

Interim Report

2017



China Chuanglian Education Group Limited

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2371)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

The board (the “Board”) of directors (the “Directors”) of China Chuanglian Education Financial Group Limited (the “Company”) hereby announces the unaudited condensed consolidated financial results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2017 (the “Reporting Period”), together with the comparative figures for the corresponding period in 2016 as follows:

	Notes	Six months ended 30 June	
		2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited) (Restated)
Continuing operations			
Revenue	3	43,958	37,522
Cost of sales and services		(16,178)	(16,993)
Gross profit		27,780	20,529
Other income	4	952	1,005
Selling and marketing expenses		(12,779)	(7,231)
Administrative expenses		(27,114)	(30,002)
Unrealised loss on fair value changes of held for trading investments		(6,781)	(18,561)
Loss on disposal of held for trading investments		(666)	—
Share of result of associates		(75)	(197)
Loss before tax		(18,683)	(34,457)
Income tax expenses	5	(1,605)	(756)
Loss for the period from continuing operations		(20,288)	(35,213)
Discontinued operation			
Profit (loss) for the period from discontinued operations	9	10,473	(2,434)
Loss for the period	6	(9,815)	(37,647)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

For the six months ended 30 June 2017

	Six months ended 30 June	
Notes	2017 <i>RMB'000</i> (Unaudited)	2016 <i>RMB'000</i> (Unaudited) (Restated)
Other comprehensive (expense) income		
<i>Item that may be reclassified to profit or loss:</i>		
Exchange differences arising on translation and other comprehensive income for the period	(1,683)	596
Total comprehensive expense for the period	(11,498)	(37,051)
Profit (loss) for the period attributable to owners of the Company:		
– from continuing operations	(21,654)	(34,821)
– from discontinued operations	10,475	(2,385)
	(11,179)	(37,206)
Profit (loss) for the period attributable to non-controlling interests:		
– from continuing operations	1,366	(392)
– from discontinued operations	(2)	(49)
	1,364	(441)
	(9,815)	(37,647)
Total comprehensive income (expense) for the period attributable to:		
– owners of the Company	(12,862)	(36,610)
– non-controlling interests	1,364	(441)
	(11,498)	(37,051)
Loss per share	8	
From continuing and discontinued operations		
Basic and diluted (<i>RMB cents</i>)	(0.24)	(0.80)
From continuing operations		
Basic and diluted (<i>RMB cents</i>)	(0.47)	(0.75)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Notes	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Non-current assets			
Plant and equipment	10	37,658	33,828
Intangible assets		46,083	49,685
Goodwill		50,140	38,290
Interests in associates		800	875
Available-for-sale investments		48,373	23,498
Deposit paid for acquisition of available-for-sale investments		—	25,000
Prepayment for acquisition of plant and equipment		—	880
		183,054	172,056
Current assets			
Trade and other receivables	11	45,197	23,502
Held for trading investments		2,481	12,578
Bank balances and cash		78,440	113,181
		126,118	149,261
Current liabilities			
Trade and other payables	12	54,730	48,647
Amount due to a shareholder		142	141
Provision for a claim		2,000	2,000
Income tax payable		3,282	13,365
		60,154	64,153
Net current assets		65,964	85,108
Total assets less current liabilities		249,018	257,164
Capital and reserves			
Share capital	13	38,786	38,786
Reserves		194,012	204,526
Equity attributable to owners of the Company		232,798	243,312
Non-controlling interests		5,246	2,207
Total equity		238,044	245,519
Non-current liability			
Deferred tax liability	14	10,974	11,645
		249,018	257,164

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	Attributable to owners of the Company											
	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000	Translation reserve RMB'000	Capital redemption reserve RMB'000	Share options reserve RMB'000	Contribution from shareholders RMB'000	Other reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2016 (Audited)	38,786	1,110,456	15,536	5,310	595	79,807	1,927	140,382	(967,044)	425,755	5,334	431,089
Loss for the period	—	—	—	—	—	—	—	—	(37,206)	(37,206)	(441)	(37,647)
Other comprehensive income for the period	—	—	—	—	—	—	—	—	—	—	—	—
- Exchange differences arising on translation	—	—	—	596	—	—	—	—	—	596	—	596
Total comprehensive (expense) income for the period	—	—	—	596	—	—	—	—	(37,206)	(36,610)	(441)	(37,051)
Acquisition of additional interest in a subsidiary	—	—	—	—	—	—	—	(273)	—	(273)	(217)	(490)
Recognition of equity-settled share-based payment expenses	—	—	—	—	—	1,682	—	—	—	1,682	—	1,682
Capital contribution by non-controlling interest	—	—	—	—	—	—	—	—	—	—	9,800	9,800
At 30 June 2016 (Unaudited)	38,786	1,110,456	15,536	5,906	595	81,489	1,927	140,109	(1,004,250)	390,554	14,476	405,030

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 June 2017

Attributable to owners of the Company												
	Share capital	Share premium	Special reserve	Translation reserve	Capital redemption reserve	Share options reserve	Contribution from shareholders	Other reserve	Accumulated losses	Total	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2017 (Audited)	38,786	1,110,456	15,536	8,667	595	83,145	1,927	140,477	(1,156,277)	243,312	2,207	245,519
(Loss) profit for the period	—	—	—	—	—	—	—	—	(11,179)	(11,179)	1,364	(9,815)
Other comprehensive income for the period	—	—	—	—	—	—	—	—	—	—	—	—
- Exchange differences arising on translation	—	—	—	(1,683)	—	—	—	—	—	(1,683)	—	(1,683)
Total comprehensive (expense) income for the period	—	—	—	(1,683)	—	—	—	—	(11,179)	(12,862)	1,364	(11,498)
Recognition of equity-settled share-based payment expenses	—	—	—	—	—	2,354	—	—	—	2,354	—	2,354
Disposal of subsidiaries	—	—	—	(6)	—	—	—	—	—	(6)	195	189
Capital contribution by non-controlling interest	—	—	—	—	—	—	—	—	—	—	1,480	1,480
At 30 June 2017 (Unaudited)	38,786	1,110,456	15,536	6,978	595	85,499	1,927	140,477	(1,167,456)	232,798	5,246	238,044

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
OPERATING ACTIVITIES		
Cash (used in) generated from operations	(14,748)	5,058
Income tax paid	(3,699)	(3,108)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(18,447)	1,950
INVESTING ACTIVITIES		
Purchase of plant and equipment	(6,833)	(3,023)
Addition of intangible assets	(68)	(2,018)
Acquisition of a subsidiary	(9,995)	(4,648)
Disposal of subsidiaries	(98)	—
Prepayment for purchase of plant and equipment	—	(15,630)
Prepayment for purchase of investment	—	(20,000)
Prepayment for establishment of a subsidiary	—	(1,500)
Interest received	236	496
Placement of loan receivables	—	(8,000)
Repayment of loan receivables	—	5,000
Purchases of held for trading investments	—	(8,895)
Purchases of available-for-sale investments	—	(3,110)
NET CASH USED IN INVESTING ACTIVITIES	(16,758)	(61,328)
FINANCING ACTIVITIES		
Repayment to a shareholder	—	(47)
Government subsidies received	—	120
Acquisition of additional interest in a subsidiary	—	(490)
Capital injection by non-controlling interests	1,480	9,800
Interest paid on bank and other borrowings	—	(203)
NET CASH FROM FINANCING ACTIVITIES	1,480	9,180
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(33,725)	(50,198)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	113,181	191,776
Effect of foreign exchange rate changes	(1,016)	(216)
CASH AND CASH EQUIVALENTS AT 30 JUNE, represented by bank balances and cash	78,440	141,362

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL AND BASIS OF PREPARATION

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

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

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

The condensed consolidated financial statements of the Group for the six months ended 30 June 2017 have been prepared in accordance with the applicable disclosure provisions of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rule”) and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2016 except as described below.

In the current interim period, the Group has applied, for the first time, the following new standards, amendments and interpretation (“new HKFRSs”) issued by the HKICPA which are effective for the Group’s financial year beginning on 1 January 2017.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

The application of the new and revised HKFRSs in the current interim period has had no material effect on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. 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. Securities trading — trading of financial assets at fair value through profit or loss; and
2. Educational consultancy and online training and education — provision of educational consultancy services and online training and education services.

An operating segment regarding the other media was discontinued in the six months ended 30 June 2017. The segment information reported below does not include any amounts for these discontinued operations, which are described in more details in note 9.

Segment revenue and results

The following table presents Group's revenue and results from continuing operations by operating and reportable segments for the six months ended 30 June 2017 and 2016 respectively:

Six months ended 30 June 2017

	Securities trading RMB'000 (Unaudited)	Educational consultancy and online training and education RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Continuing operations			
REVENUE			
External sales	—	43,958	43,958
Segment (loss) profit	(7,447)	2,246	(5,201)
Unallocated other income			178
Unallocated corporate expenses			(13,660)
Loss before tax			(18,683)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. SEGMENT INFORMATION (Continued)

Six months ended 30 June 2016 (Restated)

	Securities trading <i>RMB'000</i> (Unaudited)	Educational consultancy and online training and education <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Continuing operations			
REVENUE			
External sales	—	37,522	37,522
Segment (loss) profit	(17,878)	1,903	(15,975)
Unallocated other income			447
Unallocated corporate expenses			(18,929)
Loss before tax			(34,457)

Segment profit/loss represents the profit/loss from each segment without allocation of central administration costs, directors' emoluments, bank interest income 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 purposes of resources allocation and performance assessment.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. SEGMENT INFORMATION (Continued)

Segment assets and liabilities

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

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Segment assets		
Continuing operations		
Securities trading	5,271	14,376
Educational consultancy and online training and education	184,769	135,778
Total segment assets	190,040	150,154
Assets relating to discontinued operation	—	12
Unallocated corporate assets	119,132	171,151
Consolidated assets	309,172	321,317
Segment liabilities		
Continuing operations		
Securities trading	—	—
Educational consultancy and online training and education	41,438	31,792
Total segment liabilities	41,438	31,792
Liabilities relating to discontinued operation	—	1,072
Unallocated corporate liabilities	29,690	42,934
Consolidated liabilities	71,128	75,798

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

- all assets are allocated to operating segments other than certain plant and equipment, available-for-sale investments, deposit paid for acquisition of available-for-sale investment, prepayment for acquisition of plant and equipment, certain other receivables and bank balances and cash; and
- all liabilities are allocated to operating segments other than certain other payables, amount due to a shareholder, income tax payable and deferred tax liability.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. OTHER INCOME

	Six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited) (Restated)
Continuing operations		
Reversal of impairment loss in respect of trade and other receivables	505	—
Bank interest income	178	447
Other interest income	58	49
Net foreign exchange gain	—	439
Others	211	70
	952	1,005

5. INCOME TAX EXPENSES

	Six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited) (Restated)
Continuing operations		
PRC Enterprise Income Tax — current period	2,276	1,395
Hong Kong Profits Tax — under provision in prior years	—	263
Deferred tax	(671)	(902)
	1,605	756

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging:

	Six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited) (Restated)
Continuing operations		
Depreciation of plant and equipment	3,866	1,265
Amortisation of intangible assets (included in cost of services)	3,670	3,937
Net foreign exchange losses	558	—
Share-based payment expenses (excluding directors' and chief executive's emoluments)	2,276	9,927
<u>Operating lease rentals in respect of rented premises</u>	<u>3,668</u>	<u>4,570</u>

7. DIVIDEND

No dividends were paid, declared or proposed during the interim period. The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

8. LOSS PER SHARE

From continuing and discontinued operations

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

	Six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited) (Restated)
Loss		
Loss for the period attributable to owners of the Company for the purpose of basic and diluted loss per share	<u>(11,179)</u>	<u>(37,206)</u>
	<i>'000</i>	<i>'000</i>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>4,652,523</u>	<u>4,652,523</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8. LOSS PER SHARE (Continued)

From continuing operations

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

Loss figures are calculated as follows:

	Six months ended 30 June	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited) (Restated)
Loss		
Loss for the period attributable to owners of the Company from continuing operation	(21,654)	(34,821)

The denominators used are the same as those detailed above for both basic and diluted loss per share.

Diluted loss per share is same as basic loss per share for both periods. The computation of diluted loss per share does not assume the conversation of the Company's outstanding share options since their exercise would result in a decrease in loss per share.

From discontinued operation

Basic and diluted earnings per share for the discontinued operation is RMB0.23 cents per share (2016: RMB0.05 cents basic and diluted loss per share), based on the profit for the period from the discontinued operations of approximately RMB10,475,000 (2016: loss of approximately RMB2,385,000) and the denominators detailed above.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9. DISCONTINUED OPERATION

On 20 June 2017, the Group entered into a sale agreement to dispose of a business, Bold Champion International Limited (“Bold Champion”), which carried out all of the Group’s other media operations. The disposal was completed on 20 June 2017, on which date control of Bold Champion International Limited passed to the acquirer.

The loss for the period from the discontinued operation is set out below. The comparative figures in the condensed consolidated statement of profit or loss and other comprehensive income have been restated to re-present the other media as discontinued operation:

	Six months ended 30 June	
	2017 <i>RMB'000</i> (Unaudited)	2016 <i>RMB'000</i> (Unaudited)
Loss of other media operation for the period	(77)	(2,434)
Gain on disposal of other media operation (note 18)	10,550	—
	10,473	(2,434)

The results of the other media for the period from 1 January 2017 to 20 June 2017, which have been included in the condensed consolidated statement of profit or loss and other comprehensive income, were as follows:

	Six months ended 30 June	
	2017 <i>RMB'000</i> (Unaudited)	2016 <i>RMB'000</i> (Unaudited)
Revenue	—	773
Cost of sales	—	(2,984)
Other income	20	121
Administrative expenses	(79)	(131)
Finance costs	—	(203)
Loss before tax	(59)	(2,424)
Income tax expense	(18)	(10)
Loss for the period	(77)	(2,434)
Loss for the year from discontinued operation include the following:		
Salary	40	95
Legal and professional fee	—	2
Employee benefit expenses	10	6

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9. DISCONTINUED OPERATION (Continued)

During the period, Bold Champion contributed RMB53,000 to the Group's net operating cash inflows (2016: net operating cash outflows RMB498,000), paid RMB1,000 (2016: RMB1,000) in respect of investing activities and paid nil (2016: RMB368,000) in respect of financing activities. The carrying amounts of the assets and liabilities of Bold Champion at the date of disposal are disclosed in note 18.

10. MOVEMENTS IN PLANT AND EQUIPMENT

During the six months ended 30 June 2017, the Group acquired assets with a cost of approximately RMB7,713,000 (six months ended 30 June 2016: approximately RMB3,194,000), excluding plant and equipment acquired through acquisition of a subsidiary set out in note 17.

11. TRADE AND OTHER RECEIVABLES

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Trade receivables	28,245	12,144
Less: impairment loss recognised	(1,384)	(3,803)
	26,861	8,341
Deposits for TV programmes production	—	15,634
Other receivables	12,180	9,715
Less: impairment loss recognised	(94)	(15,731)
	12,086	9,618
Deposits	1,737	1,774
Prepayments	4,513	3,769
	45,197	23,502

The Group does not hold any collateral over these receivables.

Trade receivables are due according to the terms on the relevant contract. The following is an ageing 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11. TRADE AND OTHER RECEIVABLES (Continued)

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Within 30 days	21,412	3,102
31 to 60 days	6	367
61 to 180 days	—	43
181 to 365 days	734	—
Over 365 days	4,709	4,829
	26,861	8,341

12. TRADE AND OTHER PAYABLES

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Trade payables	2,585	3,516
Other payables	5,713	5,768
Payable of litigation claim (<i>note</i>)	12,368	12,115
Amount due to non-controlling interest	3	—
Receipts in advance	29,021	18,023
Accruals	5,040	9,225
	54,730	48,647

Note: 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 30 June 2017, the carrying value of such LED display panel recognised as construction in progress was nil (31 December 2016: nil), net of accumulated impairment loss of approximately RMB1,587,000 (31 December 2016: 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. TRADE AND OTHER PAYABLES (Continued)

The total payable for the litigation claims in the condensed consolidated financial statement of the Group as at 30 June 2017 was approximately RMB12,368,000 (31 December 2016: RMB12,115,000), which including litigation claim of approximately RMB10,342,000 (31 December 2016: RMB10,342,000) plus the estimated accrued interest of approximately RMB1,903,000 (31 December 2016: RMB1,650,000) and the related court expenses of approximately RMB123,000 (31 December 2016: RMB123,000).

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

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Within 30 days	1,950	3,190
31-60 days	295	—
61-90 days	5	—
91-180 days	4	—
Over one year	331	326
	2,585	3,516

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 time frame.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. SHARE CAPITAL

	Number of shares		Share capital		Equivalent nominal value of ordinary shares	
	30 June 2017 '000 (Unaudited)	31 December 2016 '000 (Audited)	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Ordinary shares of HK\$0.01 each as at 30 June 2017 (31 December 2016: HK\$0.01 each)						
Authorised:						
At the beginning and end of the period/year	100,000,000	100,000,000	1,000,000	1,000,000	879,100	879,100
Issued and fully paid:						
At the beginning and end of the period/year	4,652,523	4,652,523	46,525	46,525	38,786	38,786

14. DEFERRED TAX LIABILITY

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

	<i>RMB'000</i>
At 1 January 2016	22,803
Credit to profit or loss	(11,158)
At 31 December 2016 and 1 January 2017	11,645
Credit to profit or loss	(671)
At 30 June 2017	10,974

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

15. CAPITAL COMMITMENTS

	30 June 2017 RMB'000	30 June 2016 RMB'000
Commitments contracted but not provided for in respect of:		
Capital contribution to associates	4,890	4,890
Acquisition of plant and equipment	—	1,914
	4,890	6,804

16. SHARE-BASED PAYMENT

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

On 29 June 2017, 42,300,000 share options were granted to employees and external consultants under the Scheme. The exercise price of the options of HKD 0.127 was equal to the market price of the shares on the date of grant. The options not more than 30% were vested on 18 May 2017, not more than 60% will be vested on 18 May 2018, and not more than 100% will be vested on 18 May 2019. The fair value at grant date is estimated using the Black-Scholes Option Pricing Model, taking into account the terms and conditions upon which the options were granted. The contractual life of each option granted is 5 years. There is no cash settlement of the options. The fair value of options granted during the six months ended 30 June 2017 was estimated on the date of grant using the following assumptions:

Dividend yield (%)	0%
Expected volatility (%)	75.39%
Risk-free interest rate (%)	1.130%
Expected life of share options (years)	5 years
Weighted average share price (HK\$)	HK\$0.1270

The weighted average fair value of the options granted during the six months period was HK\$0.14 (year ended 31 December 2016: HK\$0.15).

For six months ended 30 June 2017, the Group has recognised approximately HK\$2,590,000 (equivalent to approximately RMB2,278,000) (six months ended 30 June 2016: approximately HK\$11,747,000 (equivalent to approximately RMB9,927,000)) of share-based payment expenses in the condensed consolidated statement of profit or loss and other comprehensive income.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

16. SHARE-BASED PAYMENT (Continued)

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

	<i>Number of share options</i>
Outstanding as at 1 January 2017	294,684,000
Granted during the period	42,300,000
Forfeited during the period	<u>(1,000,000)</u>
Outstanding as at 30 June 2017	<u>335,984,000</u>

17. ACQUISITION OF A SUBSIDIARY

On 27 April 2017, the Group acquired 100% of issued share capital of Beijing Zhongjin Insurance Brokerage Limited ("Beijing Zhongjin") for consideration of RMB10,000,000. This acquisition has been accounted for using the acquisition method. The amount of goodwill arising as a result of the acquisition was RMB11,849,517. Beijing Zhongjin is engaged in the provision of insurance service. Beijing Zhongjin was acquired so as to continue the expansion of the Group's insurance operations.

Consideration transferred

	<i>RMB '000</i>
Cash	<u>10,000</u>

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	<i>RMB '000</i>
Plant and equipment	114
Trade and other receivables	1,641
Bank balances and cash	5
Trade and other payable	<u>(3,610)</u>
	<u>(1,850)</u>

Goodwill arising on acquisition:

	<i>RMB '000</i>
Consideration transferred	10,000
Add: net liabilities acquired	<u>1,850</u>
Goodwill arising on acquisition	<u>11,850</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

17. ACQUISITION OF A SUBSIDIARY (Continued)

Goodwill arose in the acquisition of Beijing Zhongjin because the cost of the combination included a control premium.

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

Net cash outflow on acquisition of Beijing Zhongjin:

	<i>RMB'000</i>
Cash consideration paid	10,000
Less: Bank balances and cash acquired	(5)
	<u>9,995</u>

Included in the loss for the period is RMB86,000 attributable to the additional business generated by Beijing Zhongjin. Revenue for the period includes RMB173,000 generated from Beijing Zhongjin.

Had the acquisition been completed on 27 April 2017, total revenue of the Group for the period would have been RMB56,249,000, and profit for the period would have been RMB3,935,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 27 April 2017, nor is it intended to be a projection of future results.

On 31 March 2016, the Group acquired additional 50% of issued share capital of 深圳市創聯星匯科技有限公司 (“CL Xinghui”) for consideration of RMB5,000,000 to obtain control. This acquisition has been accounted for using the acquisition method. Together with the 20% of the issued share capital of CL Xinghui held by the Group, the Group hold 70% of the issued share capital of CL Xinghui after the further acquisition on 31 March 2016. This acquisition has been accounted for using purchase method. The amount of goodwill arising as a result of the acquisition was approximately RMB5,000,000. CL Xinghui is engaged in the online education development. CL Xinghui was acquired so as to continue the expansion of the Group’s educational consultancy and online training and education operations.

Consideration transferred

	<i>RMB'000</i>
Cash	5,000
Fair value on 20% shareholding of CL Xinghui	—
	<u>5,000</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

17. ACQUISITION OF A SUBSIDIARY (Continued)

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

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

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	<i>RMB'000</i>
Plant and equipment	47
Trade and other receivables	26
Bank balances and cash	352
Trade and other payables	(425)

Goodwill arising on acquisition:

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

17. ACQUISITION OF A SUBSIDIARY (Continued)

Net cash outflow on acquisition of CL Xinghui:

	<i>RMB'000</i>
Cash consideration paid	5,000
Less: Bank balances and cash acquired	(352)
	<u>4,648</u>

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

Had the acquisition been completed on 1 January 2016, total group revenue for the year would have been approximately RMB89,070,000 and loss for the year would have been approximately RMB199,926,000. The pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2016, nor is it intended to be a projection of future results.

18. DISPOSAL OF SUBSIDIARIES

As referred to in note 9, on 20 June 2017, the Group discontinued its other media operations at the time of disposal of its subsidiary, Bold Champion. The net assets of Bold Champion at the date of disposal were as follows:

Consideration received:

	<i>RMB'000</i>
Cash received	<u>9</u>

Analysis of assets and liabilities over which control was lost:

	<i>RMB'000</i>
Plant and equipment	9
Bank balances and cash	107
Amount due to non-controlling interests	(230)
Provision for taxation	(8,678)
Sundry creditor	(1,938)
	<u>(10,730)</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

18. DISPOSAL OF SUBSIDIARIES (Continued)

Gain on disposal of subsidiaries:

	<i>RMB'000</i>
Consideration received	9
Add: net liabilities disposed of	10,730
Less: non-controlling interests	(195)
Add: Cumulative exchange differences in respect of the net assets of the subsidiary reclassified from equity to profit or loss on loss of control of the subsidiary	6
<u>Gain on disposal</u>	<u>10,550</u>

The gain on disposal is included in the profit for the period from discontinued operations (see note 9).

Net cash outflow on disposal of subsidiaries

	<i>RMB'000</i>
Cash consideration	9
Less: bank balances and cash disposed of	(107)
	<u>(98)</u>

The impact of Bold Champion on the Group's results and cash flows in the current and prior periods is disclosed in note 9.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

19. RELATED PARTY TRANSACTIONS

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

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

	Six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Short-term benefits	1,181	2,680
Post-employment benefits	57	56
Share-based payment expenses	1	311
	1,239	3,047

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.

20. EVENT AFTER THE REPORTING PERIOD

No significant events took place subsequent to 30 June 2017.

21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

Set out below is a comparison of the carrying amounts and fair values of financial assets as at 30 June 2017 and 31 December 2016:

	30 June 2017		31 December 2016	
	Carrying amount RMB'000	Fair value RMB'000	Carrying amount RMB'000	Fair value RMB'000
Financial assets at fair value through profit or loss				
Held for trading investments	2,481	2,481	12,578	12,578

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

(Continued)

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The following table provides the fair value measurement hierarchy of the Group's financial assets as at 30 June 2017 and 31 December 2016:

	Level 1	
	30 June 2017 RMB'000	31 December 2016 RMB'000
Financial assets at fair value through profit or loss		
Held for trading investments	2,481	12,578

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

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

Financial Instruments	Fair value hierarchy	Fair value as at		Valuation technique and key inputs
		30/6/2017 RMB'000	31/12/2016 RMB'000	
Equity securities listed in Hong Kong	Level 1	2,481	12,578	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 condensed consolidated financial statements approximate to their corresponding fair value due to short-term maturities.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the Reporting Period, the Group recorded a revenue of approximately RMB43,958,000 (six months ended 30 June 2016: approximately RMB37,522,000), representing an increase of 17.2% as compared to the last corresponding period.

The overall operating performance of the Group for the Reporting Period was better than the last corresponding period with all its revenue generated from the educational consultancy and online training and education business during the Reporting Period. During the Reporting Period, the Group continued to increase its geographical coverage in providing online training and education services with a major addition in the Guizhou province.

In view of the huge market potential of the online training and education business, the management expects that there will be a steady and sustainable growth in the Group's educational consultancy and online training and education business. The revenue derived from educational consultancy and online training and education is usually subject to certain seasonality as more users would prefer to undertake the trainings closer to the end of the year. As an illustration, the revenue derived from educational consultancy and online training and education for the six months ended 30 June 2016 only accounted for approximately 42.5% of the annual revenue for the year ended 31 December 2016.

Cost of sales and services for the Reporting Period was approximately RMB16,178,000 (six months ended 30 June 2016: approximately RMB16,993,000), representing a decrease of approximately 4.8% as compared to the last corresponding period. Gross profit margin for the Reporting Period increased to approximately 63.2% (six months ended 30 June 2016: approximately 54.7%). The slight decrease in cost of sales and services was mainly due to the decrease in project co-operation expenses and research and development expenses and partially offset by increase in salaries.

Selling and marketing expenses for the Reporting Period was approximately RMB12,779,000 (six months ended 30 June 2016: approximately RMB7,231,000), representing an increase of approximately 76.7% as compared to the last corresponding period. The increase in selling and marketing expenses was mainly due to the increase in expenses related to the leasing of the television channel, consultancy expenses and salaries. Administrative expenses for the Reporting Period was approximately RMB27,114,000 (six months ended 30 June 2016: approximately RMB30,002,000), representing a decrease of 9.6% as compared to the last corresponding period. The decrease in administrative expenses was mainly due to the decrease in the share-based expense from approximately RMB9,927,000 for the six months ended 30 June 2016 to approximately RMB2,278,000 for the Reporting Period arising from the share options granted to employees and consultants. Such expense does not have any impact on the Group's cash flow.

In view of the significant deterioration of the operation of the other media business in the previous year and in order to focus on the core businesses of the Group, the other media business was disposed of during the Reporting Period. A gain of approximately RMB10,550,000 arising from such disposal was recorded for the Reporting Period. In addition, the unrealised loss on fair value changes of held for trading investments significantly decreased from approximately RMB18,561,000 in the last corresponding period to approximately RMB6,781,000 in the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS

As a result of the above, the loss attributable to owners of the Company decreased significantly from approximately RMB37,206,000 for the last corresponding period to approximately RMB11,179,000 for the Reporting Period. The basic loss per share for the Reporting Period was approximately 0.24 cent compared to a basic loss of approximately 0.80 cent for the last corresponding period, representing a decrease of 70.0%.

BUSINESS REVIEW

The Group is principally engaged in the provision of the online training and education services in the PRC. Being one of the very few pioneers of online education providers in the PRC, our existing business mainly focus on providing vocational training in relation to job adaption and skill enhancement to civil servants and professional technical personnel, such as lawyers, accountants, doctors, teachers, etc., in the PRC. There are certain requirements under the PRC laws and relevant provisions that, 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 major target users of the Group's online training and education services are the 7 million civil servants and 68 million professional technical personnel in the PRC. The Group is currently providing online training and education services to its users through a tri-network platform with cable television, internet and telecommunication networks. In respect of cable television, the Group is operating a cable television channel named "Education·Employment" ("教育·就業") which covers 30 provinces, autonomous regions and municipality with over 100 million users in the PRC. In addition, the Group is operating over 120 online training and education platforms and a mobile terminal learning platform, Rongxue App* (融學App) which serves over 5 million online users and nearly 2 million mobile users respectively.

We are committed to providing online vocational training to civil servants and professional technical personnel and strive to become their one-stop, life-long and comprehensive online learning partner. Apart from providing its own training of public required subject on the platform, the Group is also keen on cooperating with different well-known professional course providers, providing top class professional knowledge for the users to help with their career development.

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 such as K12 education. We believe that the establishment of a brand in education with "Chuanglian Education" and guaranteed quality of education services will help the learners to tailor for their different needs during the different phases throughout their lives.

Through the provision of life-long online learning services to learners, the Group has already accumulated a large amount of accurate data and will continue to accumulate more data in the foreseeable future. We believe such large amount of accurate data can help us to identify the other needs of the users through data analysis so that we can provide additional non-education related services and products to our users with clear direction.

MANAGEMENT DISCUSSION AND ANALYSIS

We also believe that the users' loyalty towards our platforms would be enhanced by providing our users with additional products and services other than training and education services.

In view of this, the Group has participated to establish the first mutual life insurance agency in the PRC, Xinmei Mutual Life Insurance Agency* ("Xinmei Mutual") (信美人壽相互保險社) in late 2015 and Xinmei Mutual was officially granted with all the relevant licences to commence its business in May 2017.

Mutual insurance is relatively new in the PRC but very common in other developed countries, such as United States and Japan, etc. Mutual insurance is currently accounting for approximately 30% of the insurance premium in the developed countries but only less than approximately 5% of the insurance premium in the developing countries. Given the extremely low existing penetration of mutual insurance and the huge insurance demand in the PRC, we believe that there is plenty room for development of mutual insurance in the PRC in the foreseeable future.

Mutual insurance aims to tailor insurance products to different groups of people with similar characteristics and needs. Occupation is always one of the key factors in deciding the corresponding needs and requirements of the insured person. As the Group is providing training and education services to civil servants and professional technical personnel of specific profession, the Group is in possession of huge volume of occupation-specific data which can help to analyze the unique needs and requirements of these occupations in order to assist Xinmei Mutual to design the most suitable insurance products for our users.

The Group has acquired 100% equity interest in an insurance brokerage company named Beijing Zhongjin Insurance Brokerage limited* ("Beijing Zhongjin") (北京中金保險經紀有限公司) in April 2017. Beijing Zhongjin will be responsible to brokerage the insurance products from Xinmei Mutual and other insurance companies for sales to all our customers in the future, including but not limited to our users from the training and education platforms.

Online training and education is our starting point and we will continue to work hard to grow our training and education business in light of the huge market potential in the PRC. In view of the ecological environment in the internet world, we firmly believe that the huge volume of accurate data accumulated from our online training and education business can bring us forward to another business opportunity in online financial services which can become another growth driver of the Group in the foreseeable future.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2017, the Group had bank balances and cash of approximately RMB78,440,000 (at 31 December 2016: approximately RMB113,181,000).

As at 30 June 2017, the Group's net current assets totalled approximately RMB65,964,000 (at 31 December 2016: approximately RMB85,108,000).

The Group's current ratio was approximately 2.10 times as at 30 June 2017 as compared with 2.33 times as at 31 December 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

GEARING RATIO

The gearing ratio of the Group (measured as total liabilities to total assets) was 23.0% as at 30 June 2017 (at 31 December 2016: 23.6%).

CAPITAL STRUCTURE

As at 30 June 2017, the Company's issued share capital was approximately HK\$46,525,226 and the number of its issued ordinary shares was 4,652,522,578 shares of HK\$0.01 each.

DISCLOSEABLE TRANSACTION IN RELATION TO ACQUISITION OF 100% EQUITY INTEREST OF THE TARGET COMPANY

On 27 April 2017, Beijing Chuanglian Asset Management Limited* (北京創聯資產管理有限公司), a company incorporated in the PRC and an indirect subsidiary of the Company, entered into an equity transfer agreement in relation to the sale and purchase 100% of the equity interest in the Beijing Zhongjin with Ms. Wu Chaomei, Mr. Fu Yi and Ms. Wu Zhenmo for a total cash consideration of RMB10,000,000.

As the applicable percentage ratios (as defined under Rule 14.04(9) of the Listing Rules) in relation to the above mentioned acquisition exceeded 5% but were below 25%, the acquisition constituted a discloseable transaction of the Company and was subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Details of the acquisition of 100% equity interest of the target company has been set out in the announcement of the Company dated 27 April 2017.

FOREIGN EXCHANGE EXPOSURE

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

CHARGE ON GROUP ASSETS

As at 30 June 2017 and 31 December 2016, the Group did not have any charges on its assets.

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL COMMITMENT

As at 30 June 2017, the Group had outstanding capital commitment in respect of the acquisition of plant and equipment of nil (31 December 2016: RMB1,914,000), the investment of 35% of the issued share capital of an associate Guangxi Beibu Gulf Guolian Jichuang Education Investment Company Limited* (廣西北部灣國聯集創教育投資有限公司), of approximately RMB1,050,000 (31 December 2016: RMB1,050,000) and the investment of 48% of the equity interest of a new company to be established in Shenzhen of RMB3,840,000 (31 December 2016: RMB3,840,000).

EMPLOYEE INFORMATION AND REMUNERATION POLICY

As at 30 June 2017, the Group had 213 employees (31 December 2016: 228 employees) in Hong Kong and the PRC and the total staff costs (including all Directors' remuneration and fees) are approximately RMB20,368,000 for the Reporting Period (six months ended 30 June 2016: approximately RMB22,490,000).

We offer competitive remuneration package, including medical and retirement benefits, to eligible employees. In order to attract, retain and motivate eligible employees, including the Directors, the Company had adopted share option schemes (the "Share Option Schemes"). As at 30 June 2017, there were 335,984,000 share options remained outstanding which can be exercised by the grantees of the Share Option Schemes.

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

SHARE OPTION SCHEMES

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

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

During the Reporting Period, no share options were granted, exercised, lapsed or cancelled and no shares are available for issue under the Share Option Scheme 2004.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, 42,300,000 share options were granted, 1,000,000 share options were lapsed and no share options were exercised or cancelled under the Share Option Scheme 2014. Movements of share options in the Reporting Period under the Share Option Scheme 2014 are summarised as follows:

List of Grantees	Balance as at 1 January 2017	Granted during the Reporting Period	Exercised during the Reporting Period	Lapsed during the Reporting Period	Cancelled during the Reporting Period	Balance as at 30 June 2017	Exercise Price	Date of Grant	Exercise Period
<i>HK\$</i>									
Directors									
Lu Xing	2,000,000	—	—	—	—	2,000,000	0.4	04/05/2015	04/05/2015-03/05/2018
Li Jia	10,000,000	—	—	—	—	10,000,000	0.4	04/05/2015	04/05/2015-03/05/2018
Wu Xiaodong	2,000,000	—	—	—	—	2,000,000	0.4	04/05/2015	04/05/2015-03/05/2018
	—	3,000,000 <i>(Note 6)</i>	—	—	—	3,000,000	0.127	29/06/2017	29/06/2017-28/06/2022 <i>(Note 7)</i>
Wang Cheng	—	3,000,000 <i>(Note 6)</i>	—	—	—	3,000,000	0.127	29/06/2017	29/06/2017-28/06/2022 <i>(Note 7)</i>
Li Dongfu	1,500,000	—	—	—	—	1,500,000	0.4	04/05/2015	04/05/2015-03/05/2018
	—	3,000,000 <i>(Note 6)</i>	—	—	—	3,000,000	0.127	29/06/2017	29/06/2017-28/06/2022 <i>(Note 7)</i>
Leung Siu Kee	1,000,000	—	—	—	—	1,000,000	0.4	04/05/2015	04/05/2015-03/05/2018
Wu Yalin	—	1,000,000 <i>(Note 6)</i>	—	—	—	1,000,000	0.127	29/06/2017	29/06/2017-28/06/2022 <i>(Note 7)</i>
Wang Shuping	1,000,000	—	—	—	—	1,000,000	0.4	04/05/2015	04/05/2015-03/05/2018
	—	500,000 <i>(Note 6)</i>	—	—	—	500,000	0.127	29/06/2017	29/06/2017-28/06/2022 <i>(Note 7)</i>
Han Bing (resigned on 30 December 2016)	1,000,000	—	—	1,000,000	—	—	0.4	04/05/2015	04/05/2015-03/05/2018
Subtotal	18,500,000	10,500,000	—	1,000,000	—	28,000,000			
Employees									
In aggregate	41,774,000	—	—	—	—	41,774,000	0.4	04/05/2015	04/05/2015-03/05/2018 <i>(Note 2)</i>
	2,510,000	—	—	—	—	2,510,000	0.684	02/07/2015	02/07/2015-01/07/2019 <i>(Note 3)</i>
	10,700,000	—	—	—	—	10,700,000	0.29	18/05/2016	18/05/2016-17/05/2021 <i>(Note 4)</i>
	3,000,000	—	—	—	—	3,000,000	0.184	28/10/2016	28/10/2016-27/10/2021 <i>(Note 5)</i>
	—	28,800,000 <i>(Note 6)</i>	—	—	—	28,800,000	0.127	29/06/2017	29/06/2017-28/06/2022 <i>(Note 7)</i>
Subtotal	57,984,000	28,800,000	—	—	—	86,784,000			

MANAGEMENT DISCUSSION AND ANALYSIS

List of Grantees	Balance as at 1 January 2017	Granted during the Reporting Period	Exercised during the Reporting Period	Lapsed during the Reporting Period	Cancelled during the Reporting Period	Balance as at 30 June 2017	Exercise Price	Date of Grant	Exercise Period
	<i>HK\$</i>								
Consultants									
In aggregate	159,200,000	—	—	—	—	159,200,000	0.4	04/05/2015	04/05/2015-03/05/2018
	48,000,000	—	—	—	—	48,000,000	0.684	02/07/2015	02/07/2015-01/07/2018
	4,000,000	—	—	—	—	4,000,000	0.261	20/10/2015	20/10/2015-19/10/2018
	7,000,000	—	—	—	—	7,000,000	0.29	18/05/2016	18/05/2016-17/05/2021 (Note 4)
	—	3,000,000 (Note 6)	—	—	—	3,000,000	0.127	29/06/2017	29/06/2017-28/06/2022 (Note 7)
Subtotal	218,200,000	3,000,000	—	—	—	221,200,000			
Total	294,684,000	42,300,000	—	1,000,000	—	335,984,000			

Notes:

- Share options will automatically lapsed after the period of 6 months following the date of such cessation or termination.
- Not more than 30% of the share options will be vested on 4 May 2016. Not more than 60% of the share options will be vested on 4 May 2017. Not more than 100% of the share options will be vested on 3 May 2018. (Such vesting period is not applicable for the directors, consultants, chief financial officer, chief operating officer, company secretary, human resources manager and assistant to the chairman of the Company.)
- Not more than 30% of the share options will be vested on 2 July 2016. Not more than 60% of the share options will be vested on 2 July 2017. Not more than 100% of the share options will be vested on 1 July 2018. (Such vesting period is not applicable for the consultants of the Company.)
- Not more than 30% of the share options will be vested on 18 May 2017. Not more than 60% of the share options will be vested on 18 May 2018. Not more than 100% of the share options will be vested on 18 May 2019.
- Not more than 30% of the share options will be vested on 28 October 2017. Not more than 60% of the share options will be vested on 28 October 2018. Not more than 100% of the share options will be vested on 28 October 2019.
- The closing price of the shares of the Company immediately before the date on which the share options were granted was HK\$0.127.
- Not more than 30% of the share options will be vested on 29 June 2018. Not more than 60% of the share options will be vested on 29 June 2019. Not more than 100% of the share options will be vested on 29 June 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

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

As at 30 June 2017, the following Directors or chief executives of the Company had held the following interests or short positions in the shares, underlying shares (as defined in the Securities and Futures Ordinance (the "SFO")) and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules:

Long positions in the Company:

Name of Directors	Nature of interests	Number of issued ordinary shares held	Number of underlying shares held pursuant to share options	Aggregate number of shares held	Approximate aggregate percentage of the issued share capital
Lu Xing ("Mr. Lu")	Beneficial owner	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	5,000,000	15,003,000	0.32%
Wang Cheng	Beneficial owner	12,166,000	3,000,000	15,166,000	0.32%
Li Dongfu	Beneficial owner	—	4,500,000	4,500,000	0.09%
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%
Wu Yalin	Beneficial owner	—	1,000,000	1,000,000	0.02%

Note:

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

Save as disclosed above, as at 30 June 2017, none of the Directors or chief executives of the Company held any interests or short positions in the shares, underlying shares (as defined in the SFO) or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange, pursuant to the Model Code.

MANAGEMENT DISCUSSION AND ANALYSIS

DIRECTOR'S RIGHT TO ACQUIRE SHARES OR DEBENTURES

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

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

As at 30 June 2017, the following persons (other than Directors or chief executives of the Company) had an interest or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Long positions in the Company:

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

MANAGEMENT DISCUSSION AND ANALYSIS

Notes:

1. These 680,000,000 shares are held by Headwind Holdings Limited, which is incorporated in the British Virgin Islands with limited liability and wholly owned by Mr. Lu.
2. These 155,296,000 shares are held by Ms. Ren Jiyang who is the spouse of Mr. Guo Zhen Bao.
3. Of these 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 30 June 2017, the Company had not been notified of any interests or short position being held by any substantial shareholder in the shares or underlying shares in the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

CORPORATE GOVERNANCE CODE

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

Code Provision A.2.1

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

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

Code Provision A.6.7

Under the code provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. All non-executive Directors were not able to attend the extraordinary general meeting on 28 June 2017 and annual general meeting held on 15 June 2017 due to their respective business engagements. Other Board members who attended that general meetings were already of sufficient calibre and number for answering questions raised by the shareholders of the Company at that general meetings.

MANAGEMENT DISCUSSION AND ANALYSIS

COMPLIANCE WITH MODEL CODE

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

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

There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of any listed securities of the Company during the Reporting Period.

Subsequent to the Reporting Period, the Company has repurchased an aggregate of 10,012,000 ordinary shares of the Company from 3 July 2017 to 27 July 2017 for an aggregate consideration of approximately HK\$1,215,672 (excluding transaction costs and other related fees) on the Stock Exchange. Out of total repurchased shares, 8,500,000 shares have been cancelled on 26 July 2017.

AUDIT COMMITTEE

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

MANAGEMENT DISCUSSION AND ANALYSIS

CHANGE OF COMPANY NAME

By a special resolution passed on 28 June 2017, the Certificate of Incorporation on Change of Name and the Certificate of Registration of Alternation of Name of Registered Non-Hong Kong Company were issued by the Registrar of Companies in the Cayman Islands and the Registrar of Companies in Hong Kong respectively, certifying the change of name of the Company from “China Chuanglian Education Group Limited 中國創聯教育集團有限公司” to “China Chuanglian Education Financial Group Limited 中國創聯教育金融集團有限公司” on 28 June 2017 and 13 July 2017 respectively.

By Order of the Board
China Chuanglian Education Financial Group Limited
Lu Xing
Chairman

Hong Kong, 31 August 2017

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

** For identification purposes only*