Proceeds on disposal of plant and equipment		**193**	8
Placement of loan receivables		**(8,503)**	–
Repayment of loan receivables		**8,503**	–
Repayment from an associate		**–**	1,445
Repayment from a director		**–**	352
Net cash inflow from disposal of subsidiaries	35	**–**	76
NET CASH USED IN INVESTING ACTIVITIES		**(16,551)**	(189)
FINANCING ACTIVITIES			
Proceeds on issue of shares upon placing		**125,033**	–
New bank borrowings raised		**9,990**	5,000
Proceeds from issue of shares upon exercise of share options		**3,097**	–
Advance from (repayment to) a shareholder		**158**	(1,566)
Government subsidies received		**100**	74
Repayment of bank borrowings		**(10,000)**	–
Payment of transaction cost attributable to issue of shares upon placing		**(6,252)**	–
Contribution from non–controlling interests of a subsidiary		**490**	–
Interest paid		**(342)**	(390)
NET CASH FROM FINANCING ACTIVITIES		**122,274**	3,118
NET INCREASE IN CASH AND CASH EQUIVALENTS		**104,531**	32,297
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**83,361**	50,917
Effect of foreign exchange rate changes		**3,884**	147
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, represented by bank balances and cash		**191,776**	83,361

1. GENERAL

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

The Company is principally engaged in investment holding and securities trading. The principal activities of its principal subsidiaries are set out in Note 41.

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

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

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

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

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

Part 9 of Hong Kong Companies Ordinance (Cap. 622)

In addition, the annual report requirements of Part 9 "Accounts and Audit" of the Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year. As a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

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

New and revised HKFRSs issued but not yet effective

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

HKFRS 9 (2014)	Financial Instruments [2]
HKFRS 15	Revenue from Contracts with Customers [2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle [1]
Amendments to HKAS 1	Disclosure Initiative [1]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation [1]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants [1]
Amendments to HKAS 27	Equity Method in Separate Financial Statements [1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception [1]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations [1]

[1] Effective for annual periods beginning on or after 1 January 2016.
[2] Effective for annual periods beginning on or after 1 January 2018.
[3] Effective date not yet been determined.

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

HKFRS 9 (2014) Financial Instruments

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

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

HKFRS 9 (2014) Financial Instruments (Continued)

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

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9 (2014), entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 (2014) requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

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

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

HKFRS 9 (2014) Financial Instruments (Continued)

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

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

The directors of the Company anticipate that the adoption of HKFRS 9 (2014) in the future may have significant impact on the amounts reported in respect of the Group's financial assets and financial liabilities. Regarding the Group's financial assets and financial liabilities, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 15 Revenue from Contracts with Customers

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

i) Identify the contract with the customer;

ii) Identify the performance obligations in the contract;

iii) Determine the transaction price;

iv) Allocate the transaction price to the performance obligations; and

v) Recognise revenue when (or as) the entity satisfies a performance obligation.

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

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

HKFRS 15 Revenue from Contracts with Customers (Continued)

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

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

Annual Improvement to HKFRSs 2012 – 2014 Cycle

The Annual Improvements to HKFRSs 2012–2014 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 5 clarify that changing from one of the disposal methods (i.e. disposal through sale or disposal through distribution to owners) to the other should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in HKFRS 5. Besides, the amendments also clarify that changing the disposal method does not change the date of classification.

The amendments to HKFRS 7 clarify that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in HKFRS 7 in order to assess whether the additional disclosures for any continuing involvement in a transferred asset that is derecognised in its entirety are required. Besides, the amendments to HKFRS 7 also clarify that disclosures in relation to offsetting financial assets and financial liabilities are not required in the condensed interim financial report, unless the disclosures provide a significant update to the information reported in the most recent annual report.

The amendments to HKAS 19 clarify that the market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

HKAS 34 requires entities to disclose information in the notes to the interim financial statements 'if not disclosed elsewhere in the interim financial report'. The amendments to HKAS 34 clarify 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 greater interim financial 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. If users do not have access to the other information in this manner, then the interim financial report is incomplete.

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

Annual Improvement to HKFRSs 2012 – 2014 Cycle (Continued)

The directors of the Company do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2012–2014 Cycle will have a material effect on the Group's consolidated financial statements.

Amendments to HKAS 16 and HKAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to HKAS 16 prohibit the use of revenue–based depreciation methods for property, plant and equipment under HKAS 16. The amendments to HKAS 38 introduce a rebuttable presumption that the use of revenue–based amortisation methods for intangible assets is inappropriate. This presumption can be rebutted only in the following limited circumstances:

i) when the intangible asset is expressed as a measure of revenue;

ii) when a high correlation between revenue and the consumption of the economic benefits of the intangible assets could be demonstrated.

The amendments to HKAS 16 and HKAS 38 will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments should be applied prospectively.

As the Group use straight–line method for depreciation of property, plant and equipment, the directors of the Company do not anticipate that the application of the amendments to HKAS 16 and HKAS 38 will have a material impact on the Group's consolidated financial statements.

Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments provide guidance on addressing the acknowledged inconsistency between the requirements in HKFRS 10 and those in HKAS 28, in dealing with the sale or contribution of assets between an investor and its joint venture and associate. An investing entity is required to recognise the gain or loss arising from selling or contributing assets that constitutes or contains a business to a joint venture or associate in full. An investing entity is required to recognise the gain or loss arising from selling or contributing assets that does not constitute or contain a business to a joint venture or associate only to the extent of the unrelated investors' interests in that joint venture or associate.

The effective date of amendments to HKFRS 10 and HKAS 28 has not yet been determined. However, earlier application is permitted. The amendments should be applied prospectively.

The directors of the Company anticipate that the application of these amendments to HKFRS 10 and HKAS 28 may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

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

Amendments to HKAS 1 Disclosure Initiative

The amendments clarify that companies should use professional judgment in determining what information as well as where and in what order information is presented in the financial statements. Specifically, an entity should decide, taking into consideration all relevant facts and circumstances, how it aggregates information in the financial statements, which include the notes. An entity does not require to provide a specific disclosure required by a HKFRS if the information resulting from that disclosure is not material. This is the case even if the HKFRS contain a list of specific requirements or describe them as minimum requirements.

Besides, the amendments provide some additional requirements for presenting additional line items, headings and subtotals when their presentation is relevant to an understanding of the entity's financial position and financial performance respectively. Entities, in which they have investments in associates or joint ventures, are required to present the share of other comprehensive income of associates and joint ventures accounted for using the equity method, separated into the share of items that (i) will not be reclassified subsequently to profit or loss; and (ii) will be reclassified subsequently to profit or loss when specific conditions are met.

Furthermore, the amendments clarify that:

(i) an entity should consider the effect on the understandability and comparability of its financial statements when determining the order of the notes; and

(ii) significant accounting policies are not required to be disclosed in one note, but instead can be included with related information in other notes.

The amendments will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted.

The directors of the Company anticipate that the application of amendments to HKAS 1 in the future may have a material impact on the disclosures made in the Group's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation

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

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Income and expenses of subsidiaries are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

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

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

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

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in an existing subsidiary that do not result in the Group losing control over the subsidiary are accounted for as equity transactions. The carrying amounts of the Group's interests and the non–controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non–controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Changes in the Group's ownership interests in existing subsidiaries (Continued)

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non–controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognised as a gain or loss in profit or loss attributable to the Group. When assets and liabilities of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets and liabilities (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Goodwill

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

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

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

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

The Group's policy for goodwill relating to an associate that included in the carrying amount of the investment is set out in "investments in associates" below

Investments in subsidiaries

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment in associates

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

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

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

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. Goodwill that forms part of the carrying amount of an investment in an associate is not separately recognised. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

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

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

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

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

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

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

Financial consultancy fee income is recongnised when services are provided.

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

Plant and equipment

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Plant and equipment (Continued)

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

Leasing

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

The Group as lessee

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

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

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

Borrowing costs

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

Employee benefits

Retirement benefit costs

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee benefits (Continued)

Short–term employee benefits

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

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

Government grants

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

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

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

Taxation

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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

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

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

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

Intangible assets

Intangible assets acquired separately

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

Internally–generated intangible assets – research and development expenditure

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (Continued)

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

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

– the intention to complete the intangible asset and use or sell it;

– the ability to use or sell the intangible asset;

– how the intangible asset will generate probable future economic benefits;

– the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

– the ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

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

Intangible assets acquired in a business combination

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

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

Cash and cash equivalents

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified into financial assets at fair value through profit or loss ("FVTPL") and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

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

Financial assets at FVTPL

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

A financial asset is classified as held for trading if:

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

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

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. Fair value is determined in the manner described in note 23.

Loans and receivables

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

Impairment of financial assets

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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

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

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

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

Financial liabilities and equity instruments

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

Equity instruments

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Other financial liabilities

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Derecognition

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

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

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

Share–based payment transactions

Equity–settled share–based payment transactions

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share–based payment transactions (Continued)

Equity–settled share–based payment transactions (Continued)

Share options granted to employees under share option scheme and share incentive scheme (Continued)

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

Share options granted to consultants

Share options issued in exchange for goods or services are measured at the fair values of the goods or services received, unless that fair value cannot be reliably measured, in which case the goods or services received are measured by reference to the fair value of the share options granted. The fair values of the goods or services received are recognised as expenses on a straight–line basis over the vesting period or recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share options reserve), when the Group obtains the goods or when the counterparties render services, unless the goods or services qualify for recognition as assets.

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

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

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre–tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or a cash–generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash–generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgments in applying accounting policies

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

De facto control over subsidiaries

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

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

Key sources of estimation uncertainty

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

** For identification purposes only*

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

Key sources of estimation uncertainty (Continued)

Depreciation of plant and equipment and amortisation of intangible assets

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

Estimated impairment loss on plant and equipment

The impairment loss on plant and equipment are recognised for the amounts by which the carrying amounts exceed their recoverable amounts, in accordance with the Group's accounting policy. The recoverable amounts of plant and equipment have been determined based on value–in–use calculations or fair value less costs of disposal. The directors of the Company select an appropriate technique to determine the recoverable amounts of plant and equipment. These calculations require the use of estimates such as the future revenue and discount rates. As at 31 December 2015, the carrying values of plant and equipment were approximately RMB4,936,000 (2014: RMB5,534,000), net of accumulated impairment loss of approximately RMB1,587,000 (2014: RMB1,587,000).

Estimated impairment loss on intangible assets

At the end of the reporting period, the Group performs testing on whether there has been impairment of intangible assets in accordance with the accounting policy as stated in Note 3. The recoverable amounts of cash generating units are determined based on value–in–use calculations. The directors of the Company assess the potential impairment of intangible assets if any, by reference to the work of independent professional qualified valuer who performs calculations which use estimates and assumptions of the future operation of the business applying appropriate discount rates, and other assumptions underlying the value–in–use calculations. As at 31 December 2015, the carrying values of intangible assets were approximately RMB92,599,000 (2014: RMB102,483,000), net of accumulated impairment loss of approximately RMB614,174,000 (2014: RMB614,174,000). Details of the recoverable amount calculation are disclosed in Note 18.

Estimated impairment loss on goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash–generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash–generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2015, the carrying value of goodwill was approximately RMB83,419,000 (2014: RMB378,852,000), net of accumulated impairment loss of approximately RMB295,433,000 (2014: nil). Details of the assumption used are disclosed in Note 19.

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

Key sources of estimation uncertainty (Continued)

Estimated impairment loss on associates

Determining whether the interests in associates are impaired requires an estimation of the future cash flows expected to arise and expected dividend yield from the associates and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2015, the carrying amount of interests in associates was approximately RMB1,195,000 (2014: RMB841,000), net of accumulated impairment loss of approximately RMB1,643,000 (2014: nil).

Estimated impairment loss on trade and other receivables

The policy for impairment of trade and other receivables of the Group is based on the evaluation of collectability and ageing analysis of these receivables and on management's estimation. A considerable amount of estimation is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of debtors of the Group were to deteriorate, resulting in impairment of their ability to make payments, additional impairment may be required. As at 31 December 2015, the carrying amount of trade and other receivables was approximately RMB85,104,000 (2014: RMB78,204,000), net of accumulated impairment loss of approximately RMB1,046,000 (2014: RMB4,320,000).

Share–based payment expenses

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

5. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which includes bank borrowings, net of cash and cash equivalents and equity attributable to owners of the Company, comprising share capital and reserves.

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

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2015 RMB'000	2014 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**278,639**	162,770
Financial assets at fair value through profit or loss		
Held for trading investments	**28,000**	–
Financial liabilities		
At amortised cost	**32,155**	34,019

(b) Financial risk management objectives and policies

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

Market risk

(i) Currency risk

As at 31 December 2015 and 2014, no transaction denominated in currencies other than the respective functional currencies of the relevant group entities, i.e. RMB or HK$, except for bank balances and other payables are denominated in foreign currencies. The Group does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging the potential foreign currency exposure should the need arise.

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

	Assets		Liabilities	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
RMB	**20**	21	**953**	898
HK$	**17,025**	699	**–**	–

6. FINANCIAL INSTRUMENTS (Continued)

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

Market risk (Continued)

(i) Currency risk (Continued)

Sensitivity analysis

The Group is mainly exposed to RMB and HK$.

The following table details the Group's sensitivity to a 10% (2014: 10%) increase and decrease in the functional currencies of the relevant group entities, RMB or HK$, against the relevant foreign currencies. 10% (2014: 10%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 10% (2014: 10%) change in foreign currency rates.

A negative number below indicates a decrease in post–tax loss (2014: an increase in post–tax profit) for the year where the respective functional currency (HK$ or RMB) strengthens 10% (2014: 10%) against the relevant foreign currency (RMB or HK$). For a 10% (2014: 10%) weakening of respective functional currency (HK$ or RMB) against the relevant foreign currency (RMB or HK$), there would be an equal and opposite impact on the loss for the year (2014: profit for the year) and the balances below would be positive.

	Effect on profit or loss	
	2015 **RMB'000**	2014 RMB'000
HK$ strengthen against RMB by 10%	**(78)**	(73)
RMB strengthen against HK$ by 10%	**1,277**	52

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed–rate bank borrowings (see Note 27 for details). The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary action when significant interest rate exposure is anticipated.

The Group is also exposed to cash flow interest rate risk in relation to variable–rate bank balances (see Note 24 for details) and variable–rate on payable of litigation claim carried at prevailing market rates.

6. FINANCIAL INSTRUMENTS (Continued)

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

Market risk (Continued)

(ii) Interest rate risk (Continued)

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

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non–derivative instruments at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points (2014: 50 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points (2014: 50 basis points) higher/ lower and all other variables were held constant, the Group's loss for the year ended 31 December 2015 would decrease/ increase by approximately RMB414,000 (2014: profit for the year would increase/ decrease by approximately RMB63,000).

(iii) Other price risk

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

Sensitivity analysis

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

If the prices of the respective equity instruments had been 10% (2014: 10%) higher / lower, the post–tax loss for the year ended 31 December 2015 would decrease / increase by HK$2,338,000 (2014: nil) as a result of the changes in fair value of held–for–trading investments.

6. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk

As at 31 December 2015, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

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

Regarding to the amount due from non–controlling interest holder, as at 31 December 2014, accumulated impairment loss of approximately RMB203,000 was recognised having considered the financial position of the non–controlling interest holder. During the year ended 31 December 2015, the Group has disposed of the balance through acquired additional interest of a subsidiary as disclosed in Note 36.

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

The Group's concentration of credit risk by geographical locations is in the PRC, which accounted for 100% (2014: 100%) of the total trade receivables as at 31 December 2015.

The Group has concentration of credit risk as 4% (2014: 5%) and 64% (2014: 30%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively within educational consultancy and online training and education segment.

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

Liquidity risk

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

6. FINANCIAL INSTRUMENTS (Continued)

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

Liquidity risk (Continued)

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

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

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

Liquidity tables

	On demand or within one year RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
As at 31 December 2015			
Non–derivative financial liabilities			
Trade and other payables	26,977	26,977	26,977
Amount due to a shareholder	188	188	188
Bank borrowing	5,356	5,356	4,990
	32,521	32,521	32,155
As at 31 December 2014			
Non–derivative financial liabilities			
Trade and other payables	28,989	28,989	28,989
Amount due to a shareholder	30	30	30
Bank borrowing	5,100	5,100	5,000
	34,119	34,119	34,019

6. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurements of financial instruments

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

	Level 1	
	2015	2014
	RMB'000	RMB'000
Financial assets at FVTPL		
Held for trading investments	**28,000**	–

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

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

Financial Instruments	Fair value hierarchy	Fair value as at 31/12/2015	Fair value as at 31/12/2014	Valuation technique and key inputs
		RMB'000	RMB'000	
Equity securities listed in Hong Kong	Level 1	**28,000**	–	Quoted bid prices in an active market

Except the financial assets listed in above, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their corresponding fair value due to short–term maturities.

7. REVENUE

Revenue represents the net amounts received and receivable for services rendered net of sales related taxes. The following is an analysis of the Group's revenue for the year:

	2015	2014
	RMB'000	RMB'000
Media business consultancy and TV programmes distribution income	**10,389**	7,378
Educational consultancy and online training and education services income	**86,892**	69,528
	97,281	76,906

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

8. SEGMENT INFORMATION

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

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

1. Advertising media – provision of advertising services in respect of placing advertisements on the outdoor billboards and LED screens of the Group to advertisers and advertising agencies;

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

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

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

Segment revenue and results

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

For the year ended 31 December 2015

	Advertising media RMB'000	**Other media** RMB'000	**Securities trading** RMB'000	**Educational consultancy and online training and education** RMB'000	**Total** RMB'000
REVENUE					
External sales	–	10,389	–	86,892	97,281
Segment (loss) profit	(1,345)	10,276	9,624	(279,052)	(260,497)
Unallocated other income					1,020
Unallocated corporate expenses					(34,419)
Loss before tax					(293,896)

8. SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

For the year ended 31 December 2014

	Advertising media RMB'000	Other media RMB'000	Securities trading RMB'000	Educational consultancy and online training and education RMB'000	Total RMB'000
REVENUE					
External sales	–	7,378	–	69,528	76,906
Segment profit	32	6,097	–	23,199	29,328
Gain on disposal of subsidiaries					17,690
Unallocated other income					511
Unallocated corporate expenses					(18,945)
Finance costs					(90)
Profits before tax					28,494

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. Segment profit / loss represents the profit earned by / loss from each segment without allocation of central administration costs, directors' emoluments, interest income, write back of other payables, impairment loss on other receivables, loss on derecognition of other receivables, gain on disposal of subsidiaries, certain finance costs, certain write off of other receivables and depreciation of certain plant and equipment. This is the measure reported to the executive directors of the Company, being the chief operating decision maker, for the purposes of resources allocation and performance assessment.

8. SEGMENT INFORMATION (Continued)

Segment assets and liabilities

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

	2015 RMB'000	2014 RMB'000
Segment assets		
Advertising media	**86**	307
Other media	**75,572**	69,905
Securities trading	**39,054**	–
Educational consultancy and online training and education	**191,984**	475,708
Total segment assets	**306,696**	545,920
Unallocated corporate assets	**208,512**	105,255
Consolidated assets	**515,208**	651,175
Segment liabilities		
Advertising media	**11,759**	11,228
Other media	**11,094**	17,154
Securities trading	**–**	–
Educational consultancy and online training and education	**23,892**	16,455
Total segment liabilities	**46,745**	44,837
Unallocated corporate liabilities	**37,374**	39,651
Consolidated liabilities	**84,119**	84,488

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

- all assets are allocated to operating segments other than certain plant and equipment, certain other receivables and bank balances and cash; and

- all liabilities are allocated to operating segments other than certain other payables, amount due to a shareholder, income tax payable, deferred tax liability and certain bank borrowings.

8. SEGMENT INFORMATION (Continued)

Other segment information

For the year ended 31 December 2015

	Advertising media RMB'000	Other media RMB'000	Securities trading RMB'000	Educational consultancy and online training and education RMB'000	Unallocated RMB'000	Total RMB'000
Amounts included in the measure of segment profit or loss or segment assets:						
Additions to non–current assets	1	–	–	17,763	–	17,764
Depreciation and amortisation	177	12	–	13,993	836	15,018
Loss on disposal of plant and equipment	–	–	–	12	391	403
Write back of trade and other payables	(205)	–	–	–	–	(205)
Share of result of associates	–	–	–	3	–	3
Loss on derecognition of other receivables	–	–	–	–	1,705	1,705
Reversal of impairment loss on trade and other receivables	–	(531)	–	–	–	(531)
Interest in associates	–	–	–	1,195	–	1,195
Recovery of written off on trade and other receivables	–	(1,305)	–	–	–	(1,305)
Impairment loss on goodwill	–	–	–	295,433	–	295,433
Impairment loss on associates	–	–	–	1,643	–	1,643
Unrealised gain on fair value change of held for trading investments	–	–	(9,624)	–	–	(9,624)
Interest expense	–	342	–	–	–	342
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:						
Interest income	–	–	–	–	(1,020)	(1,020)
Share–based payment expenses	–	–	–	–	17,476	17,476
Income tax expense	–	258	–	2,495	–	2,753

8. SEGMENT INFORMATION (Continued)

Other segment information (Continued)

For the year ended 31 December 2014

	Advertising media RMB'000	Other media RMB'000	Securities trading RMB'000	Educational consultancy and online training and education RMB'000	Unallocated RMB'000	Total RMB'000
Amounts included in the measure of segment profit or loss or segment assets:						
Additions to non–current assets	–	–	–	2,581	–	2,581
Depreciation and amortisation	601	14	–	14,321	1,435	16,371
Loss on disposal of plant and equipment	2	–	–	–	–	2
Impairment loss on plant and equipment	570	–	–	–	–	570
Impairment loss on intangible assets	368	–	–	–	–	368
Write off of trade and other payables	(3,410)	–	–	–	–	(3,410)
Share of result of associates	–	–	–	209	–	209
Impairment loss on trade and other receivables	112	–	–	–	–	112
Write off of other receivables	–	805	–	–	735	1,540
Reversal of impairment loss on trade and other receivables	–	(535)	–	–	–	(535)
Interest in associates	–	–	–	841	–	841
Interest expenses	–	300	–	–	90	390
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:						
Interest income	–	–	–	–	(511)	(511)
Share–based payment expenses	–	–	–	–	1,257	1,257
Income tax expense	–	1,595	–	2,964	–	4,559

8. SEGMENT INFORMATION (Continued)

Geographical information

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

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

	Non–current assets	
	2015	2014
	RMB'000	RMB'000
PRC	**192,059**	485,643
Hong Kong	**741**	2,067
	192,800	487,710

Information about major customers

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

	2015	2014
	RMB'000	RMB'000
Customer A [1]	**14,663**	9,199
Customer B [1]	**12,200**	8,112
Customer C [1]	**10,009**	10,134

1 Revenue from educational consultancy and online training and education.

9. OTHER INCOME

	2015	2014
	RMB'000	RMB'000
Reversal of impairment loss on trade and other receivables	**531**	535
Recovery of written off on trade and other receivables	**1,305**	–
Bank interest income	**910**	511
Other interest income (Note a)	**110**	–
Government subsidies (Note b)	**100**	74
Write back of trade and other payables	**205**	3,410
Financial consultancy fee income	**3,812**	–
Net foreign exchange gain	**845**	–
Others	**–**	176
	7,818	4,706

9. OTHER INCOME (Continued)

Notes:

(a) Other interest income was arising from loan to an individual third party during the year ended 31 December 2015. The loan carried fixed–rate interest at 6% per annum and had been fully settled in April 2015.

(b) Government subsidies were designated for the encouragement of creative media business development incentive. All conditions in respect of these grants had been fulfilled and such government grants were recognised in other income for both years.

10. FINANCE COSTS

	2015 **RMB'000**	2014 RMB'000
Interest on bank borrowings	**342**	390

11. INCOME TAX EXPENSES

	2015 **RMB'000**	2014 RMB'000
PRC Enterprise Income Tax		
– current year	**4,813**	6,618
Deferred tax (Note 30)	**(2,060)**	(2,059)
	2,753	4,559

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years. During the years ended 31 December 2015 and 2014, a PRC subsidiary, Chuanglian Zhongren, of the Group was recognised as high technology enterprise and entitled a preferential tax rate of 15%.

Provision for PRC Enterprise Income Tax has been made for the years ended 31 December 2015 and 2014 based on the estimated assessable profit derived from the PRC.

No provision for Hong Kong Profits Tax has been made for the years ended 31 December 2015 and 2014 as the Group did not have any assessable profit subject to Hong Kong Profits Tax for both years.

Pursuant to the laws and regulations of the Cayman Islands and the British Virgin Islands (the "BVI"), the Group is not subject to any income tax in the Cayman Islands and the BVI.

11. INCOME TAX EXPENSES (Continued)

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

	2015 RMB'000	2014 RMB'000
(Loss) profit before tax	**(293,896)**	28,494
Tax at the domestic income tax rate of 25% (2014: 25%)	**(73,474)**	7,124
Tax effect of expenses not deductible for tax purpose	**80,797**	5,349
Tax effect of share of losses of associates	**1**	52
Tax effect of income not taxable for tax purpose	**(2,909)**	(4,587)
Tax effect of utilisation of tax losses previously not recognised	**(550)**	(1,082)
Tax effect of tax losses not recognised	**2,802**	1,051
Tax effect of tax concession period	**(3,914)**	(3,348)
Income tax expense for the year	**2,753**	4,559

Note: The domestic tax rate of 25% (2014: 25%) in the jurisdiction where the operation of the Group is substantially based is used.

As at 31 December 2015, the Group has unused tax losses of approximately RMB109,857,000 (2014: RMB103,264,000) available to offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

The tax losses of approximately HK$64,691,000 (equivalent to approximately RMB55,007,000) (2014: HK$53,690,000 (equivalent to approximately RMB43,024,000)) may be carried forward indefinitely while the tax losses of approximately RMB54,850,000 (2014: RMB60,240,000) will be expired in the next five years.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to approximately RMB5,811,000 (2014: RMB4,653,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

12. (LOSS) PROFIT FOR THE YEAR

(Loss) profit for the year has been arrived at after charging:

	2015 RMB'000	2014 RMB'000
Directors' emoluments (Note 13)	**4,640**	1,475
Other staff costs (excluding directors' and chief executive's emoluments)	**21,338**	14,567
Share–based payment expenses (excluding directors' and chief executive's emoluments)	**4,868**	1,136
Retirement benefits scheme contributions (excluding directors' and chief executive's emoluments)	**1,387**	1,118
Total staff costs	**32,233**	18,296
Auditor's remuneration	**977**	955
Share–based payment expenses granted to consultants (Note)	**9,955**	104
Depreciation of plant and equipment	**3,217**	5,227
Amortisation of intangible assets (included in cost of services)	**11,801**	11,144
Loss on derecognisition of other receivables	**1,705**	–
Impairment loss on trade and other receivables	**–**	112
Write off of other receivables	**–**	1,540
Net foreign exchange losses	**–**	3
Impairment loss on intangible assets (included in cost of services)	**–**	368
Impairment loss on plant and equipment	**–**	570
Loss on disposal of plant and equipment	**403**	2
Operating lease rentals in respect of rented premises	**12,158**	8,103

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

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the eight (2014: seven) directors and chief executive were as follows:

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

1 Resigned on 12 June 2015

2 Appointed on 1 April 2015.

3 Appointed on 6 October 2015.

Year ended 31 December 2014	Executive directors				Independent non–executive directors			Total
	Li Qing [1]	Li Jia	Lu Xing [2]	Liu Zhong Hua [3]	Leung Siu Kee	Han Bing	Wang Shu Ping	
	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertakings								
– Fees	–	478	24	96	96	96	96	886
– Salaries and other benefits	233	165	5	50	31	31	31	546
– Contributions to retirement benefits scheme	14	10	–	2	–	–	–	26
– Share–based payment	–	–	–	–	–	–	17	17
	247	653	29	148	127	127	144	1,475

1 Resigned on 7 July 2014.

2 Appointed on 11 December 2014.

3 Appointed on 10 September 2014.

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

None of the directors waived or agreed to waive any emoluments paid by the Group during the two years ended 31 December 2015. No emoluments were paid by the Group to any directors or the chief executive of the Group as an inducement to join or upon joining the Group, or as compensation for loss of office for the two years ended 31 December 2015.

The Company did not appoint a chief executive during the years ended 31 December 2015 and 2014. Mr. Lu Xing (2014: Mr. Li Qing and Mr. Lu Xing) performed the duties of chief executive for the year ended 31 December 2015. Their emolument disclosed above included those services rendered by Mr. Li Qing and Mr. Lu Xing.

14. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2014: two) were directors and chief executive of the Company whose emoluments are included in the disclosures in Note 13 above. The emoluments of the remaining three (2014: three) individuals were as follows:

	2015 **RMB'000**	2014 RMB'000
Salaries and other benefits	**2,576**	1,659
Retirement benefits scheme contributions	**36**	46
Share–based payment expenses	**285**	207
	2,897	1,912

Their emoluments were within the following bands:

	Number of employees	
	2015	2014
Nil to HK$1,000,000 (equivalent to approximately RMB814,000 (2014: RMB796,000))	**2**	3
HK$1,000,001 (equivalent to approximately RMB814,001 (2014: RMB796,001)) to HK$1,500,000 (equivalent to approximately RMB1,221,000 (2014: RMB1,194,000))	**1**	–

No emoluments were paid or payable by the Group to the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office during the two years ended 31 December 2015.

15. DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2015, nor has any dividend been proposed since the end of the reporting period (2014: nil).

16. (LOSS) EARNINGS PER SHARE

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

(Loss) earnings	2015 RMB'000	2014 RMB'000
(Loss) profit for the year attributable to owners of the Company for the purpose of basic and diluted earnings per share	**(298,658)**	24,233

Number of shares	2015 '000	2014 '000
Weighted average number of ordinary shares for the purpose of basic earnings per share	**4,464,893**	4,169,023

Diluted loss / earnings per share is same as basic loss / earnings per share for the year ended 31 December 2014 and 2015. During the year ended 2015, the computation of diluted loss per share does not assume the exercise of the Company's share options since their exercise would result in a decrease in loss per share. During the year ended 2014, the computation of diluted earnings per share does not assume the exercise of the Company's share options because the exercise price of those share options were higher than the weighted average market price for share.

17. PLANT AND EQUIPMENT

	Leasehold improvements RMB'000	Furniture and fixtures RMB'000	Computers and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
COST						
At 1 January 2014	12,115	774	4,437	5,040	1,587	23,953
Exchange realignment	94	4	4	93	–	195
Additions	–	240	291	–	–	531
Disposals	–	–	(18)	–	–	(18)
Disposals of subsidiaries (Note 35(ii))	(2,774)	(8)	(14)	–	–	(2,796)
At 31 December 2014	9,435	1,010	4,700	5,133	1,587	21,865
Exchange realignment	123	10	10	137	–	280
Additions	–	1,631	1,310	255	–	3,196
Disposals	–	–	(1,470)	(2,268)	–	(3,738)
At 31 December 2015	9,558	2,651	4,550	3,257	1,587	21,603
DEPRECIATION AND IMPAIRMENT						
At 1 January 2014	7,277	252	2,412	2,265	1,017	13,223
Exchange realignment	61	3	3	48	–	115
Charge for the year	3,047	301	1,109	770	–	5,227
Impairment loss recognised	–	–	–	–	570	570
Eliminated on disposals	–	–	(8)	–	–	(8)
Disposals of subsidiaries (Note 35(ii))	(2,774)	(8)	(14)	–	–	(2,796)
At 31 December 2014	7,611	548	3,502	3,083	1,587	16,331
Exchange realignment	102	10	10	95	–	217
Charge for the year	1,321	453	722	721	–	3,217
Eliminated on disposals	–	–	(1,426)	(1,672)	–	(3,098)
At 31 December 2015	9,034	1,011	2,808	2,227	1,587	16,667
CARRYING VALUES						
At 31 December 2015	524	1,640	1,742	1,030	–	4,936
At 31 December 2014	1,824	462	1,198	2,050	–	5,534

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

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

17. PLANT AND EQUIPMENT (Continued)

Included in the disposals during the year ended 31 December 2015, the Group has transferred 4 LED panel in computers and equipment with cost approximately RMB1,470,000 and aggregate depreciation approximately RMB1,426,000 to non–controlling interest holder for acquired an additional 49% issued shares of subsidiary, 上海晟彩文化傳播有限公司. Further details on acquisition of additional interest in a subsidiary are set out in Note 36.

During the year ended 31 December 2014, the directors of the Company conducted a review on the Group's plant and equipment and determined that the construction in progress was impaired, due to the abandon of the construction in progress. Accordingly, impairment losses of approximately RMB570,000 was recognised for the year ended 31 December 2014 in respect of the construction in progress, which was used in the advertising media segment.

18. INTANGIBLE ASSETS

	LED displays advertising right RMB'000	Consultancy service contracts RMB'000	Other advertising right RMB'000	Software RMB'000	Customer relationship RMB'000	Total RMB'000
	Note (i)	Note (ii)	Note (iii)	Note (iv)	Note (iv)	
COST						
At 1 January 2014	680,320	42,403	1,144	8,392	107,191	839,450
Additions	–	–	–	1,000	–	1,000
Exchange realignment	–	–	–	26	1,090	1,116
At 31 December 2014	680,320	42,403	1,144	9,418	108,281	841,566
Additions	–	–	–	1,917	–	1,917
Written off	–	–	(1,144)	–	–	(1,144)
At 31 December 2015	680,320	42,403	–	11,335	108,281	842,339
AMORTISATION AND IMPAIRMENT						
At 1 January 2014	679,928	42,403	1,144	1,452	2,598	727,525
Charge for the year	24	–	–	3,902	7,218	11,144
Impairment loss recognised	368	–	–	–	–	368
Exchange realignment	–	–	–	12	34	46
At 31 December 2014	680,320	42,403	1,144	5,366	9,850	739,083
Charge for the year	–	–	–	4,583	7,218	11,801
Eliminated on written off	–	–	(1,144)	–	–	(1,144)
At 31 December 2015	680,320	42,403	–	9,949	17,068	749,740
CARRYING VALUES						
At 31 December 2015	–	–	–	1,386	91,213	92,599
At 31 December 2014	–	–	–	4,052	98,431	102,483

18. INTANGIBLE ASSETS (Continued)

Notes:

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

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

During the year ended 31 December 2014, the directors of the Company considered the LED outdoor advertising business had slowed down and become inactive. The Group was fully recognised an impairment loss of approximately RMB368,000 in relation to LED display advertising right during the year ended 31 December 2014 as no revenue expected to be generated in the future.

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

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

During the year ended 31 December 2012, the Group recognised a full impairment loss in relation to consultancy service contracts as the directors of the Group expected that there was a significant decline in income derived from providing consultancy services upon the change in business plan of its customers during the year ended 31 December 2012 of which no profit would be expected to be generated in foreseeable future. No material revenue generated from those consultancy service contracts as at 31 December 2014 and 2015.

(iii) Other advertising right represents fees paid for obtaining the exclusive operating right for advertising billboards located on highways in Hebei Province, the PRC. Other advertising right is measured initially at purchase cost and amortised on a straight–line basis over their estimated useful lives of 10 years, less any impairment losses.

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

18. INTANGIBLE ASSETS (Continued)

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

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

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

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

As at 31 December 2015, the management reviewed the recoverable amounts of the intangible assets with reference to the valuation issued by an independent qualified professional valuer not connected to the Group.

The recoverable amounts have been determined on the basis of value–in–use calculations, which use cash flow projections based on financial budgets approved by management covering a 4–year (2014: 4–year) period and a pre–tax discount rate of 28.98% (2014: 31.12%). Cash flows beyond 4–year (2014: 4–year) period are assumed constant with 3% (2014: 3%) growth rate. The growth rate is based on the relevant industry growth forecasts and does not exceed the average long–term growth rate for the relevant industry. Cash flow projections during the budget period is also based on the budgeted educational consultancy service income and online training and education services income and expected gross margins during the budget period. Expected cash inflows / outflows, which include budgeted educational consultancy service income and online training and education services income and gross margin have been determined based on past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying values of the intangible assets to exceed their recoverable amounts. No impairment loss was provided for the year ended 31 December 2015 and 2014.

19. GOODWILL

	RMB'000
COST	
At 1 January 2014	373,920
Exchange realignment	4,932
At 31 December 2014 and 31 December 2015	378,852
IMPAIRMENT	
At 1 January 2014 and 31 December 2014	–
Impairment loss recognised during the year	295,433
At 31 December 2015	295,433
CARRYING VALUES	
At 31 December 2015	83,419
At 31 December 2014	378,852

The carrying amounts of goodwill as at 31 December 2015 and 2014 allocated to these units are as follows:

	2015 RMB'000	2014 RMB'000
Other media – Bold Champion	**19,113**	19,113
Educational consultancy and online training and education – Housden Holdings	**64,306**	359,739
	83,419	378,852

Bold Champion

Goodwill was arising on the acquisition of Bold Champion during the year ended 31 December 2011. The recoverable amount of Bold Champion has been determined on the basis of value–in–use calculations, which use cash flow projections based on financial budgets approved by management covering a 5–year (2014: 5–year) period and a pre–tax discount rate of 34.69% (2014: 28.83%). Cash flows beyond 5–year (2014: 5–year) period are assumed constant with 0% growth rate (2014: 0%). The forecast turnover is based on the relevant industry growth forecasts and does not exceed the average long–term growth rate for the relevant industry. Cash flow projections during the budget period is also based on the budgeted consultancy service income and TV programmes distribution services income and expected gross margins during the budget period. Expected cash inflows / outflows, which include budgeted consultancy service income and gross margin have been determined based on past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying value of goodwill to exceed the recoverable amount of goodwill. No impairment loss was provided for the two years ended 31 December 2015.

19. GOODWILL (Continued)

Housden Holdings

Goodwill was arising on the acquisition of Housden Holdings during the year ended 31 December 2013. The recoverable amount of Housden Holdings has been determined on the basis of value–in–use calculations, which use cash flow projections based on financial budgets approved by management covering a 4–year (2014: 4–year) period and a pre–tax discount rate of 28.98% (2014: 31.12%). Cash flows beyond 4–year (2014: 4–year) period are assumed constant with 3% (2014: 3%) growth rate. The growth rate is based on the relevant industry growth forecasts and does not exceed the average long–term growth rate for the relevant industry. Cash flow projections during the budget period is also based on the budgeted educational consultancy service income and online training and education services income and expected gross margins during the budget period. Expected cash inflows / outflows, which include budgeted educational consultancy service income and online training and education services income and gross margin have been determined based on past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying value of goodwill to exceed the recoverable amount of goodwill. During the year ended 31 December 2015, impairment loss of approximately RMB295,433,000 has been provided as the actual results of the Housden Holdings did not meet the management's expectations and the recoverable amount of Housden Holdings is determined to be approximately RMB295,433,000 lower than the carrying amount of goodwill. No impairment loss was provided for the year ended 31 December 2014.

20. INTERESTS IN ASSOCIATES

	2015 RMB'000	2014 RMB'000
Cost of investment in associates		
Unlisted equity interest	**3,050**	1,050
Share of post–acquisition results	**(212)**	(209)
Less: impairment loss recognised	**(1,643)**	–
	1,195	841

20. INTERESTS IN ASSOCIATES (Continued)

As at 31 December 2015 and 2014, the Group had interests in the following associates:

Name of entity	Form of entity	Country of incorporation / registration	Principal place of operation	Class of shares held	Proportion of nominal value of issued capital held by the Group 2015	2014	Principal activity
深圳市創聯星匯科技有限公司	Incorporated	The PRC	The PRC	Registered capital	**20%**	–	Provision of online education development service
廣西北部灣國聯集創教育投資有限公司	Incorporated	The PRC	The PRC	Registered capital	**35%**	35%	Provision of financial, technical or educational consultancy services

On 28 April 2015, the Group entered into a capital injection agreement with independent third parties to contribute capital in 深圳市創聯星匯科技有限公司 ("CL Xinghui"). CL Xinghui was incorporated in the PRC with a limited liability which engages in online education development. The Group injected RMB2,000,000 representing 20% interest of CL Xinghui.

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

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

	2015 RMB'000	2014 RMB'000
The Group's share of loss and total comprehensive expense	**(3)**	(209)
Carrying amount of the Groups' interests in the associates	**1,195**	841

21. TRADE AND OTHER RECEIVABLES

	2015 RMB'000	2014 RMB'000
Trade receivables	**21,070**	18,969
Less: impairment loss recognised	**(903)**	(4,183)
	20,167	14,786
Deposits for TV programmes production (Note a)	**52,739**	43,455
Other receivables	**12,341**	1,509
Less: impairment loss recognised	**(143)**	(137)
	64,937	44,827
Deferred cash consideration for disposal of a subsidiary (Note b)	**–**	18,591
Deposits	**1,759**	1,205
Prepayments	**15,769**	695
	102,632	80,104

The Group does not hold any collateral over these receivables.

Notes:

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

b) The balance represented the consideration receivable for disposal of a subsidiary of HK$23,200,000 (equivalent to approximately RMB18,591,000) as at 31 December 2014. On 3 August 2015, the Group entered into a loan capitalisation agreement in relation to the subscription of ordinary shares in the issued share capital of China Public Procurement Limited ("CPP") for capitalising the debts amounted to HK$23,200,000. Further details of the capitalisation are set out in Note 23.

Trade receivables are due according to the terms on the relevant contracts as at 31 December 2015 and 2014. The following is an aged analysis of trade receivables net of accumulated impairment losses presented based on the invoice date at the end of reporting period which approximate the respective revenue recognition date.

	2015 RMB'000	2014 RMB'000
Within 30 days	**13,859**	6,287
31 to 60 days	**–**	504
61 to 180 days	**1,188**	2,796
181 to 365 days	**5,120**	4,817
Over 365 days	**–**	382
	20,167	14,786

21. TRADE AND OTHER RECEIVABLES (Continued)

As at 31 December 2015, included in the Group's trade receivables balances were approximately RMB15,047,000 (2014: RMB9,587,000) which was not yet due according to the contract terms as at the end of the reporting period. Trade receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Ageing of trade receivables which are past due but not impaired

	2015 RMB'000	2014 RMB'000
181 to 365 days	**5,120**	4,817
Over 365 days	**–**	382
	5,120	5,199

As at 31 December 2015, included in the Group's trade receivables balances are debtors with aggregate carrying amount of approximately RMB5,120,000 (2014: RMB5,199,000) which were past due as at the reporting date for which the Group has not provided for impairment loss. Trade receivables that were past due but not impaired related to a number of customers that have a good track record with the Group. Based on past experience, the management believes that no impairment loss is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

Movement in the impairment losses on trade receivables

	2015 RMB'000	2014 RMB'000
1 January	**4,183**	4,606
Amounts written off during the year as uncollectible	**(2,749)**	–
Impairment losses recognised	**–**	112
Impairment losses reversed	**(531)**	(535)
31 December	**903**	4,183

As at 31 December 2015, included in the impairment loss on trade receivables are individually impaired trade receivables with an aggregate balance of approximately RMB903,000 (2014: RMB4,183,000). The individually impaired receivables are recognised based on the credit history of its customer and current market conditions.

21. TRADE AND OTHER RECEIVABLES (Continued)

Movement in the impairment losses on other receivables

	2015 RMB'000	2014 RMB'000
1 January	**137**	136
Exchange realignment	**6**	1
31 December	**143**	137

As at 31 December 2015, included in the impairment loss on other receivables are individually impaired other receivables with an aggregate balance of approximately RMB143,000 (2014: RMB137,000) are made for long outstanding receivables, which theirs recoverability is considered doubtful by the management of the Company.

During the year ended 31 December 2014, the deposit of HK$25,000,000 (equivalent to approximately RMB19,945,000) was utilised to settle the outstanding other loan of RMB18,000,000 and the accrued interest payable of approximately RMB1,210,000 and write off of other receivable of approximately RMB735,000 was recognised as administrative expense.

As at 31 December 2014, included in deposits for TV programmes production of approximately RMB16,465,000 was transferred to an independent third party at cash consideration of approximately RMB15,660,000 and write off of other receivables of approximately RMB805,000 was recognised as administrative expense during the year ended 31 December 2014.

22. AMOUNTS DUE FROM NON–CONTROLLING INTEREST HOLDER

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

As at 31 December 2014, an accumulated impairment loss of approximately RMB203,000 has been recognised on the amount due from non–controlling interest holder. During the year ended 31 December 2015, the Group has disposed the balance through acquired additional interest of a subsidiary as disclosed in Note 36.

23. HELD FOR TRADING INVESTMENTS

On 3 August 2015, Top Succeed Holdings Limited ("Top Succeed"), a wholly–owned subsidiary of the Company, and CPP, a company listed in Hong Kong (Stock code: 1094), entered into the loan capitalisation agreement in relation to the subscription of 149,677,419 ordinary shares of HK$0.01 each in the issued share capital of CPP by Top Succeed (or its nominee(s)) at HK$0.155 per share for capitalising the debts amounted to HK$23,200,000 (equivalent to approximately RMB18,591,000) owed by CPP to Top Succeed. The investments are classified as held–for–trading investments.

Held–for–trading investments are stated at fair value. The fair value of the listed securities has been determined by reference to published price quotations in active markets. On completion date, the fair value of CPP shares was HK$0.141 totalling approximately HK$21,105,000 (equivalent to approximately RMB16,886,000), loss on derecognition has been recognised approximately HK$2,095,000 (equivalent to approximately RMB1,705,000). Unrealised gain on fair value change of held–for–trading investments of approximately HK$11,825,000 (equivalent to approximately RMB9,624,000) has been recognised in profit or loss during the year ended 31 December 2015 (2014: nil). The investments are recognised as follows:

Held for trading investments include:

	2015 **RMB'000**	2014 RMB'000
Listed securities:		
– Equity securities listed in Hong Kong	**28,000**	–

24. BANK BALANCES AND CASH

Bank balances carried interest at market rates which range from 0.01% to 1.37% (2014: 0.01% to 0.35%) per annum.

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

	2015 **RMB'000**	2014 RMB'000
RMB	**20**	21
HK$	**17,025**	699

25. TRADE AND OTHER PAYABLES

	2015 RMB'000	2014 RMB'000
Trade payables	**1,000**	205
Other payables	**6,556**	3,879
Fund advance for TV programmes production (note a)	**4,790**	11,790
Payable of litigation claim (note b)	**11,602**	10,639
Receipts in advance	**16,728**	12,763
Accruals	**3,029**	2,476
	43,705	41,752

Notes:

(a) The balance was unsecured, non–interest bearing and repayable on demand.

(b) Payable of litigation claim represents payable to a supplier regarding to the dispute over the contractual undertakings in relation to the construction of a light–emitting diode ("LED") display panel at cash consideration of approximately RMB12,378,000 located in the PRC. As at 31 December 2014, the carrying value of such LED display panel recognised as construction in progress was nil (2014: nil), net of accumulated impairment loss of approximately RMB1,587,000 (2014: RMB1,587,000).

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

The total payable for the litigation claims in the consolidated financial statement of the Group as at 31 December 2015 was approximately RMB11,602,000 (2014: RMB10,639,000), which including litigation claim of approximately RMB10,342,000 (2014: RMB10,342,000) plus the estimated accrued interest of approximately RMB1,137,000 (2014: RMB174,000) and the related court expenses of approximately RMB123,000 (2014: RMB123,000).

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

	2015 RMB'000	2014 RMB'000
Within 30 days	**1,000**	–
Over one year	**–**	205
	1,000	205

25. TRADE AND OTHER PAYABLES (Continued)

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

As at 31 December 2014 and 2015, the Group's other payables that are denominated in currency other than the functional currency of the relevant group entities are set out below:

	2015 **RMB'000**	2014 RMB'000
RMB	**953**	898

26. AMOUNT DUE TO A SHAREHOLDER

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

27. BANK BORROWING

	2015 **RMB'000**	2014 RMB'000
Bank borrowing, unsecured	**4,990**	5,000

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

As at 31 December 2015, the unsecured bank borrowing carries fixed–rate interest at 8% per annum (2014: 8% per annum).

28. SHARE CAPITAL

	Number of shares		Share capital		Equivalent nominal value of ordinary shares	
	2015	2014	**2015**	2014	**2015**	2014
	'000	'000	**HK$'000**	HK$'000	**RMB'000**	RMB'000
Ordinary shares of HK$0.01 each (2014: HK$0.01 each) (Note a)						
Authorised:						
At beginning of the year	**100,000,000**	10,000,000	**1,000,000**	1,000,000	**879,100**	879,100
Increase of shares upon capital reorganisation (Note a)	**–**	90,000,000	**–**	–	**–**	–
At end of the year	**100,000,000**	100,000,000	**1,000,000**	1,000,000	**879,100**	879,100
Issued and fully paid:						
At beginning of the year	**4,169,023**	2,369,023	**41,690**	236,902	**34,920**	205,864
Issue of shares upon conversion of preference shares (Notes b)	**–**	1,800,000	**–**	87,602	**–**	69,218
Issue of share upon exercise of share options (Note c & d)	**9,700**	–	**97**	–	**77**	–
Issue of shares upon placing (Note e)	**473,800**	–	**4,738**	–	**3,789**	–
Reduction of share capital upon capital reorganisation (Note a)	**–**	–	**–**	(282,814)	**–**	(240,162)
At end of the year	**4,652,523**	4,169,023	**46,525**	41,690	**38,786**	34,920

Notes:

(a) On 17 June 2014, all conditions precedent of the capital reorganisation as per announcements dated 11 November 2013, 27 December 2013, 11 April 2014 and 17 June 2014 and the circular of the Company dated 2 December 2013, have been fulfilled.

The capital reorganaisation has become effective that:

(i) the par value of each of the issued ordinary shares was reduced from HK$0.1 to HK$0.01 each by cancelling the paid up capital of HK$0.09 per issued ordinary share; and

(ii) each unissued ordinary share in the authorised share capital of the Company was subdivided into 10 ordinary shares of HK$0.01 each such that the Company shall have an authorised share capital of HK$1,200,000,000 divided into 100,000,000,000 ordinary shares of a nominal value of HK$0.01 each and 2,000,000,000 convertible preference shares of a nominal value of HK$0.10 each.

As at 17 June 2014, there were approximately 3,142,374,000 ordinary shares issued and the approximately HK$282,814,000 (equivalent to approximately RMB240,162,000) paid up capital were cancelled and transferred to accumulated losses accordingly.

28. SHARE CAPITAL (Continued)

Notes:

(b) Aggregate of 773,351,000 convertible preference shares of par value HK$0.1 each were converted into 773,351,000 ordinary shares of HK$0.1 each at par value on 6 July 2014 and 10 June 2014 respectively.

Aggregate of 1,026,649,000 convertible preference shares of par value HK$0.1 each were converted into 1,026,649,000 ordinary shares of HK$0.01 each at par value on 18 June 2014, 20 June 2014, 18 July 2014, 3 October 2014 and 6 November 2014 respectively.

(c) On 24 June 2015, an employee of the Company exercised 450,000 and 1,950,000 share options under equity–settled share option schemes (Note 33(a)) with exercise price of HK$0.37 and HK$0.40 respectively.

(d) On 15 June 2015, 29 June 2015, 30 June 2015, three consultants of the Company exercised 3,300,000, 3,000,000 and 1,000,000 share options under equity–settled share option schemes (Note 33(a)) with exercise price of HK$0.4.

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

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

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

29. CONVERTIBLE PREFERENCE SHARES

Convertible preference shares at HK$0.1 each

	Number of shares		Share capital		Equivalent nominal value of ordinary shares	
	2015	2014	**2015**	2014	**2015**	2014
	'000	'000	**HK$'000**	HK$'000	**RMB'000**	RMB'000
Authorised:						
At beginning and end of the year	**2,000,000**	2,000,000	**200,000**	200,000	**157,629**	157,629
Issued and fully paid:						
At beginning of the year	**–**	850,000	**–**	85,000	**–**	67,027
Issue during the year	**–**	950,000	**–**	95,000	**–**	76,305
Conversion to ordinary shares (Notes 28(b))	**–**	(1,800,000)	**–**	(180,000)	**–**	(143,332)
At end of the year	**–**	–	**–**	–	**–**	–

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. During the year ended 31 December 2014, 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 in 2013.

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

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

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

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

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

30. DEFERRED TAX LIABILITY

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

	Fair value adjustment on intangible assets arising from acquisition RMB'000
At 1 January 2014	26,655
Credit to profit or loss	(2,059)
Exchange realignment	267
At 31 December 2014 and 1 January 2015	24,863
Credit to profit or loss	(2,060)
At 31 December 2015	22,803

31. OPERATING LEASES

The Group as lessee

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

	2015 **RMB'000**	2014 RMB'000
Within one year	**6,528**	5,942
In the second to fifth year inclusive	**1,373**	6,450
	7,901	12,392

Operating lease payments represent rentals payable by the Group for certain of its office premises. Leases are negotiated for terms ranged from one to eight (2014: one to six) years with fixed rentals.

32. CAPITAL COMMITMENTS

	2015 **RMB'000**	2014 RMB'000
Commitments contracted but not provided for in respect of:		
– Capital contribution to an associate	**1,050**	1,050
– Acquisition of plant and equipment	**1,683**	–
	2,733	1,050

33. SHARE–BASED PAYMENT TRANSACTIONS

Equity–settled share option schemes of the Company

(a) Share option scheme

Pursuant to a share option scheme approved by a resolution of the shareholders of the Company on 28 May 2014 (the "Share Option Scheme"), the Company may grant options to the directors or employees of the Company or its subsidiaries who meet the relevant criteria set out in the Share Option Scheme (the "Participants") as incentives and rewards for their contributions to the Group, to subscribe for shares in the Company with a payment of HK$1.00 upon each grant of options offered and the options granted must be taken up within 21 days from the date of grant. The exercise price of the share option will be determined at the higher of (i) the average of closing prices of the shares as stated in the Stock Exchange's daily quotation sheet for the five business days immediately preceding the date of grant of the options, (ii) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet for trade in one or more board lots of the shares on the date of grant of the options, and (iii) the nominal value of the shares.

The share options are exercisable at any time during the option period, subject to the terms and conditions of the Share Option Scheme and any conditions of grant as may be stipulated by the board of the directors.

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

33. SHARE–BASED PAYMENT TRANSACTIONS (Continued)

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

(a) Share option scheme (Continued)

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

Date of grant	Vesting period	Exercise period	Exercise price	Fair value at grant date
6 January 2011	Note	6 January 2011 to 5 January 2014	HK$0.85	HK$0.28
2 June 2011	Note	2 June 2011 to 1 June 2014	HK$0.58	HK$0.19
6 July 2011	Note	6 July 2011 to 5 July 2014	HK$0.53	HK$0.14
29 July 2011	Note	29 July 2011 to 28 July 2014	HK$0.56	HK$0.19
5 September 2011	Note	5 September 2011 to 4 September 2014	HK$0.55	HK$0.19
3 November 2011	Note	3 November 2011 to 2 November 2014	HK$0.37	HK$0.11
3 October 2012	Note	3 October 2012 to 2 October 2015	HK$0.24	HK$0.08
11 September 2013	Note	11 September 2013 to 10 September 2016	HK$0.37	HK$0.14
11 September 2013	11 September 2013 to 10 September 2014	11 September 2014 to 10 September 2016	HK$0.37	HK$0.14
11 September 2013	11 September 2013 to 10 September 2015	11 September 2015 to 10 September 2016	HK$0.37	HK$0.16
4 May 2015	Note	4 May 2015 to 3 May 2018	HK$0.40	HK$0.17
4 May 2015	Note	4 May 2015 to 3 May 2018	HK$0.40	HK$0.13

33. SHARE–BASED PAYMENT TRANSACTIONS (Continued)

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

(a) Share option scheme (Continued)

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

Date of grant	Vesting period	Exercise period	Exercise price	Fair value at grant date
4 May 2015	Note	4 May 2015 to 3 May 2018	HK$0.40	HK$0.15
4 May 2015	4 May 2015 to 4 May 2016	5 May 2016 to 3 May 2018	HK$0.40	HK$0.17
4 May 2015	4 May 2015 to 4 May 2017	5 May 2017 to 3 May 2018	HK$0.40	HK$0.18
2 July 2015	Note	2 July 2015 to 1 July 2018	HK$0.684	HK$0.18
2 July 2015	Note	2 July 2015 to 1 July 2019	HK$0.684	HK$0.23
2 July 2015	2 July 2015 to 2 July 2016	3 July 2016 to 1 July 2019	HK$0.684	HK$0.27
2 July 2015	2 July 2015 to 2 July 2017	3 July 2017 to 1 July 2019	HK$0.684	HK$0.29
20 October 2015	Note	20 October 2015 to 19 October 2018	HK$0.261	HK$0.09

33. SHARE–BASED PAYMENT TRANSACTIONS (Continued)

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

(a) Share option scheme (Continued)

Note:

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

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

For the year ended 31 December 2015

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

Notes:

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

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

33. SHARE–BASED PAYMENT TRANSACTIONS (Continued)

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

(a) Share option scheme (Continued)

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

For the year ended 31 December 2014

Date of grant	Outstanding at 1 January 2014	Granted during the year	Exercised during the year	Forfeited during the year (note a)	Transferred during the year (note b)	Outstanding at 31 December 2014
Directors						
2 June 2011	6,440,000	–	–	(6,440,000)	–	–
5 September 2011	5,000,000	–	–	(5,000,000)	–	–
11 September 2013	500,000	–	–	–	2,000,000	2,500,000
Employees						
6 January 2011	3,160,000	–	–	(3,160,000)	–	–
2 June 2011	6,960,000	–	–	(6,960,000)	–	–
6 July 2011	3,000,000	–	–	(3,000,000)	–	–
29 July 2011	2,000,000	–	–	(2,000,000)	–	–
5 September 2011	4,800,000	–	–	(4,800,000)	–	–
11 September 2013	32,900,000	–	–	–	(2,000,000)	30,900,000
Consultants						
6 July 2011	5,000,000	–	–	(5,000,000)	–	–
29 July 2011	3,000,000	–	–	(3,000,000)	–	–
11 September 2013	3,000,000	–	–	–	–	3,000,000
	75,760,000	–	–	(39,360,000)	–	36,400,000
Exercisable at the end of the year						21,840,000
Weighted average exercise price	HK$0.48	–	–	HK$0.58	HK$0.37	HK$0.37

Notes:

a) During the year ended 31 December 2014, aggregate number of 39,360,000 share options was forfeited due to expiry of those share options.

b) During the year ended 31 December 2014, an employee who was granted 2,000,000 share options on 11 September 2013 was appointed as executive director on 10 September 2014.

33. SHARE–BASED PAYMENT TRANSACTIONS (Continued)

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

(a) Share option scheme (Continued)

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

	Date of grant									
	4 May 2015	4 May 2015	4 May 2015	4 May 2015	4 May 2015	2 July 2015	2 July 2015	2 July 2015	2 July 2015	20 October 2015
Share price on the date of grant	HK$0.40	HK$0.40	HK$0.40	HK$0.40	HK$0.40	HK$0.59	HK$0.59	HK$0.59	HK$0.59	HK$0.26
Exercise price	HK$0.40	HK$0.40	HK$0.40	HK$0.40	HK$0.40	HK$0.684	HK$0.684	HK$0.684	HK$0.684	HK$0.261
Expected volatility	69.53%	69.53%	69.53%	69.53%	69.53%	73.61%	74.26%	74.26%	74.26%	82.92%
Expected life	3 years	3 years	3 years	3 years	3 years	3 years	4 years	4 years	4 years	3 years
Risk–free rate	0.735%	0.735%	0.735%	0.735%	0.735%	0.624%	0.872%	0.872%	0.872%	0.533%
Expected dividend yield	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

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

The Group recognised the total expense of approximately HK$21,473,000 (equivalent to approximately RMB17,476,000) for the year ended 31 December 2015 (2014: HK$1,579,000 (equivalent to approximately RMB1,257,000) and prepayment of approximately HK$17,442,000 (equivalent to approximately RMB14,831,000) in relation to the above share options granted by the Company.

33. SHARE–BASED PAYMENT TRANSACTIONS (Continued)

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

(b) Share incentive scheme

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

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

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

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

During the two years ended 31 December 2015, no options were granted and outstanding of options under the Share Incentive Scheme.

34. RETIREMENT BENEFITS SCHEME

Hong Kong

The Group operates the MPF Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees in Hong Kong. The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, each of the Group companies (the "employer") in Hong Kong and its employees are required to make contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund Legislation. The contributions from each of the employer and employees are subject to a cap of HK$1,250 per month before 1 June 2014 and HK$1,500 per month, since 1 June 2014 onwards. During the year ended 31 December 2015, the total amount contributed by the Group to this scheme and charged to the consolidated statement of profit or loss and other comprehensive income was approximately RMB119,000 (2014: RMB115,000).

34. RETIREMENT BENEFITS SCHEME (Continued)

The PRC

As stipulated by rules and regulations in the PRC, subsidiaries in the PRC are required to contribute to a state–managed retirement plan for all its employees at a certain percentage of the basic salaries of its employees. The state–managed retirement plan is responsible for the entire pension obligations payable to all retired employees. Under the state–managed retirement plan, the Group has no further obligations for the actual pension payments or post–retirement benefits beyond the annual contributions. During the year ended 31 December 2015, the total amount contributed by the Group to this scheme and charged to the consolidated statement of profit or loss and other comprehensive income was approximately RMB1,344,000 (2014: RMB1,029,000).

35. DISPOSAL OF SUBSIDIARIES

(i) On 27 June 2014, the Group disposed of Great Process Limited, a wholly–owned subsidiary of the Group, to an independent third party at cash consideration of HK$1. The subsidiary is engaged in investment holding. The net assets of Great Process Limited at the date of disposal were as follows:

Consideration received:	RMB'000
Cash received	–

Analysis of assets and liabilities over which control was lost:	RMB'000
Net liability disposed of	
Other payable	(32)

Gain on disposal of a subsidiary:	
Consideration received	–
Net liability disposed of	32
Gain on disposal	32

Net cash inflow arising on disposal:	
Cash consideration	–

35. DISPOSAL OF SUBSIDIARIES (Continued)

(ii) On 16 September 2014, the Group disposed of Smart Century Investment Limited, a wholly–owned subsidiary of the Group, to an independent third party at cash consideration of HK$23,300,000 (equivalent to approximately RMB18,496,000). The subsidiary is engaged in investment holding. The net assets of Smart Century Investment Limited at the date of disposal were as follows:

Consideration received:	RMB'000
Cash received	79
Deferred cash consideration (Note a)	18,417
Total consideration received	18,496

Analysis of assets and liabilities over which control was lost:	RMB'000
Plant and equipment (Note 17)	–
Interest in an associate	–
Available–for–sale investments	1,985
Other receivables	780
Amount due from an associate	10,493
Bank balances and cash	3
Other payables	(12,423)
Net assets disposed of	838

Gain on disposal of a subsidiary:	
Consideration received	79
Consideration receivable	18,417
Net assets disposed of	(838)
Gain on disposal	17,658

Net cash inflow arising on disposal:	
Cash consideration	79
Less: bank balances and cash disposed of	(3)
	76

Note a: Sales proceeds of HK$23,200,000 (equivalent to approximately RMB18,417,000) has not been received in cash during the year ended 31 December 2014. The balance of HK$23,200,000 (equivalent to approximately RMB18,591,000) as at 31 December 2014 was recorded as other receivables as disclosed in Note 21.

36. CHANGES IN OWNERSHIP INTEREST IN A SUBSIDIARY

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

Acquisition of additional interest in a subsidiary

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

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

37. RELATED PARTY TRANSACTIONS

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

(b) Compensation of key management personnel

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

	2015 **RMB'000**	2014 RMB'000
Short–term benefits	**5,179**	3,091
Post–employment benefits	**114**	72
Share–based payment expenses	**3,144**	224
	8,437	3,387

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.

38. EVENT AFTER THE REPORTING PERIOD

On 29 December 2015, the Group entered into the Placing Letter with Changjiang Securities Brokerage (HK) Limited which the Group agreed to subscribe for 50,000,000 new CPP Shares at the Placing Price of HK$0.22, for a total Consideration of HK$11,000,000 (not including the corresponding transaction levy and trading fee). The placing have been completed on 20 January 2016. Together the original shareholding on CPP, the Group has an aggregate of 199,677,419 CPP Shares.

39. MAJOR NON–CASH TRANSACTIONS

(i) On 2 February 2015, a subsidiary, 創智利德(北京)科技發展有限公司 ("Chuangzhi Lide"), entered into a sale and purchase agreement with the non–controlling interest holder of the Group to transfer all the LED advertising business related assets and liabilities to the non–controlling interest holder in exchange of 49% equity interest of a subsidiary, 上海晟彩. The consideration were transfer the plant and equipment with net book value approximately RMB44,000, rental payable of approximately RMB266,000, amount due from non–controlling interest holder of approximately RMB203,000 together with accumulated impairment loss of approximately RMB203,000 and the direct transactions costs of approximately RMB7,000. As there is no change of control on 上海晟彩, difference of approximately RMB215,000 was recognised in the other reserve during current year. Further details on acquisition of additional interest in a subsidiary are set out in Note 36.

(ii) During the year ended 31 December 2014, the Group disposed of its entire interest in Smart Century Investment Limited, included in sales proceeds of HK$23,200,000 (equivalent to approximately RMB18,591,000) has not been received in cash and recorded as other receivables as at 31 December 2014.

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

(iii) During the year ended 31 December 2014, an other borrowing and interest payable of RMB18,000,000 and approximately RMB1,210,000 respectively were settled by the deposit of HK$25,000,000 (equivalent to approximately RMB19,945,000) and write off of other receivable of approximately RMB735,000 was recognised as administrative expense.

(iv) During the year ended 31 December 2013, the consideration for the acquisition of a subsidiary comprised shares. Additional 950,000,000 convertible preference shares of par value of HK$0.1 each was issued according to valuation adjustment upon fulfillment of the profit guarantee during the year ended 31 December 2014. Further details of the acquisition are set out in Note 29.

(v) On 17 June 2014, all conditions precedent of the capital reorganisation as per announcements dated 11 November 2013, 27 December 2013, 11 April 2014 and 17 June 2014 and the circular of the Company dated 2 December 2013, have been fulfilled. The par value of each of the issued ordinary shares was reduced from HK$0.1 to HK$0.01 each by cancelling the paid up capital of HK$0.09 per issued ordinary share. Further details of the capital reorganisation are set out in Note 28.

39. MAJOR NON–CASH TRANSACTIONS (Continued)

(vi) During the year ended 31 December 2014, aggregate of 1,800,000,000 convertible preference shares of par value HK$0.1 each were converted into 1,800,000,000 ordinary shares of HK$0.1 each at par value.

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	NOTES	**2015 RMB'000**	2014 RMB'000
Non–current assets			
Plant and equipment		**269**	1,387
Investments in subsidiaries	(a)	**13**	13
		282	1,400
Current assets			
Other receivables		**26,956**	1,194
Amounts due from subsidiaries	(b)	**589,945**	509,831
Held for trading investments	(c)	**28,000**	–
Bank balances and cash		**33,511**	14,427
		678,412	525,452
Current liability			
Other payables		**946**	826
Net current assets		**677,466**	524,626
		677,748	526,026
Capital and reserves			
Share capital		**38,786**	34,920
Reserves	(d)	**638,962**	491,106
Total equity		**677,748**	526,026

Notes:

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

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

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

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

Notes: (Continued)

(d)

	Convertible preference share capital reserves RMB'000	Share premium RMB'000	Special reserve RMB'000	Translation reserve RMB'000	Other reserve RMB'000	Capital redemption reserve RMB'000	Share options reserve RMB'000	Contribution from shareholders RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2014	67,027	835,885	57,814	(10,826)	298,235	595	48,393	1,927	(997,328)	301,722
Profit for the year	–	–	–	–	–	–	–	–	4,092	4,092
Other comprehensive expense for the year										
– Exchange differences arising on translation	–	–	–	13,091	–	–	–	–	–	13,091
Total comprehensive expense for the year	–	–	–	13,091	–	–	–	–	4,092	17,183
Recognition of equity-settled share-based payment expenses (Note 33)	–	–	–	–	–	–	1,257	–	–	1,257
Issue of preference shares (Note 29)	76,305	80,930	–	–	(157,235)	–	–	–	–	–
Issue of shares upon conversion of preference shares (Note 28)	(143,332)	74,114	–	–	–	–	–	–	–	(69,218)
Reduction of share capital upon capital reorganisation (Note 28)	–	–	–	–	–	–	–	–	240,162	240,162
At 31 December 2014	–	990,929	57,814	2,265	141,000	595	49,650	1,927	(753,074)	491,106
At 1 January 2015	–	990,929	57,814	2,265	141,000	595	49,650	1,927	(753,074)	491,106
Loss for the year	–	–	–	–	–	–	–	–	(41,246)	(41,246)
Other comprehensive expense for the year										
– Exchange differences arising on translation	–	–	–	39,418	–	–	–	–	–	39,418
Total comprehensive expense for the year	–	–	–	39,418	–	–	–	–	(41,246)	(1,828)
Recognition of equity-settled share-based payment expenses (Note 33)	–	–	–	–	–	–	31,672	–	–	31,672
Issue of shares upon placing (Note 28)	–	121,244	–	–	–	–	–	–	–	121,244
Transactions costs attributable to issue of shares	–	(6,252)	–	–	–	–	–	–	–	(6,252)
Issue of shares upon exercise of share options (Note 28)	–	4,535	–	–	–	–	(1,515)	–	–	3,020
At 31 December 2015	–	1,110,456	57,814	41,683	141,000	595	79,807	1,927	(794,320)	638,962

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Company's principal subsidiaries as at 31 December 2015 and 2014 are as follows:

Name of subsidiary	Place of incorporation/ operation	Class of shares held	Issued and fully paid share capital/ registered capital	Proportion ownership interest held by the Company				Principal activities
				2015		2014		
				Directly	Indirectly	Directly	Indirectly	
上海美視文化傳播有限公司	The PRC	Registered capital	RMB3,000,000	–	98%	–	98%	Provision of management and consultancy services to media enterprises; Distribution of TV programmes
Chuangzhi Lide	The PRC	Registered capital	RMB45,965,860	–	97.82%	–	97.82%	Operating and broadcasting across LED displays
新華色彩(北京)文化傳播有限公司	The PRC	Registered capital	RMB2,000,000	–	97.82%	–	97.82%	Operating and broadcasting outdoor displays
Precious Luck	The BVI	Ordinary	US$100	–	100%	–	100%	Investment holding
北京柯瑞環宇傳媒文化有限公司	The PRC	Registered capital	RMB1,000,000	–	98%	–	98%	Provision of management and consultancy services to media enterprises
上海晟彩文化傳播有限公司	The PRC	Registered capital	RMB2,000,000	–	97.82%	–	50%	Operating and broadcasting across LED displays
China Oriental Culture (Hong Kong) Limited	Hong Kong	Ordinary	HK$1	100%	–	100%	–	Acts as administrative center of the Group
China Oriental Culture Limited	Hong Kong	Ordinary	HK$1	100%	–	100%	–	Acts as administrative center of the Group
Housden Holdings Limited	The BVI	Ordinary	US$2	–	100%	–	100%	Investment holding
CL Education Limited	Hong Kong	Ordinary	HK$28,146,300	–	100%	–	100%	Investment holding
北京創聯中人技術服務有限公司	The PRC	Registered capital	RMB64,669,804	–	100%	–	100%	Provision of technical consultancy services
北京創聯教育投資有限公司	The PRC	Registered capital	RMB11,000,000	–	– (note a)	–	– (note a)	Investment management and the provision of educational consultancy services
北京中人光華教育科技有限公司	The PRC	Registered capital	RMB2,550,000	–	– (note a)	–	– (note a)	Provision of internet information services and the promotion of technologies

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

Note:

(a) The Group does not have legal ownership in equity of the subsidiaries. The PRC regulations restrict foreign ownership of companies that provide telecommunications and information services. In order to enable the Group to operate such services, the Group has signed certain contractual agreements on 25 March 2011 with the registered owners of the subsidiaries to owned subsidiary control by way of controlling the voting rights, governing its financial and operating policies, appointing or removing the majority of the members of their controlling authorities, and casting the majority of votes at meetings of such authorities. In addition, such contractual agreements also transfer the risks and rewards of the company to the Group and/or its other legally owned subsidiaries. As a result, they are presented as controlled structured entities of the Group. As at 31 December 2015 and 2014, the Group has 100% of voting right for 北京創聯教育投資有限公司 and 51% of voting right for 北京中人光華教育科技有限公司.

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

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

Principal activities	Principal place of business	Number of subsidiaries	
		31/12/2015	31/12/2014
Inactive	Hong Kong	**2**	2
	BVI	**1**	1
	PRC	**4**	4
Provision of consultancy services	Hong Kong	**1**	–
Investment holding	Hong Kong	**2**	2
	BVI	**5**	5
		15	14

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

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

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

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

Name	Place of incorporation / operations	Proportion of ownership interests and voting rights held by non–controlling interests		Profit (loss) allocated to non–controlling interests		Accumulated non–controlling interests	
		2015	2014	**2015**	2014	**2015**	2014
				RMB'000	RMB'000	**RMB'000**	RMB'000
北京中人光華教育科技有限公司	The PRC	**49%**	49%	**1,723**	(12)	**211**	(1,512)
Individually immaterial subsidiaries with non–controlling interests				**286**	(286)	**5,123**	3,753
				2,009	(298)	**5,334**	2,241

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

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

北京中人光華教育科技有限公司

	2015 **RMB'000**	2014 RMB'000
Current assets	**20,521**	17,357
Non–current assets	**3,675**	969
Current liabilities	**(23,767)**	(21,413)
Equity attributable to owners of the Company	**218**	(1,575)
Non–controlling interests	**211**	(1,512)
Revenue	**61,101**	57,717
Expenses	**(57,585)**	(57,742)
Profit (loss) and total comprehensive income (expenses) for the year	**3,516**	(25)
Profit (loss) attributable to owners of the Company	**1,793**	(13)
Profit (loss) attributable to non–controlling interests	**1,723**	(12)
Total profit (loss) and total comprehensive income (expenses) for the year	**3,516**	(25)
Net cash inflow from operating activities	**3,750**	4,926
Net cash outflow from investing activities	**(3,348)**	(304)
Net cash inflow from financing activities	**4,752**	2,293
Net cash inflow	**5,154**	6,915