Annual Report 2017

China Chuanglian Education Financial Group Limited

(formerly known as "China Chuanglian Education Group Limited")
(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2371)

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This annual report is printed on environmental paper

Corporate Information

Executive Directors

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

Independent Non-executive Directors

Mr. LEUNG Siu Kee
Mr. WU Yalin
Ms. WANG Shuping

Company Secretary

Mr. SUNG Chi Keung

Audit Committee

Mr. LEUNG Siu Kee
(Chairman of the Audit Committee)
Mr. WU Yalin
Ms. WANG Shuping

Remuneration Committee

Ms. WANG Shuping
(Chairman of the Remuneration Committee)
Mr. LEUNG Siu Kee
Mr. WU Yalin

Nomination Committee

Mr. WU Yalin
(Chairman of the Nomination Committee)
Mr. LEUNG Siu Kee
Ms. WANG Shuping

Authorised Representatives

Mr. LI Jia
Mr. SUNG Chi Keung

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

Room 905–06, 9/F.,
China Evergrande Centre
38 Gloucester Road
Wanchai, Hong Kong

Principal Share Registrar and Transfer Office

SMP Partners (Cayman) Limited
Royal Bank House — 3rd Floor
24 Shedden Road
P.O. Box 1586
Grand Cayman, KY1-1110
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Boardroom Share Registrars (HK) Limited
Room 2103B
21/F., 148 Electric Road
North Point, Hong Kong

Website

www.chinahrt.com

Stock Code

2371

FINANCIAL SUMMARY

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

RESULTS

	2017 RMB'000	2016 RMB'000 (restated)	2015 RMB'000	2014 RMB'000	2013 RMB'000
Turnover	**134,022**	88,287	97,281	76,906	98,350
Gross profit	**73,748**	44,952	62,517	52,705	73,004
(Loss)/profit for the year	**(14,840)**	(191,895)	(296,649)	23,935	10,383
(Loss)/profit for the year attributable to:					
Owners of the Company	**(15,232)**	(189,233)	(298,658)	24,233	7,712
Non-controlling interests	**392**	(2,662)	2,009	(298)	2,671
	(14,840)	(191,865)	(296,649)	23,935	10,383
Basic (loss)/earnings per share (RMB cent(s))	**(0.33)**	(4.07)	(6.69)	0.58	0.33

ADJUSTED RESULTS#

	2017	2016	2015	2014	2013
(Loss)/profit before tax	**(9,575)**	(24,942)	20,125	30,266	17,632
(Loss)/profit attributable to owners of the Company	**(6,729)**	(65,618)	15,363	26,005	6,488
Basic (loss)/earnings per share (RMB cent)	**(0.14)**	(1.41)	0.34	0.62	0.28

ASSETS AND LIABILITIES

	2017 RMB'000	2016 RMB'000	2015 RMB'000	2014 RMB'000	2013 RMB'000
Non-current assets	**202,904**	172,056	192,800	487,710	498,528
Current assets	**99,882**	149,261	322,408	163,465	133,329
Current liabilities	**55,870**	(64,153)	(61,316)	(59,625)	(70,110)
Net current assets	**44,012**	85,108	261,092	103,840	63,219
Non-current liabilities	**(13,050)**	(11,645)	(22,803)	(24,863)	(26,655)
Non-controlling interests	**(4,274)**	(2,207)	(5,334)	(2,241)	(2,539)
Equity	**229,592**	243,312	425,755	564,446	532,553

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

Chairman's Statement

On behalf of the Board (the "Board") of directors (the "Directors") of China Chuanglian Education Financial 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 2017.

RESULTS

For the year ended 31 December 2017, the Group recorded a turnover from continuing operations of approximately RMB134,022,000 (2016: approximately RMB88,287,000), representing a significant increase of approximately 51.8% as compared to that of last year. Out of the total turnover from continuing operations, approximately RMB126,144,000 was derived from the educational consultancy and online training and education segment which accounted approximately 94.1% of the total turnover for the year ended 31 December 2017. The loss attributable to owners of the Company for the year ended 31 December 2017 was approximately RMB15,232,000, as compared to a loss of approximately RMB189,233,000 in the past year.

INDUSTRY REVIEW

The popularity of the internet in the People's Republic of China (the "PRC") has continued to grow rapidly in the recent years, especially the form of application of mobile internet is the most booming. 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 million in 2010 to approximately 772 million in 2017, representing compound annual growth rates of approximately 7.8%. Out of the total population of local internet users in the PRC in 2017, approximately 753 million users were mobile internet users. This can demonstrate the significance and importance of mobile internet in the internet industry.

The market value of the online education industry in the PRC is enormous. The market value of the online education industry is estimated to be approximately RMB170 billion in 2017 and it is estimated that the market value of the online education industry to be over RMB210 billion in 2019.

We expect the market of education industry in the PRC will continue to grow, especially the online education as a result of the increasing popularity of the internet, in light of the change in the economy structure and the corresponding increase in the demand for talented personnel in the PRC. We believe that there is plenty 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. Being one of the very few pioneers of online education providers in the PRC, we mainly provide 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. The current population of civil servants and professional technical personnel in the PRC is over 77 million. 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 Group is currently providing online training and education services to its users through internet and telecommunication networks. The Group is operating over 120 online training and education platforms and a mobile terminal learning platform, Rongxue App* (融學App). Currently, we have over 4 million of paid users. Over the past few years, our online training platforms had provided training to an accumulated person-times of over 20 million. Since its launch of Rongxue App in 2016, its registered users has increased quickly to over 2 million in the current year.

During the year, we continued to expand our online training and education business to more geographical areas in the PRC. Our online training and education business currently covers 17 provinces, autonomous regions and municipalities as well as 40 cities in the PRC.

Leveraging on the accurate big data accumulated from the online training, the Group has taken certain steps to expand into the financial business in the current year. Xinmei Mutual Life Insurance Agency* ("Xinmei Mutual") (信美人壽相互保險社), the Group is one of the promotors of Xinmei, was officially granted with all the relevant licences to commence its business in May 2017 and Xinmei Mutual also launched its first formal insurance product during 2017.

In order to brokerage the insurance products from Xinmei Mutual and other insurance companies, the Group has acquired 100% equity interest in Beijing Zhongjin Insurance Brokerage Limited* ("Beijing Zhongjin") (北京中金保險經紀有限公司), an insurance brokerage company in the PRC, during the current year. In addition, the Group has acquired 100% equity interest of Well Tunes Financial Group Limited in November 2017, an insurance brokerage company in Hong Kong, so as to assist our existing and potential customers with their possible needs of offshore insurance products.

FUTURE PLANS

Over the past few years, our online training and education business has gradually increased its geographical coverage in the PRC. In the coming years, we will continue to expand our geographical coverage to new business areas and promote the online training and education penetration rate in the existing business areas.

During 2017, the PRC government has introduced a new standard named "National Occupational Qualification" (國家職業資格) of professional technical personnel (專業技術人員) and skilled personnel (技能人員) which covers 139 different occupations. This would largely increase the population of professional technical personnel and skilled personnel who would need vocational training for annual renewal of their qualification. We believe that it represents a huge business opportunity to our online training and education business.

In addition to the area of continuing education, we will target to diversify our business into the pre-qualification training and education business in light of the more stringent requirements for admission to the respective qualification as professional technical personnel and skilled personnel.

Apart from the domestic training and education, we aim to have more diversification of business by introducing certain international components to the training and education in the PRC. We are targeting to introduce certain high quality international curriculum into the PRC in order to promote the globalization and recognition of the education system in the PRC.

Leveraging on the solid foundation of our training and education business, we commenced to build up our financial business by entering into the insurance related business in the current year. Apart from insurance related business, are planning for the possible development of securities trading and asset management business to further satisfy the potential financial needs of our customers. We believe the potentials of financial business is huge, given our possession of huge amount of occupation-specific data which can help to conduct comprehensive analysis of unique needs and requirements of our customers.

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.

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, 29 March 2018

* *For identification purpose only*

FINANCIAL REVIEW

For the year ended 31 December 2017, the Group recorded a turnover from continuing operations of approximately RMB134,022,000 (2016: approximately RMB88,287,000), representing a significant increase of approximately 51.8% as compared to that of last year. Approximately RMB126,144,000, RMB3,625,000 and RMB4,253,000 were generated from the educational consultancy and online training and education segment, insurance brokerage segment and gross proceeds from sales of held for trading investments respectively (2016: approximately RMB88,287,000, Nil and Nil). The significant increase of revenue from the educational consultancy and online training and education business was mainly due to the increased geographical coverage of our business in the current year and it is expected that the educational consultancy and online training and education segment will continue to the major contributor of the Group's turnover in the near future. We will continue with the expansion of our geographical coverage to other new business areas and promote the online training and education penetration rate in the existing business areas in the near future.

Cost of sales and services of continuing operations for the year ended 31 December 2017 was approximately RMB56,021,000 (2016: approximately RMB43,335,000), representing an increase of approximately 29.3% as compared to that of last year. The increase in cost of sales and services was basically consistent with the growth of the revenue from the educational consultancy and online training and education business. The increase in cost of sales and services was mainly due to the increase in project cooperation costs and purchase of courseware.

Selling and marketing expenses for the year ended 31 December 2017 was approximately RMB22,331,000 (2016: approximately RMB19,238,000), representing an increase of approximately 16.1% as compared to that of last year. The increase in the selling and marketing expenses in the current year was in line with the increase of revenue derived from educational consultancy and online training and education business. The increase in selling and marketing expenses was mainly due to the increase in salaries and staff bonus as well as consultancy fee.

Administrative expenses for the year ended 31 December 2017 was approximately RMB63,329,000 (2016: approximately RMB63,537,000), representing a decrease of approximately 0.3% as compared to that of last year. The slight decrease in administrative expenses was mainly due to the increase in staff costs, rental expenses, depreciation expenses and provision for doubtful debts but offset by decrease in share-based payment.

In addition, there was no unrealised loss on fair value changes of held for trading investments for the year ended 31 December 2017, as compared to an unrealised loss on fair value changes of held for trading investments of approximately RMB25,728,000 in last year, following the disposal of the trading investments during the year. The realised loss on fair value changes of held for trading investments was approximately RMB7,828,000 in the current year.

The loss attributable to owners of the Company for the year ended 31 December 2017 was approximately RMB15,232,000 (2016: loss of approximately RMB189,233,000), representing a significant decrease of approximately 92.0% as compared to that of last year.

Significant Investments

Save as disclosed herein, the Group had no significant investments held during the year ended 31 December 2017.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

Save as disclosed herein, the Group had no material acquisitions or disposals of subsidiaries, associates or joint ventures during the year ended 31 December 2017.

Liquidity and Financial Resources

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

As at 31 December 2017, the Group had bank balances and cash of approximately RMB80,192,000 as compared to the bank balances and cash of approximately RMB113,181,000 as at 31 December 2016.

The Group's net current assets totalled approximately RMB44,012,000 as at 31 December 2017, against approximately RMB85,108,000 as at 31 December 2016. The Group's current ratio was approximately 1.79 as at 31 December 2017 as compared with 2.33 as at 31 December 2016.

Gearing Ratio

The gearing ratio of the Group (measured as total liabilities to total assets) was approximately 22.8% as at 31 December 2017 (2016: 23.6%).

Capital Structure

As at 31 December 2017, the Company's issued share capital was approximately HK$46,425,000 (2016: approximately HK$46,525,000) and the number of its issued shares was 4,642,510,578 ordinary shares of HK$0.01 each.

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. 北京創聯中人技術服務有限公司 (Beijing Chuanglian Zhongren Technical Service Company Limited*) ("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 For the year ended 31 December		**Total assets As at 31 December**	
	2017	2016	**2017**	2016
Beijing Chuanglian Education	**96.8%**	99.3%	**42.8%**	26.5%

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 For the year ended 31 December 2017	**Total assets As at 31 December 2017**
	RMB'000	**RMB'000**
Beijing Chuanglian Education	**129,741**	**130,644**

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 TRANSACTIONS

Continuing Connected Transactions in relation to New Contractual Arrangements

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 (the "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 (the "Business Operation Agreement"), share disposal agreement (the "Share Disposal Agreement") and equity pledge agreement (the "Equity Pledge Agreement") on 25 March 2011 (collectively the "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 Guidance Letter HKEx-GL77-14 of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), 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.

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.

Reasons for and benefits of the Supplemental Agreements and Loan Agreement

A supplemental agreement to each of the agreements forming part of the Contractual Arrangements (the "Supplemental Agreements") was 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 which were approved by the independent shareholders of the Company (the "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 (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.

The Company applied to the Stock Exchange and the Stock Exchange granted the conditional waiver (including the annual caps requirements of service fee from Beijing Chuanglian Education) 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 held on 16 December 2015. As Mr. Lu has a material interest in the New Contractual Arrangements, Mr. Lu and his associates were required and did abstain from voting at the extraordinary general meeting held on 16 December 2015.

Amendments in relations to New Contractual Arrangements (the "Second Supplemental Consultancy and Services Agreement")

The Second Supplemental Consultancy and Services Agreement was entered into between the respective parties on 10 November 2017 with amendment to the consultancy and service fees from 90% of the business revenue of Beijing Chuanglian Education to 100% of its net income (after deducting relevant costs, tax payment and reserved funds as required by PRC laws and regulations) ("net income").

Apart from amending the consultancy and service fees to 100% of net income of Beijing Chuanglian Education, no other changes are proposed to be made to the New Contractual Arrangements.

Reasons for and benefit of the Second Supplemental Consultancy and Services Agreement

The proposed change in consultancy and service fee from 90% of business revenue to 100% of net income of Beijing Chuanglian Education will more accurately reflect economic reality since it will move away from determining economic benefit based on previous estimation or current forecast of business operations which no longer reflects economic realities of the Group's business since the Group is operating in the fast moving online training and education industry. Furthermore, such proposed change will not unduly restrict the business operation and development of the Group since Beijing Chuanglian Education does not need to restrict its expenses to 10% of its business revenue and Beijing Chuanglian Education may incur more expenses for the continuing development of the Group's online training and education business operations.

Taking into account of the factors above, the Directors (excluding the independent non-executive Directors) consider that the Second Supplemental Consultancy and Services Agreement is 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 Second Supplemental Consultancy and Services 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 Second Supplemental Consultancy and Services Agreement.

The Company applied to the Stock Exchange and the Stock Exchange granted the new conditional waiver (including the annual caps requirements of service fee from Beijing Chuanglian Education) on 31 August 2017, subject to the conditions required by the Stock Exchange.

The New Contractual Arrangements (as supplemented by the Second Supplemental Consultancy and Services Agreement) were approved by the independent Shareholders in an extraordinary general meeting held on 10 November 2017. As Mr. Lu has a material interest in the New Contractual Arrangements (as supplemented by the Second Supplemental Consultancy and Services Agreement), Mr. Lu and his associates were required and did abstain from voting at the extraordinary general meeting held on 10 November 2017.

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 Rules Governing the Listing of Securities on the Stock Exchange (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 by the Supplemental Agreements and the Second Supplemental Consultancy and Services Agreement) 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 Contractual Arrangements (as supplemented by the Supplemental Agreements and the Loan Agreement (the "New Contractual Arrangements (as supplemented by the Second Supplemental Consultancy and Services Agreement)") technically constitute continuing connected transactions for the Company for the purposes of Chapter 14A of the Listing Rules. The Directors considered 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 (as supplemented by the Second Supplemental Consultancy and Services Agreement), being the fees payable thereunder, to be subject to the annual cap requirement under Rule 14A.53 of the Listing Rules.

The actual amounts of the transactions contemplated under the New Contractual Arrangements (as supplemented by the Second Supplemental Consultancy and Services Agreement) for the year ended 31 December 2017 are set out below:

Nature of continuing connected transactions	Actual amount RMB'000
1. Service fee payable to Beijing Chuanglian Zhongren by Beijing Chuanglian Education pursuant to the Consultancy and Services Agreement	20,455
2. Service fee payable to Beijing Chuanglian Zhongren by 四川創聯國培教育諮詢有限公司 (Sichuan Chuanglian Guopei Education Advisory Limited*) ("Sichuan Chuanglian Guopei") pursuant to the Consultancy and Services Agreement	21,666
	42,121
3. Loan to Beijing Chuanglian Education by Beijing Chuanglian Zhongren pursuant to the Long Term Loan Agreement	10,480
4. Interest payable to Beijing Chuanglian Zhongren by Beijing Chuanglian Education pursuant to the Consultancy and Services Agreement	528

Notes:

1. Mr. Lu, the substantial shareholder of the Company, is holding 100% interest in Beijing Chuanglian Education. Beijing Chuanglian Education is holding 100% interest in Sichuan Chuanglian Guopei, 51% interest in Zhongren Guanghua and 99.99% interest in Hainan Zhongren Guanghua. All the above companies are the subsidiaries of the Company as the Company is able to exercise control over these companies through the contractual arrangement.

2. Beijing Chuanglian Zhongren, Beijing Chuanglian Education, Sichuan Chuanglian Guopei, Zhongren Guanghua and Hainan Zhongren Guanghua are the subsidiaries of the Group which the transactions mentioned above are eliminated in the consolidated financial statements in accordance with Hong Kong Financial Reporting Standard 10.

3. On 26 October 2015, the Group has obtained an approval to waive the annual caps requirements under Chapter 14A of the Listing Rules for the fees payable under the Consultancy and Services Agreement and the loans to be granted under the Loan Agreement. On 30 November 2015, the Group also has issued a circular for reporting such approval.

4. Sichuan Chuanglian Guopei is the directly wholly-owned subsidiary of Beijing Chuanglian Education. On 6 February 2016, Sichuan Chuanglian Guopei, Beijing Chuanglian Education and Beijing Chuanglian Zhongren had signed a confirmation in relation to Sichuan Chuanglian Guopei operating the projects on behalf of Beijing Chuanglian Education. As to share the operating cost for the projects, Sichuan Chuanglian Guopei has deducted approximately 40% of the service fee payable to Beijing Chuanglian Zhongren according to the Consultancy and Services Agreement.

The independent non-executive Directors reviewed the New Contractual Arrangements (as supplemented by the Second Supplemental Consultancy and Services Agreement) 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 (as supplemented by the Second Supplemental Consultancy and Services Agreement), 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*) ("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 (the "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. 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 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.

The annual cap and actual amounts of the transactions contemplated under the Services Framework Agreement for the year ended 31 December 2017 are set out below:

Nature of continuing connected transactions	**Actual amount**	**Annual Cap**
	RMB'000	RMB'000
1. Service fee payable to Beijing Chuanglian Zhongren by Zhongren Guanghua pursuant to the Services Framework Agreement	20,878	
2. Service fee payable to Beijing Chuanglian Zhongren by 海南中人光華教育服務有限公司 (Hainan Zhongren Guanghua Education Services Limited*) ("Hainan Zhongren Guanghua") pursuant to the Services Framework Agreement	5,964	
	26,842	46,980

Notes:

1. Mr. Lu, the substantial shareholder of the Company, is holding 100% interest in Beijing Chuanglian Education. Beijing Chuanglian Education is holding 100% interest in Sichuan Chuanglian Guopei, 51% interest in Zhongren Guanghua and 99.99% interest in Hainan Zhongren Guanghua. All the above companies are the subsidiaries of the Company as the Company is able to exercise control over these companies through the contractual arrangement.

2. Beijing Chuanglian Zhongren, Beijing Chuanglian Education, Sichuan Chuanglian Guopei, Zhongren Guanghua and Hainan Zhongren Guanghua are the subsidiaries of the Group which the transactions mentioned above are eliminated in the consolidated financial statements in accordance with Hong Kong Financial Reporting Standard 10.

3. Hainan Zhongren Guanghua is the indirectly owned subsidiary of Beijing Chuanglian Education. On 24 February 2016, Hainan Zhongren Guanghua, Zhongren Guanghua and Beijing Chuanglian Zhongren had signed a confirmation in relation to Sichuan Chuanglian Guopel operating the projects on behalf of Beijing Zhongren Guanghua.

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 as a whole.

The auditor of the Company was engaged to report on all the above Group's continuing connected transactions in accordance with the applicable accounting standards. The auditor has issued the unqualified letter containing the 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.

The Company confirmed that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

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. As at 31 December 2017, 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 2017, the Group did not have any charges on its assets (2016: Nil).

CAPITAL COMMITMENT

As at 31 December 2017, the Group had outstanding capital commitment in respect of the investment of 48% of the equity interest of a new company to be established in Shenzhen of RMB3,840,000 (2016: RMB3,840,000). As at 31 December 2016, the Group also had outstanding capital commitment in respect of the acquisition of plant and equipment of RMB1,914,000 (2017: 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 RMB1,050,000 (2017: nil).

EMPLOYEE INFORMATION AND REMUNERATION POLICY

As at 31 December 2017, the Group had 218 employees (2016: 228 employees) in Hong Kong and the PRC and the total staff costs (including all Directors' remuneration and fees) are approximately RMB52,151,000 for the year ended 31 December 2017 (2016: approximately RMB47,598,000).

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 has adopted share option schemes (the "Share Option Schemes"). As at 31 December 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.

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.

* *For identification purpose only*

EXECUTIVE DIRECTORS

Mr. LU Xing ("Mr. Lu"), aged 50, 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 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 in-depth 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 50, 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 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 50, 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 41, 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.

Mr. LI Dongfu ("Mr. Li"), aged 38, graduated from Economics and Management School of Wuhan University. Mr. Li joined the Group in 2005 and has served as various positions such as sales manager of marketing department, sales director and general manager of marketing department. Mr. Li is familiar with the latest condition of both domestic and overseas training industry and the relevant requirements of training policies, and has good communication channel with the relevant authorities of cadre training. He is also familiar with the business operation and technical solutions as well as training programme design solutions in respect of cadre training. During his tenure of service in the Group, he has participated in the development and operation of the major projects with various companies in Inner Mongolia, Sichuan province, Tianjin city and Hainan province, and accumulated rich experience in project management.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LEUNG Siu Kee ("Mr. Leung"), aged 41, 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. Since January 2018, Mr. Leung is an executive director and company secretary of Coolpad Group Limited (HKSE: 2369). Mr. Leung was also an independent non-executive director (later appointed as non-executive director) of KK Culture Holdings Limited (formerly known as Cinderella Media Group Limited) (HKSE: 550) from September 2015 to January 2018.

Mr. WU Yalin ("Mr. Wu"), aged 56, is an independent non-executive Director. Mr. Wu 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. Wu graduated from Wilfrid Laurier University in Canada with a master degree in Economic Geography in 1988. Mr. Wu has over 20 years of experience in financial consulting and financial investment services. He has successively held a range of key positions including chief executive officer, director and senior management in Deloitte and Cap Gemini Ernst & Young (凱捷安永會計師行), governmental environment protection center of Midland County, Canada (加拿大湄德蘭縣政府環保中心) and various financial consulting firms. Mr. Wu is familiar with the latest market information in domestic, international, and also emerging markets. He managed and participated in operation and consultation of several significant projects, and has accumulated rich experience in financial management. Mr. Wu is currently the independent director of Synutra International, Inc. and the chief executive officer of Northern Investment & Financial Consultants Ltd. Co. (北方投資諮詢公司).

Ms. WANG Shuping ("Ms. Wang"), aged 59, 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. SUNG Chi Keung ("Mr. Sung"), aged 42, is the chief financial officer and company secretary 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 Green (Holdings) Limited (formerly known as 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 listed on the Stock Exchange. Mr. Sung has accumulated over 20 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. Sung has been appointed as an independent non-executive director of Takbo Group Holdings Limited (HKSE: 8436) since 27 October 2017 which is listed on GEM of the Stock Exchange.

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 to 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 deviations 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.

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 year ended 31 December 2017, 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.

Under the code provision A.6.7 provides that 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 meetings on 28 June 2017 and 10 November 2017 and annual general meeting held on 15 June 2017 due to their respective business engagements. Other Board members who attended those general meetings were already of sufficient calibre and number for answering questions raised by the Shareholders at those general meetings.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND OTHER RELEVANT EMPLOYEES

The Company has adopted a code of conduct regarding securities transactions by Directors and other relevant employees on terms no less exacting than the required standard in the Model Code as set out in Appendix 10 to the Listing Rules (the "Model Code"). The Company had also made specific enquiry of all Directors and the Company was not aware of any non-compliance with the required standard in the Model Code and its code of conduct regarding Directors' and other securities transactions.

THE BOARD OF DIRECTORS

During the year, the Board comprised the following Directors:

Executive Directors

Mr. Lu Xing *(Chairman)*
Mr. Li Jia
Mr. Wu Xiaodong
Mr. Wang Cheng
Mr. Li Dongfu

Independent Non-executive Directors

Mr. Leung Siu Kee
Mr. Wu Yalin
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 the independent non-executive Directors an annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules and the Company considers that all the independent non-executive Directors are 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 2017, 13 Board meetings were held. The details of the attendance record of the Directors are as follows:

	Attendance
Executive Directors	
Mr. Lu Xing	4/13
Mr. Li Jia	7/13
Mr. Wu Xiaodong	7/13
Mr. Wang Cheng	3/13
Mr. Li Dongfu	1/13
Independent Non-executive Directors	
Mr. Leung Siu Kee	3/13
Mr. Wu Yalin	7/13
Ms. Wang Shuping	13/13

For the year ended 31 December 2017, 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	1/3
Mr. Wu Xiaodong	0/3
Mr. Wang Cheng	0/3
Mr. Li Dongfu	0/3
Independent Non-executive Directors	
Mr. Leung Siu Kee	0/3
Mr. Wu Yalin	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 2017, the Directors participated in the following continuous professional development:

Name of Directors	Training organized by professional organization[1]	Reading materials updating on new rules and regulations
Executive Directors		
Mr. Lu Xing	✓	✓
Mr. Li Jia	✓	✓
Mr. Wu Xiaodong	✓	✓
Mr. Wang Cheng	✓	✓
Mr. Li Dongfu	✓	✓
Independent Non-executive Directors		
Mr. Leung Siu Kee	✓	✓
Mr. Wu Yalin	✓	✓
Ms. Wang Shuping	✓	✓

Notes:

1. Professional training namely Guidelines on Disclosure of Inside Information was arranged by the Company to update the Directors' knowledge.

2. The Company 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 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 year ended 31 December 2017, 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. Wu Yalin has been renewed for a three-year term of service commencing from 30 December 2016 to 29 December 2019, 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 of the Company (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 2017 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 2017 falls within the following bands:

	Number of senior management
HK$1,500,001 to HK$2,000,000 (equivalent to approximately RMB1,294,001 to RMB1,726,000)	1

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, the Audit Committee comprised three independent non-executive Directors including Mr. Leung Siu Kee, Mr. Wu Yalin and Ms. Wang Shuping. Mr. Leung Siu Kee is the current chairman of the Audit Committee.

The Audit Committee formally met 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 risk management and internal control 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 2017 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. Wu Yalin	2/2
Ms. Wang Shuping	2/2

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 executive and non-executive Directors as well as 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, the Remuneration Committee comprised three independent non-executive Directors including Ms. Wang Shuping, Mr. Leung Siu Kee and Mr. Wu Yalin. 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. Wu Yalin	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, the Nomination Committee comprised three independent non-executive Directors including Mr. Wu Yalin, Mr. Leung Siu Kee and Ms. Wang Shuping. Mr. Wu Yalin 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. Wu Yalin *(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.

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 2017, the Board had reviewed and performed duties of the above-mentioned corporate governance matters of the Company. Saved for the deviations disclosed under the "Corporate Governance Practices", 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 and non-audit services paid/payable to the Company's external auditor, SHINEWING (HK) CPA Limited or its affiliated firms, are as follows:

Type of Services	HK$
Audit services	1,500,000
Non-audit services (Note)	633,500
Total	2,133,500

Note: Other non-audit services include perform (i) agreed-upon procedures regarding financial information of the Group for the six months ended 30 June 2017; (ii) risk management and internal control systems review service; (iii) ESG review services and (iv) tax advisory service.

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 annual 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. Sung Chi Keung ("Mr. Sung") was appointed as the company secretary of the Company. According to Rule 3.29 of the Listing Rules, Mr. Sung took no less than 15 hours of relevant professional training for the year ended 31 December 2017.

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 annual general meeting each year to meet the shareholders and answer to their enquiries. Directors make efforts to attend the annual general meeting 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 2017, there was no amendments to the existing Articles of Association.

RISK MANAGEMENT AND INTERNAL CONTROL

During the year, the Group has complied with Principle C.2 of the CG Code by establishing appropriate and effective risk management and internal control systems. Management is responsible for the design, implementation and monitoring of such systems, while the Board oversees management in performing its duties on an ongoing basis. Main features of the risk management and internal control systems are described in the sections below:

Risk Management System

The Group adopts a risk management system which manages the risk associated with its business and operations. The system comprises the following phases:

- *Identification:* Identify ownership of risks, business objectives and risks that could affect the achievement of objectives.

- *Evaluation:* Analyze the likelihood and impact of risks and evaluate the risk portfolio accordingly.

- *Management:* Consider the risk responses, ensure effective communication to the Board and on-going monitor the residual risks.

Based on the risk assessments conducted in 2017, no significant risk was identified.

Internal Control System

The Company has in place an internal control system which is compatible with the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") 2013 framework. The framework enables the Group to achieve objectives regarding effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations. The components of the framework are shown as follow:

- *Control Environment:* A set of standards, processes and structures that provide the basis for carrying out internal control across the Group.

- *Risk Assessment:* A dynamic and iterative process for identifying and analyzing risks to achieve the Group's objectives, forming a basis for determining how risks should be managed.

- *Control Activities:* Action established by policies and procedures to help ensure that management directives to mitigate risks to the achievement of objectives are carried out.

- *Information and Communication:* Internal and external communication to provide the Group with the information needed to carry out day-to-day controls.

- *Monitoring:* Ongoing and separate evaluations to ascertain whether each components of internal control is present and functioning.

In order to enhance the Group's system of handling inside information, and to ensure the truthfulness, accuracy, completeness and timeliness of its public disclosures, the Group also adopts and implements an inside information policy and procedures. Certain reasonable measures have been taken from time to time to ensure that proper safeguards exist to prevent a breach of a disclosure requirement in relation to the Group, which include:

- The access of information is restricted to a limited number of employees on a need-to-know basis. Employees who are in possession of inside information are fully conversant with their obligations to preserve confidentiality.

- Confidentiality agreements are in place when the Group enters into significant negotiations.

- The executive Directors are designated persons who speak on behalf of the Company when communicating with external parties such as the media, analysts or investors.

Based on the internal control reviews conducted in 2017, no significant control deficiency was identified.

Effectiveness of the Risk Management and Internal Control Systems

The Board is responsible for establishing, maintaining and reviewing an effective system of internal control and safeguarding the assets and the interests of the Group and the shareholders of the Company as well.

The Group has established policies and procedures for approval and control of expenditures. Pursuant to a risk-based methodology, the Board plans its internal control review with resources being focused on higher risk areas. Internal control review has been conducted on ongoing basis to ensure that the policies and procedures in place are adequate. Any findings and recommendations would be discussed by the management and followed up properly and timely.

The Directors had engaged an independent service provider to perform an independent review on the internal control systems of the Group. The review report showed that the Group maintained an adequate and effective internal control system and no major control deficiency had been identified. The scope and findings of the review had been reported to and reviewed by the Audit Committee.

Internal Audit Function

The Company does not have an internal audit department. The Board has reviewed the need for an internal audit function and is of the view that in light of the size, nature and complexity of the business of the Group, as opposed to diverting resources to establish a separate internal audit department, it would be more cost effective to appoint external independent professionals to perform independent review of the adequacy and effectiveness of the risk management and internal control systems of the Group. Nevertheless, the Board will continue to review at least annually the need for an internal audit department.

ABOUT ESG REPORT

The Environmental, Social and Governance Report (the "ESG Report") of China Chuanglian Education Financial Group Limited (the "Company") elaborates the principles and the implementation when fulfilling corporate citizen obligation in the education industry of the Company and its subsidiaries (collectively referred to as the "Group" or "We"). The ESG report elaborates various work in supporting sustainable development principle in 2017 of the Group, and the performance in the aspect of social governance in 2017. For information about corporate governance, please refer to "Corporate Governance Report" on page 23.

Reporting Scope

The ESG Report covers the overall environmental and social policy of the Group as well as the environment and social key performance indicators of the Beijing office. The Group will continue to review the environmental and social performance in the coming year and consider covering more businesses in the ESG Report. The covering period of the ESG Report is consistent to the financial report of the Group. The covering period is from 1 January 2017 to 31 December 2017.

Reporting Standard

The ESG Report is prepared according to Appendix 27 of "Environmental, Social and Governance Reporting Guide" of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), with reference to the "Guidelines for Auditing Methods and Reporting of Greenhouse Gas Emissions" promulgated by the National Development and Reform Commission for the calculations of the key performance indicators.

Stakeholders Engagement

The preparation of the ESG Report is the jointly participation of colleagues in various departments. It makes us more clearly in the aspects of the environment and social development level currently. The information collected is not only the conclusion of the environmental and social related work commenced by the Group in 2017, but also the basis of establishing the sustainable development strategy.

Information and Feedback

For the details of the environmental and corporate governance of the Group, please refer to our official website (http://www.chinahrt.com) and annual report. The Group values your opinion about this report. If you have any comments or suggestions, please contact us by the ways below:

Tel: (852) 3582-5200
Fax: (852) 3582-4298

ABOUT US

The Group is committed to provide life-long education and listed on the Main Board of Hong Kong Stock Exchange in 2004. The businesses of the Group include professional education, fundamental education, pre-school education, etc. Based on the Online Training Platform for China National Human Resources, National Continuing Education Public Service Platform and National Professionals and Technicians Knowledge Update Platform, the Group roots in vocational education, develops massive online learning and training services. The Group accumulates millions of the Chinese high class data resources. Meanwhile, being the unique leader of China's education industry, the Group has also expanded its business to finance, insurance and mobile payments.

Our mission is to enhance overall education quality in the PRC through our online services. We are committed to making online education like water and electricity, continuously flow into people's life in order to bring convenience and happiness to people when learning. We adopt the business philosophy of "Client Centered" in our business operation over years. We focus on long-term development and never compromise clients' value because of commercial benefits. We pay close attention to and deeply understand the clients' needs and constantly meeting such needs with superior products and service. We also care about the emotional communication with our clients. We respect for the clients' experience and grow together with our clients. We also match up to the management idea "Caring our Employees". We provide good working environment and incentive mechanism for our employees, improve the training system and career development channel, and allow our employees to enjoy the happiness from enterprises growth. We also respect and trust employees seriously, guide and encourage our employees to make them happy with their achievements. We expect to earn the respect from the environment, employees, users, suppliers and the society by constant effort.

EARNING RESPECT FROM THE ENVIRONMENT

Both the earth environment and the natural resources have a fundamental impact on us, so we are obligated to protect the environment, and are committed to winning the respect of the environment in many ways. We adopt several measures to take practical action to reduce the energy consumed by our daily operation. We implement different environmental protection policies in order to reduce the greenhouse gas emissions in daily operation. We are committed to "Use Less, Waste Less". We also actively implement paperless office in order to lower the impact of operation on the environment.

Energy Saving

The Group has an in-depth understanding of the importance of safeguarding sustainable development of the environment in daily operations. The Group has adopted the various measures in saving energy and water resources as follows:

Energy Saving	Water Saving
• Adopting the design of glass curtain walls to bring in natural light	• Reminding employees to turn faucet off tightly
• Purchasing the lighting or electronic equipment of higher energy efficiency	• Conducting regular inspection and maintenance of water facilities
• Setting the temperature of the air-conditioners to a minimum of 25° C, meanwhile conducting regular cleaning of the air filters of the air conditioners to increase refrigerating efficiency	• Conducting regular leakage tests for hidden water pipes
• Switching off the unnecessary lighting and energy consumption devices	• Conducting regular inspection on water meter and to check whether there are signs of hidden water leakage
• Dividing the office into different lighting areas, and setting up independent lighting switches, so as to facilitate the use of lighting system by employees as needed	
• Installing electronic equipment of high efficiency and taking the energy consumption indicators into consideration while selecting electronic equipment	

During the year, the amount of resources consumed by the Beijing office is as follows:

Indicators	2017
Total energy consumption (MWh)	312
Total energy consumption per employee (MWh/employee)	1.52
Non-renewable fuel consumption (MWh)	78
Electricity in respect of energy consumption (MWh)	234
Total water consumption (m^3)	2,369
Total water consumption per employee (m^3/employee)	11.56

Reduction of Emission

Apart from energy saving and in compliance with the relevant laws in relation to emission, in order to ease climate change and global pollution problems, the Group also adopts different measures in traffic management and daily operation to reduce carbon emission during operation. In the transportation of employees, we encourage our employees to take public transport, and conduct video conference instead of unnecessary overseas trips. We encourage our employees to choose direct flight if a business travel is inevitable so as to reduce greenhouse gas emissions per trip. We adopt low carbon policy to manage the fleet of the Group. We not only switch off idling engine in response to the appeal of the government, but we also regularly maintain vehicles of the Group to reduce the fuel consumption and other pollutant emissions. During the year, as a result of fuel consumption by fixed equipment and the use of vehicles, the Beijing office has emitted 1.62kg nitrogen oxides, 0.02kg sulphur dioxide and 0.05kg particulate matters. The Beijing office has used electric vehicles to replace petrol vehicles to reduce air pollution and carbon emission of vehicles. During the year, due to the use of electric vehicles, the Beijing office has avoided the emission of 0.67kg nitrogen oxides, 0.01kg sulphur dioxide and 0.05kg particulate matters. In daily operation, we also grow plants in the office areas and hold internal events in places with great accessibility and choose low carbon food to reduce indirect carbon emission caused by holding events. The Group's main source of the greenhouse gas emissions are the emissions caused by electricity usage of the office and during business trips by employees. During the year, the amount of greenhouse gas emissions and the amount of mitigated emissions of the Beijing office are set out as follows:

Indicators	2017
Total amount of greenhouse gas emissions (tonne) [1]	274
Total amount of greenhouse gas emissions per employee (tonne/employee)	1.34
Total amount of greenhouse gas emissions mitigated through the use of electric vehicles (kg)	283
Total amount of greenhouse gas emissions mitigated through growing plants (kg)	4,600

1 According to the Appendix 27 of "Environmental, Social and Governance Reporting Guide" of the "Rules Governing the Listing of Securities", Scope 1 covers the greenhouse gas emissions caused by the fuel combustion from fixed sources and mobile sources; Scope 2 covers the indirect greenhouse gas emissions by the energy caused by the (purchased or acquired) electricity internally consumed by the Group; whereas Scope 3 covers the indirect greenhouse gas emissions caused by discarding paper, water consumption and travelling for business by plane.

Cherishing Resources and Reducing Waste

Cherishing resources and reducing waste are important for the earth resources protection. We continue to gather the power of the Group over years to reduce the waste generated. The non-hazardous waste is mainly generated in daily office operation. According to the demand of the Group, we adjust the procurement amount to prevent overstocking. We select reusable items instead of disposable items, reuse stationery, make full use of resources and reduce waste. During the year, the Beijing office generated 432kg non-hazardous waste with 2.11kg non-hazardous waste produced per employee on average. In addition, we adopt measures to handle the small amount of hazardous waste produced. For example, we set up recycling bin designated for waste batteries collection. We set the printers to ink saving mode and use the reusable toner cartridge to ease the environmental pollution caused by hazardous waste. During the year, the Beijing office generated 3kg hazardous waste with 0.01kg hazardous waste produced per employee on average.

Green Office

We actively implement paperless office, not only encourage our employees to send information through means of electronic telecommunications technologies, but also use Office Automation (OA) system for administration of notice, leave application instead of paper record. We encourage our employees to use recycled paper for double-sided printing through poster. We collect papers containing non-confidential information, such as single-sided waste paper and poster for printing internal documents by setting up recycling bin. The Group monitors and takes appropriate measures on the employee paper usage of employees regularly for continuous improvement.

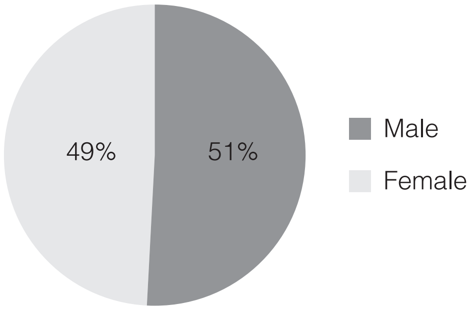
EARNING RESPECT FROM EMPLOYEES

Employees are the most valuable assets of the Group. We are committed to earning respect from employees, maintaining work-life balance, and making them to grow together with us. We actively assist the employees in building a value of integrity, enterprising, cooperation and innovation, in compliance with the national laws and the system of the Group, and to refuse violation of business ethics. The employees of the Group sticks to the principle of “Morality Come First”, and to be fair, honest and trustworthy, and have positive impact on the environment with the power of integrity. Being dutiful, efficient, taking up responsibility, actively taking up new tasks and challenges, at the same time, employees should keep curious, in pursue of excellence through continuous learning. In addition, employees also need to be opened for win-win situation, enjoy the success of the industry with partners and the industry, not only cooperate with the other teams, achieve goals together, but also share professional knowledge and working experience, grow together with colleagues. Our employees believes everyone can be innovative and everything can be innovated. Our employees are brave to break through, to try, to fail and to learn. We not only have comprehensive mechanism to manage the salary of employees and recruitment procedure, but also provide different benefits and diversified training to employees and care about the safety and health of employees.

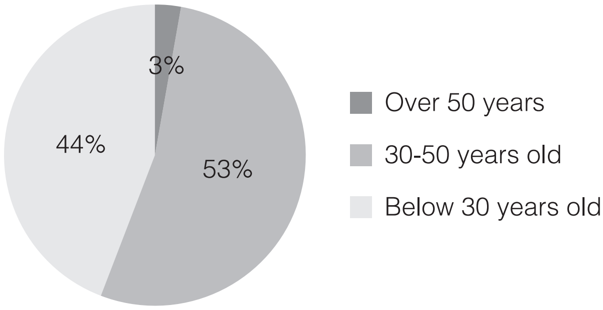
Recruitment of Talents

The Group is strictly in compliance with the relevant laws and regulations, such as the Labor Law of the People's Republic of China. We pursue fair and equitable principle, promote equal opportunity in recruiting and promotion for employees and prohibit any kind of forced labor. The Group solely considers the knowledge, character, ability and experience of candidates to meet the appropriate conditions of service, regardless of his/her gender, race and family status, etc. The Group is strictly in compliance with the Provisions on the Prohibition of Using Child Labor issued by the State Council of the People's Republic of China. The Group strictly conducts checking of identity card of candidates to prevent hiring child labor. All new employees must undergo interview, questionnaire, business test and other procedures to ensure the fairness of recruitment. Prior to the official joining of the employees into the Group, employees must sign the labor contracts, which set out clearly the information such as job descriptions, remunerations, etc., to prevent any form of forced labor. As at 31 December 2017, the Beijing office employed 205 full-time employees, and the proportion of the employees categorized by various forms is set out as follows:

Proportion of Employees by Gender



Proportion of Employees by Age



Upon receiving the resignation letters of the employees, the Group arrange exit interviews to look into the reasons of the employees' resignation, thereby improving the operation of the Group and also paying the outstanding salary on time. During the year, the employee turnover rate of the Beijing office by various forms is as follows:

Indicators	Percentage (%)
By Gender	
Male	16
Female	10
By Age	
Over 50	67
30-50	9
Below 30	14

Employee Benefits

The Group adjusts employees' remuneration on a yearly basis in order to provide them with salary of market competitiveness. The Group also sets up salary scale to ensure employees will be treated equally according to the business system and the ranking. Other than providing statutory welfare protection such as the social security program "five insurance and housing provident fund" (covering pension insurance, medical insurance, unemployment insurance, maternity insurance, employment injury insurance and housing provident fund) to all the employees, the Group also purchases accidental injury insurance and supplemental medical insurance. We also offer subsidies for lunch, transport and telecommunication as a support to the employees at work. To let the employees to reach a work-life balance, the Group does not encourage overtime work. In case of any needs in extending the work hours, the overtime work has to be negotiated for consensus and also compensated with overtime payment or compensation leaves. In addition to the statutory holidays, the employees are also entitled to annual leave, marriage leave, prenatal leave, maternity leave, paternity leave, breast-feeding leave, extra maternity leave, compassionate leave etc. To establish a corporate culture which cares for the employees, we will also provide the following benefits:

- Celebrating the 8th March Women's Day with female employees
- Providing annual health check for free
- Giving out festive cash or gifts during Chinese festivals
- Providing cash or gifts for birthdays, marriage and birth
- Providing free oral consultation

We not only care about the needs of employees, but also highly praise the traditional virtue of the Chinese nation "Respect for the Elderly". The Group established specifically a filial piety and provides filial piety fund to employees for the health check and birthday blessing of our employees' parents, so that the employees will incorporate the traditional virtues of filial piety in daily life and work, and their parents can feel the filial piety of their children.

Development and Training

We stick to be fair, just and open. According to the performance and contribution of employees, and the employees who possesses integrity, work ability and great contribution will be promoted. We also introduce competition mechanism and implement the principle of "the Survival of the Fittest". It forms a positive mechanism for employees. In addition, we conduct regular examination to employee for motivation purpose. Additional bonuses will be distributed according to the results of the examination. We also hold outstanding staff election annually and the candidates of each department will be recommended by the way of secret ballot. The elected outstanding staff will be finalized by the management and rewarded prize in-kind, training, travel or cash.

The Group values talent training, actively supports employees' development. Through continuous learning of new idea, new knowledge and new method, it can improve the quality and skill of the employees gradually in order to promote the sustainable development of the Group's business and to be successful. We value the feelings of new employees. Apart from arranging training to make new employees understand the basic situation and the development of the Group, familiarize with the organizational structure and corporate culture and learn the system and conduct code of the Group, department heads will be assigned to follow the working situation of the new employees in probation period, completion of the objectives and so on, by way of encouraging to point out where needs to be improved and set stages of objectives as well as expectations. The department head is also the mentor of new employees who helps the new employees to familiarize with the internal and surroundings of the Group, knowing about the duties and personnel of each department, to solve problems and difficulties encountered and helps new employees to adapt to the team at lunch times. We value the sustainable development of employees and encourage the employees to participate in study and training with objectives of broadening the horizon and develop more knowledge categories of the employees.

Safety and Health of Employees

Safety and health of employees are assets of the Group. For the vast majority time, our employees work in the office, for instance, reading documents, writing and typing. Therefore, providing a healthy and comfortable working environment for them is extremely important. Apart from focusing on the cleaning of our office, we also put emphasis on the design, maintenance and repair of workplace. In terms of the hygiene condition of the office, employees need to keep clean and tidy in workplace. Smoking, spitting everywhere and littering are prohibited in office. With regard to the design of office, we do not encourage employees to store stuff under their tables. Enough space should be kept above their legs and at their feet, allowing their feet to move intermittently and ensuring users' proper sitting posture. We also understand that being kept in same position is exhausting for employees, so we encourage employees to change their working mode regularly or have mild exercise, releasing stress to improve productivity. In addition to maintaining the furniture in office on a regular basis, for problems in relation to the office furniture brought up by employees, we also fix them in a timely manner. Apart from providing the employees with safe and comfortable working environment, we also comply with the regulations such as the Fire Protection Regulation of the People's Republic of China, formulate responsibility system on fire safety of the Group to prevent fire and mitigate fire hazards, protect the lives and property of employees and build a harmonious society. We implement the guideline of "Prevention First, Combination of Fire Prevention", develop annual firefighting plan, organize the implementation of daily fire safety management and prevent fire hazards. As at 31 December 2017, the number of deaths due to employment injuries was zero, whereas the total number of working day affected by employment injuries was zero. The Group is committed to prevent the incidents of employment injuries of employees in compliance with the relevant laws and regulations. The Group also provides safe working environment and ensures the employees are free from occupational harms.

Cultural Activities

We value the mental health of our employees. Through team activities, we expect to strike an effective balance between employees' work and life and enhance the ability to work in teams. For the purpose of encouraging employees, livening things up and strengthening departmental cohesiveness, the Group finances internal collective activities for every department. In addition to strengthening departmental internal cohesiveness, we also wish to promote employees' cooperation and communication across departments as well as to create a united and harmonious working atmosphere. As a result, we set up team building expenditure, enabling employees of the Group to organize tea party, book club, fellowship, colloquium, chess and card entertainment, cultural and sporting activities, competition and contest, scenic spot visit, etc. Through a variety of employees' activities, the members of the Group can relieve themselves, enhance their health and physique, have a feeling for the warmth of the organization, as well as have the facilitated exchange among the colleagues and nurture the team spirit along their tense work. These allow the employees to devote themselves to the work with fresher faces and better spirit in achieving individual values.

As at 31 December 2017, the Group had organized a series of employees' activities:

- Monthly birthday parties for the employees
- Handmade sachet event of Dragon Boat Festival
- The 6th anniversary celebration
- Christmas activities
- Spring Festival Festive Gala

EARNING RESPECT FROM CLIENTS AND SUPPLIERS

To realize the Group's business philosophy "Client Centered", we commit to providing the clients with high quality services to cater for their needs. For the purpose of protecting our product patents, we have applied for and acquired 30 software copyrights. We also conduct promotion campaigns by strictly abiding by relevant advertising laws and regulations such as the Advertising Law of the People's Republic of China. In addition, we also attach importance to the personal privacy of our clients and the cybersecurity. Other than looking forward to gaining the clients' respect, we expect to grow together with suppliers as well. Through adhering to sustainable business conduct and continuous improvement, clean and righteous social climate can be created.

Information Systems Security Management

Network information security is not only related to the operation of our regular business but also related to national security and social stability. With regard to network information security work, the Group complies with the laws and regulations concerning privacy matters such as the Standards for the Assessment of Internet Enterprises' Protection of Personal Information and the Provisions on Protecting the Personal Information of Telecommunications and Internet Users, establishes a sound management system, implements various technological preventive measures, filters the harmful and malicious information in a timely manner and keeps user information strictly confidential so as to ensure the security of network and information. Protecting security, confidentiality and integrity of information, which is of great importance to the Group, is also the commitment made to our clients. In order to protect the data of clients, we not only establish a safe clients management system and configures access privileges for clients information, learning record and payment record etc., but also designate personnel to manage clients information. In addition to improving the security management of system, the Group also signs confidentiality agreement with employees, and carries out secrecy concerning system security, virus prevention, internet use and download. The Group also commences seminars regarding network information security from time to time, enabling the employees to fully understand the importance of network security and to conform to relevant laws and regulations. We establish accountability system for information security and confidentiality as well to pragmatically bear the responsibility of ensuring network and information security confidentiality. We specifically put into practice those responsible and their responsibility, refine working measures and workflow, set up and improve management system and implementation approaches, to guarantee the provision of safe network and information services to customers.

Cybersecurity

Apart from keeping clients' information confidential, we also need to guarantee the cybersecurity. We have installed software firewall on both web server and workstation, and applied a complete set of precautions against computer virus and malicious attack so as to the website system from disturbance and sabotage of harmful information. Login password of web server is kept by dedicated administrator, while 24-hour surveillance for web server is conducted by surveillance system. Strict access control is implemented for the administration interface. We also adopt third-party network security softwares to scan the network system of the Group on a regular basis. Aside from security management aimed at the system, we are also staffed by high-quality and professional web employee to update the information and content of the website. All the information published on our website is subject to the approval of management. For information collection, employees should scrupulously comply with relevant national laws and regulations as well as relevant provisions. Disseminating content prohibited by related laws and regulations such as the Regulation on Internet Information Service of the People's Republic of China through the Group's website and messaging platform is strictly forbidden for employees.

Management of Supplier

The Group puts emphasis on procurement and adheres to the principle of "Act with Justice, Safeguard The Group's Interest" while purchasing. We understand that the business activity will bring about impacts on economy, environment and society. Therefore, we develop a clear procurement system and uphold five major principles, namely principle of inquiry and price comparison, principle of consistency, principle of seeking for low price, principle of suppliers' evaluation and principle of incorruptibility, to purchase, to mitigate the environmental and social risks caused by supply chain. During the process of selecting suppliers, the Group adheres to principles of openness, equity, fairness and honesty to conduct tendering and bidding. We not only require our suppliers to be legally operated enterprises, but also consider their credibility, financial position, service capacity and service awareness. We also take measures to request the suppliers to ensure that no child labor are hired and no human rights are violated. Signing contract is required when conducting all procurements. Negotiation with suppliers shall be made in the presence of at least two employees, with cash discount and sales discount from suppliers to the Group stipulated in the contract so as to rigorously oversee the implementation of contract and control the disbursement of funds. Apart from paying attention to social risks caused by supply chain, the Group also commits to mitigating the environmental pollution resulted from supply chain. Therefore, for suppliers who share similar conditions, the Group tends to choose supplier based on the principle of proximity to reduce carbon emissions from transport. For instance, during the year, all suppliers of Beijing headquarter are located within Hebei Province. The Group also has a supplier roster to review and update on a regular basis, eliminating suppliers who are not in compliance with the Group's sustainable development principle.

Anti-Corruption

The Group has been upholding the operational principle of incorruptibility. Employees should comply with rigorous ethical requirements, and shall not accept any gift, bribe or all forms of presents or funds from anyone related to the Group's business operation. For presents that are hard to refuse, employees should hand all of them over to the Group for handling. We also stipulate that employees can neither leak business and occupational secrets nor reap personal gain to carry out corruption and fraud by using their position. When dealing with third party company on behalf of the Group, our employees have to adhere to the principle of impartiality, and avoid receiving special treatment for specific person by using their own influence or personal preference. In addition to formulating scrupulous management requirements and incorrupt procurement process for employees, we also set up regulatory department to supervise and question procurement activities, preventing the occurrence of any violation in incorruptibility system.

EARNING RESPECT FROM SOCIETY

As a standing council unit of China Association for Continuing Engineering Education, the Group was invited to participate in the International Association for Continuing Engineering Education (IACEE)'s 2017 World Executive Committee Meeting during the year. IACEE is an international, non-profit and non-governmental organization, which aims to support the lifelong engineering education and trainings worldwide, enhance lifelong technological learning and training worldwide as well as strengthen the accessibility and integration among the information of the tertiary engineering education sector. In that meeting, we proposed an opinion and solution in addressing the way to push forward the continuous educational development worldwide, to facilitate the global development of the whole industry. Apart from earning respect from society in terms of business, we also care for the community to make the whole community grow with us. We encourage our employees to participate in charitable events proactively and join together to create a harmonious society.

The essence of education is to make everyone live a better life. The Group will never lose sight of its mission. We will strive to fulfill social responsibility, spare no effort to let every learner have access to more abundant educational resources and humanistic care.

Report of the Directors

The Directors hereby present the annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2017.

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 40 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

The business review of the Group for the year is set out in the sections of Financial Summary, Chairman's Statement, Management Discussion and Analysis, Environmental, Social and Governance Report and the paragraphs below.

The Group complies with the requirements under the Companies Ordinance, 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 in the PRC. Event affecting the Group occurred since the end of the financial year is set out in the part headed "Event after the Reporting Period".

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.

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 2017 are set out in the consolidated statement of profit or loss and other comprehensive income on page 68.

DIVIDEND

The Board resolved not to recommend the payment of a final dividend for the year ended 31 December 2017.

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 29 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 72 and 73.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under 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
Mr. Wang Cheng
Mr. Li Dongfu

Independent Non-executive Directors

Mr. Leung Siu Kee
Mr. Wu Yalin
Ms. Wang Shuping

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. Li Dongfu, Mr. Leung Siu Kee, Mr. Wu Yalin and Ms. Wang Shuping 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 DIRECTOR

Pursuant to Rule 13.51B(1) of the Listing Rules, changes in the information of the Director of the Company since the date of the last interim report are set out below:

Mr. Leung Siu Kee has been appointed as an executive director and company secretary of Coolpad Group Limited (HKSE: 2369) since 19 January 2018 and resigned as a non-executive director of KK Culture Holdings Limited (formerly known as Cinderella Media Group Limited) (HKSE: 550) since 26 January 2018.

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 this annual report, 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.

As at the date of this annual report, there are no outstanding share options and no shares are available for issue under the Share Option Scheme 2004.

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. The remaining life of the Share Option Scheme 2014 is 6 years.

Movements of share options during the year ended 31 December 2017 under the Share Option Scheme 2014 are summarised as follows and details of which are set out in note 33 to the consolidated financial statements:

Movements of Share Option Scheme 2014 during the year

List of Grantees	Balance as at 1 January 2017	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Balance as at 31 December 2017	Exercise Price	Date of grant	Exercise Period
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 (Note 6)	—	—	—	3,000,000	0.127	29/06/2017	29/06/2017-28/06/2022 (Note 7)
Wang Cheng	—	3,000,000 (Note 6)	—	—	—	3,000,000	0.127	29/06/2017	29/06/2017-28/06/2022 (Note 7)
Li Dongfu	1,500,000	—	—	—	—	1,500,000	0.4	04/05/2015	04/05/2015-03/05/2018
	—	3,000,000 (Note 6)	—	—	—	3,000,000	0.127	29/06/2017	29/06/2017-28/06/2022 (Note 7)
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 (Note 6)	—	—	—	1,000,000	0.127	29/06/2017	29/06/2017-28/06/2022 (Note 7)
Wang Shuping	1,000,000	—	—	—	—	1,000,000	0.4	04/05/2015	04/05/2015-03/05/2018
	—	500,000 (Note 6)	—	—	—	500,000	0.127	29/06/2017	29/06/2017-28/06/2022 (Note 7)
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			

List of Grantees	Balance as at 1 January 2017	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Balance as at 31 December 2017	Exercise Price	Date of grant	Exercise Period
Employees									
In aggregate	41,774,000	10,500,000	—	—	—	41,774,000	0.4	04/05/2015	04/05/2015-03/05/2018 (Note 2)
	2,510,000	—	—	—	—	2,510,000	0.684	02/07/2015	02/07/2015-01/07/2019 (Note 3)
	10,700,000	—	—	—	—	10,700,000	0.29	18/05/2016	18/05/2016-17/05/2021 (Note 4)
	3,000,000	—	—	—	—	3,000,000	0.184	28/10/2016	28/10/2016-27/10/2021 (Note 5)
	—	28,800,000 (Note 6)	—	—	—	28,800,000	0.127	29/06/2017	29/06/2017-28/06/2022 (Note 7)
Subtotal	57,984,000	28,800,000	—	—	—	86,784,000			
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:

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

2. 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.)

3. 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.)

4. 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.

5. 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.

6. The closing price of the shares of the Company immediately before the date on which the share options were granted was HK$0.127.

7. 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.

During the year ended 31 December 2017, 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.

The total number of shares available for issue under the Share Option Scheme 2014 is 755,936,257, representing approximately 15.21% 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 2017, 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 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	17.66%
	Held by controlled corporation	789,628,323 (Note 1)	—		
Li Jia	Beneficial owner	7,936,000	10,000,000	17,936,000	0.39%
Wu Xiaodong	Beneficial owner	16,003,000	5,000,000	21,003,000	0.45%
Wang Cheng	Beneficial owner	12,166,000	3,000,000	15,166,000	0.33%
Li Dongfu	Beneficial owner	—	4,500,000	4,500,000	0.10%
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:

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 2017, 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 2017, 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	14.65%
Guo Zhen Bao	Beneficial owner	172,746,032	328,042,032	7.07%
	Held by spouse	155,296,000 (Note 2)		
Ho Wai Kong ("Mr. Ho")	Beneficial owner	500,000	292,359,306	6.30%
	Held by controlled corporation	241,639,306 (Note 3)		
	Held by spouse	50,220,000 (Note 4)		
Guo Binni	Beneficial owner	50,220,000 (Note 4)	292,359,306	6.30%
	Held by spouse	242,139,306 (Note 3)		
Rotaland Limited	Beneficial owner	240,139,306 (Note 3)	240,139,306	5.17%

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 2017, 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 2017, 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 2017 attributable to the Group's major suppliers is as follows:

	Percentage of purchases
The largest supplier	8.0%
Five largest suppliers combined	21.9%

The percentage of sales for the year ended 31 December 2017 attributable to the Group's major customers is as follows:

	Percentage of sales
The largest customer	26.6%
Five largest customers combined	62.2%

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 38 to the consolidated financial statements.

EVENT AFTER THE REPORTING PERIOD

Subscription of New Shares

On 4 January 2018, the Company entered into a subscription agreement with Sheng Yuan Asset Management Limited (the "Subscriber"), pursuant to which the Subscriber has agreed to subscribe for, and the Company has agreed to allot and issue a total of 326,000,000 new ordinary shares of HK$0.01 each in the share capital of the Company at the subscription price of HK$0.092 per subscription share, raising gross proceeds and net proceeds of approximately HK$30.0 million and HK$29.7 million respectively. The net price for each subscription share was approximately HK$0.09. The closing price per ordinary share as quoted on the Stock Exchange on 4 January 2018, being the date of the subscription agreement was HK$0.104.

The net proceeds from the subscription would be used for providing the Group with additional financial resources to develop and expand its financial related business, especially the insurance brokerage business acquired by the Group in April 2017 and for general working capital of the Group. The actual use of proceeds are that HK$15 million was used to increase the capital of Beijing Zhongjin in order to expand its business scope and area while the remaining of approximately HK$14.7 million is being used as general working capital of the Group.

The Board consider that the subscription will strengthen the financial position of the Group and raise additional funds while broadening the shareholders and capital base of the Company.

Details of the subscription has been set out in the announcement of the Company dated 4 January 2018.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 8 June 2018 to Thursday, 14 June 2018, both days inclusive, during which period no transfers of shares shall be registered. The holder of shares whose name appears on the register of members of the Company on Thursday, 14 June 2018 will be entitled to attend and vote at the AGM. In order to qualify for attending and voting at the AGM, 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 Registrars (HK) Limited, Room 2103B, 21/F., 148 Electric Road, North Point, Hong Kong for registration not later than 4:30 p.m. on Thursday, 7 June 2018.

ANNUAL GENERAL MEETING

The AGM will be held on 14 June 2018 and the notice thereof will be published and despatched to Shareholders in due course.

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

During the year ended 31 December 2017, 10,012,000 ordinary shares of the Company were repurchased on the Stock Exchange and these shares were subsequently cancelled by the Company. The summary details of the repurchases are as follows:

Month	Number of ordinary shares repurchased	Price per share Highest (HK$)	Price per share Lowest (HK$)	Total price paid (HK$)
July 2017	10,012,000	0.124	0.117	1,215,672
Total	10,012,000			1,215,672

The total amount of HK$1,215,672 of the repurchase was paid wholly out of retained profits and 10,012,000 repurchased ordinary shares of the Company were cancelled during the year ended 31 December 2017. The above repurchases during the year ended 31 December 2017 were effected by the Directors, pursuant to the mandate from shareholders received at the last annual general meeting of the Company, with a view to benefiting the Shareholders as a whole by enhancing the net assets value per share and earnings per share of the Company.

Save as disclosed above, 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 ended 31 December 2017.

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 23 to 34 of this annual report for details of its compliance with the CG 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, 29 March 2018

信永中和
ShineWing

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

TO THE MEMBERS OF CHINA CHUANGLIAN EDUCATION FINANCIAL GROUP LIMITED
(FORMERLY KNOWN AS CHINA CHUANGLIAN EDUCATION GROUP LIMITED)
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China Chuanglian Education Financial Group Limited (formerly known as China Chuanglian Education Group Limited) (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 68 to 160, which comprise the consolidated statement of financial position as at 31 December 2017, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key Audit Matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

REVENUE RECOGNITION OF ONLINE TRAINING AND EDUCATION SERVICES

Refer to note 7 to the consolidated financial statements and the accounting policies on page 85.

The key audit matter	How the matter was addressed in our audit
Income from online training and education services is recognised on a straight-line basis over the period of the courses. The Group maintains information systems to record the commencement date of service which is the activation date of the customer and the closing date of the courses. We have identified revenue recognition of online training and education services as a key audit matter because revenue is one of the key performance indicators of the Group and because revenue of online training and education services involves complicated information systems, all of which give rise to an inherent risk that revenue could be recorded in the incorrect period or could be subject to manipulation.	Our audit procedures were designed to challenge the accuracy of the amounts recognised as revenue. These procedures included testing controls over the Group's information systems which govern the revenue recognition of online training and education services and performing substantive test on the Group's online training and education services revenue. We had included independent IT audit expert to review the Group's information systems and had challenged and assessed the IT audit expert's review procedures.

IMPAIRMENT ASSESSMENT OF GOODWILL AND INTANGIBLE ASSETS

Refer to notes 18 and 19 to the consolidated financial statements and the accounting policies on pages 83, 84, 89 and 95.

The key audit matter	How the matter was addressed in our audit
The Group has goodwill of approximately RMB44,374,000 and intangible assets of approximately RMB54,711,000 as at 31 December 2017. The Group's goodwill and intangible assets are significant to the net assets value of the Group. An assessment is required to establish annually on whether any impairment is required. The Group's assessment of impairment of goodwill and intangible assets is a judgemental process which requires estimates concerning the forecast future cash flows associated with the goodwill and intangible assets held, the discount rates and the growth rate of revenue and costs to be applied in determining the value in use. The selection of valuation model, adoption of key assumptions and input data may be subject to management bias and changes in these assumptions and input to valuation model may result in significant financial impact. The extent of judgement and the size of the goodwill and intangible assets resulted in this matter being identified as key audit matter.	In order to address this matter in our audit, we obtained management's assessment prepared by their valuation specialist or the management and challenged the reasonableness of the selection of valuation model, adoption of key assumptions and input data. In particular, we tested the future cash flow forecast on whether it is agreed to the budget approved by the Board of Directors and compared the budget with actual results available up to the report date. We also challenged the appropriateness of the assumptions, including the sales growth rates and gross margin, against latest market expectations. We also challenged the discount rate employed in the calculation of value in use by reviewing its basis of calculation and comparing its input data to market sources. As any changes in these assumptions and input to valuation model may result in significant financial impact, we tested management's sensitivity analysis in relation to the key inputs to the impairment assessment which included changes in sales growth rate, gross margin and discount rate employed.

IMPAIRMENT ASSESSMENT OF AVAILABLE-FOR-SALE ("AFS") INVESTMENTS

Refer to note 21 to the consolidated financial statements and the accounting policies on pages 91 and 92.

The key audit matter	How the matter was addressed in our audit
The Group has AFS investments measured at cost less impairment of approximately RMB68,243,000 as at 31 December 2017. The Group assessed at the end of each reporting period whether there was objective evidence that the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset fall below its carrying amount. The determination of impairment indicators is dependent on financial performance and business prospects, industry environment as well as general market conditions. The evaluation involved significant judgement which would have material impact on the carrying amounts of these investments. Based on the management's assessment, no impairment was identified on these unlisted equity investments. The extent of judgement and the size of the AFS investments resulted in this matter being identified as key audit matter.	Our procedures were designed to understand the Group's investment strategies for its AFS investments and the background, business plan and other information about the AFS investments portfolio to determine whether impairment indicators exists, taking into consideration of market information. We have evaluated management's assessment of objective evidence of impairment with reference to latest financial performance, financial position and cash flows of the underlying investments and comparable industry information.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

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

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

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

RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion, solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibilities towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Wong Chuen Fai.

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

Hong Kong
29 March 2018

Consolidated Statement Of Profit Or Loss And Other Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2017

	NOTES	2017 RMB'000	2016 RMB'000 (Restated)
Continuing operations			
Turnover	7	**134,022**	88,287
Revenue		**129,769**	88,287
Cost of sales and services		**(56,021)**	(43,335)
Gross profit		**73,748**	44,952
Realised loss on fair value changes of held for trading investments		**(7,828)**	—
Other income and gain	9	**1,801**	2,056
Selling and marketing expenses		**(22,331)**	(19,238)
Administrative expenses		**(63,329)**	(63,537)
Provision for a claim	28	**—**	(2,000)
Impairment loss on goodwill	19	**—**	(31,016)
Impairment loss on intangible assets	18	**—**	(37,414)
Unrealised loss on fair value changes of held for trading investments		**—**	(25,728)
Share of result of associates	20	**(139)**	(320)
Loss before tax		**(18,078)**	(132,245)
Income tax (expenses) credit	10	**(7,235)**	6,641
Loss for the year from continuing operations		**(25,313)**	(125,604)
Discontinued operation			
Profit (loss) for the year from discontinued operation	11	**10,473**	(66,291)
Loss for the year	12	**(14,840)**	(191,895)
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translating foreign operations		**(3,031)**	3,357
Reclassification adjustment for the cumulative gain included in profit or loss upon disposal of a foreign operation		**(6)**	—
Total other comprehensive (expense) income for the year		**(3,037)**	3,357
Total comprehensive expense for the year		**(17,877)**	(188,538)

	NOTES	2017 RMB'000	2016 RMB'000 (Restated)
(Loss) profit for the year attributable to owners of the Company			
— from continuing operations		**(25,705)**	(122,942)
— from discontinued operation		**10,473**	(66,291)
Loss for the year attributable to owners of the Company		**(15,232)**	(189,233)
Profit (loss) for the year attributable to non-controlling interests			
— from continuing operations		**392**	(2,662)
— from discontinued operation		**—**	—
Profit (loss) for the year attributable to non-controlling interests		**392**	(2,662)
		(14,840)	(191,895)
Total comprehensive (expenses) income for the year attributable to:			
Owners of the Company		**(18,269)**	(185,876)
Non-controlling interests		**392**	(2,662)
		(17,877)	(188,538)
Loss per share	16		
From continuing and discontinued operations			
Basic and diluted (RMB cents)		**(0.33)**	(4.07)
From continuing operations			
Basic and diluted (RMB cents)		**(0.55)**	(2.64)

Consolidated Statement Of Financial Position

AS AT 31 DECEMBER 2017

	NOTES	2017 RMB'000	2016 RMB'000
Non-current assets			
Plant and equipment	17	**35,576**	33,828
Intangible assets	18	**54,711**	49,685
Goodwill	19	**44,374**	38,290
Interest in an associate	20	**—**	875
Available-for-sale investments	21	**68,243**	23,498
Deposit paid for acquisition of an available-for-sale investment	22	**—**	25,000
Prepayment for acquisition of plant and equipment		**—**	880
		202,904	172,056
Current assets			
Trade and other receivables	23	**19,690**	23,502
Held for trading investments	24	**—**	12,578
Bank balances and cash	25	**80,192**	113,181
		99,882	149,261
Current liabilities			
Trade and other payables	26	**49,783**	48,647
Amount due to a shareholder	27	**141**	141
Provision for a claim	28	**—**	2,000
Income tax payable		**5,946**	13,365
		55,870	64,153
Net current assets		**44,012**	85,108
Total assets less current liabilities		**246,916**	257,164

	NOTES	2017 RMB'000	2016 RMB'000
Capital and reserves			
Share capital	29	**38,703**	38,786
Reserves		**190,889**	204,526
Equity attributable to owners of the Company		**229,592**	243,312
Non-controlling interests		**4,274**	2,207
Total equity		**233,866**	245,519
Non-current liability			
Deferred tax liability	30	**13,050**	11,645
		246,916	257,164

The consolidated financial statements on pages 68 to 160 were approved and authorised for issue by the board of directors on 29 March 2018 and are signed on its behalf by:

Wang Cheng
Director

Wu Xiaodong
Director

	Attributable to owners of the Company											
	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000 (Note a)	Translation reserve RMB'000	Capital redemption reserve RMB'000 (Note b)	Share options reserve RMB'000	Contribution from shareholders RMB'000 (Note c)	Other reserve RMB'000 (Note d)	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2016	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 year	—	—	—	—	—	—	—	—	(189,233)	(189,233)	(2,662)	(191,895)
Other comprehensive income for the year												
— Exchange differences arising on translating foreign operations	—	—	—	3,357	—	—	—	—	—	3,357	—	3,357
Total comprehensive income (expense) for the year	—	—	—	3,357	—	—	—	—	(189,233)	(185,876)	(2,662)	(188,538)
Recognition of equity-settled share-based payment expenses (note 33)	—	—	—	—	—	3,338	—	—	—	3,338	—	3,338
Acquisition of additional interest in subsidiaries (note 37)	—	—	—	—	—	—	—	95	—	95	(10,285)	(10,190)
Capital contribution by non-controlling interest	—	—	—	—	—	—	—	—	—	—	9,820	9,820
At 31 December 2016	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

	Attributable to owners of the Company											
	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000 (Note a)	Translation reserve RMB'000	Capital redemption reserve RMB'000 (Note b)	Share options reserve RMB'000	Contribution from shareholders RMB'000 (Note c)	Other reserve RMB'000 (Note d)	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2017	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 year	—	—	—	—	—	—	—	—	(15,232)	(15,232)	392	(14,840)
Other comprehensive expense for the year												
— Exchange differences arising on translating foreign operations	—	—	—	(3,031)	—	—	—	—	—	(3,031)	—	(3,031)
Reclassification adjustment for the cumulative gain included in profit or loss upon disposal of a foreign operation	—	—	—	(6)	—	—	—	—	—	(6)	—	(6)
Total other comprehensive expense for the year	—	—	—	(3,037)	—	—	—	—	—	(3,037)	—	(3,037)
Total comprehensive (expense) income for the year	—	—	—	(3,037)	—	—	—	—	(15,232)	(18,269)	392	(17,877)
Recognition of equity-settled share-based payment expenses (note 33)	—	—	—	—	—	5,598	—	—	—	5,598	—	5,598
Share repurchased and cancelled (note 29)	(83)	(966)	—	—	—	—	—	—	—	(1,049)	—	(1,049)
Capital contribution by non-controlling interest	—	—	—	—	—	—	—	—	—	—	1,480	1,480
Disposal of subsidiaries (note 36)	—	—	—	—	—	—	—	—	—	—	195	195
At 31 December 2017	38,703	1,109,490	15,536	5,630	595	88,743	1,927	140,477	(1,171,509)	229,592	4,274	233,866

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. ("ZZNode (Beijing)") and the aggregate of share capital and share premium or net assets of the subsidiaries acquired by the Company and ZZNode (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; and (ii) the difference between the fair value and the conversion price of convertible preference shares issued attributable to the acquisition of a subsidiary.

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2017

	2017 RMB'000	2016 RMB'000
OPERATING ACTIVITIES		
Loss before tax		
— Continuing operations	**(18,078)**	(132,245)
— Discontinued operation	**10,491**	(66,295)
	(7,587)	(198,540)
Adjustments for:		
Finance costs	**—**	368
Interest income	**(460)**	(872)
Reversal of impairment loss on trade and other receivables	**—**	(189)
Government subsidies	**—**	(200)
Amortisation of intangible assets	**5,775**	7,865
Depreciation of plant and equipment	**7,693**	3,902
Write back of provision for a claim	**(1,295)**	—
Impairment loss on trade and other receivables	**4,181**	18,589
Share-based payment expenses	**5,617**	18,005
(Gain) loss on disposal of plant and equipment	**(3)**	21
Gain on disposal of subsidiaries	**(10,550)**	—
Impairment loss on goodwill	**—**	50,129
Impairment loss on intangible assets	**—**	37,414
Unrealised loss on fair value changes of held for trading investments	**—**	25,728
Realised loss on fair value changes of held for trading investments	**7,828**	—
Provision for a claim	**—**	2,000
Share of result of associates	**139**	320
Operating cash flows before movements in working capital	**11,338**	(35,460)
Decrease in trade and other receivables	**981**	46,537
Decrease (increase) in held for trading investments	**4,420**	(8,895)
(Decrease) increase in trade and other payables	**(803)**	4,348
Cash generated from operations	**15,936**	6,530
Income tax paid	**(7,080)**	(3,594)
NET CASH FROM OPERATING ACTIVITIES	**8,856**	2,936

	Notes	2017 RMB'000	2016 RMB'000
INVESTING ACTIVITIES			
Purchase of plant and equipment		**(8,506)**	(22,097)
Additional investments to available-for-sale investments		**(20,000)**	(23,110)
Purchase of intangible assets		**(801)**	(2,365)
Net cash outflow on acquisition of subsidiaries	35	**(11,731)**	(4,648)
Net cash inflow on deregistration of an associate		**736**	—
Net cash outflow on disposal of subsidiaries	36	**(98)**	—
Prepayment for acquisition of plant and equipment		**—**	(880)
Deposit paid for acquisition of available-for-sale investment		**—**	(25,000)
Interest received		**460**	872
Proceeds on disposal of plant and equipment		**45**	—
Loan advances		**—**	(8,000)
Repayment of loan advances		**—**	8,000
NET CASH USED IN INVESTING ACTIVITIES		**(39,895)**	(77,228)
FINANCING ACTIVITIES			
Capital contribution by non-controlling interest		**1,480**	9,820
Government subsidies received		**—**	200
Payment on repurchase of own shares		**(1,049)**	—
Acquisition of additional interests in subsidiaries	37	**—**	(10,190)
Repayment of bank borrowings		**—**	(4,990)
Interest paid		**—**	(368)
Repayment to a shareholder		**—**	(47)
NET CASH FROM (USED IN) FINANCING ACTIVITIES		**431**	(5,575)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(30,608)**	(79,867)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**113,181**	191,776
Effect of foreign exchange rate changes		**(2,381)**	1,272
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, represented by bank balances and cash		**80,192**	113,181

1. GENERAL

China Chuanglian Education Financial Group Limited (formerly known as "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 Main Board of 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.

Pursuant to a special resolution passed at the extraordinary general meeting held on 28 June 2017, the English name of the Company was changed from "China Chuanglian Education Group Limited" to "China Chuanglian Education Financial Group Limited" and the Chinese name of the Company was changed from "中國創聯教育集團有限公司" to "中國創聯教育金融集團有限公司". The Certificate of Incorporation on Change of Name was issued by the Registrar of Companies in the Cayman Islands on 28 June 2017.

The Company is principally engaged in investment holding and securities trading. The principal activities of its principal subsidiaries are set out in note 40.

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")

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 2014–2016 Cycle: Amendments to HKFRS 12
Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

Except as described below, the application of other 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.

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

Amendments to HKAS 7 Disclosure Initiative

The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments do not prescribe a specific method to fulfill the new disclosure requirements. However, the amendments indicate that one way is to provide a reconciliation between the opening and closing balances for liabilities arising from financing activities.

The directors of the Company considered that these amendments have had no impact on the Group's consolidated financial statements as there is no cash flows and non-cash changes in liabilities arising from financing activities in the current year.

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[1]
HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014–2016 Cycle[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 40	Transfers of Investment Property[1]
HK(IFRIC) — Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) — Int 23	Uncertainty over Income Tax Treatments[2]

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for annual periods beginning on or after 1 January 2019.
3 Effective for annual periods beginning on or after 1 January 2021.
4 Effective date not yet been determined.

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

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

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.

Key requirements of HKFRS 9 (2014) which are relevant to the Group are:

- All recognised financial assets that are within the scope of HKFRS 9 (2014) 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.

- 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.

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

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

HKFRS 9 (2014) Financial Instruments (Continued)

The directors of the Company has performed a preliminary analysis of the Group's financial instruments as at 31 December 2017 based on the fact and circumstances existing at that date. The directors of the Company have assessed the impact of adoption of HKFRS 9 (2014) on the Group's results and financial position, including the classification categories and the measurement of financial assets, and disclosures, as follows:

(a) Classification and measurement

The Group's available-for-sale investments, including those currently stated at cost less impairment, will either be measured as fair value through profit or loss or be designated with irrevocable election to present in other comprehensive income the changes in fair value.

(b) Impairment

The directors of the Company expect to apply the simplified approach and record lifetime expected credit losses that are estimated based on the present value of all cash shortfalls over the remaining life of all of its trade and other receivables. The application of the expected credit loss model may result in earlier recognition of credit losses for trade and other receivables and increase the amount of impairment allowance recognised for these items.

The directors of the Company will perform a more detailed analysis which considers all reasonable and supportable information for the estimation of the effect of adoption of HKFRS 9 (2014). Based on the preliminary assessment, the directors of the Company expect that the adoption of HKFRS 9 (2014) will not have other material impact on amounts reported in the Group's consolidated financial statements.

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 a 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.

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

HKFRS 15 Revenue from Contracts with Customers (Continued)

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.

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 major sources of revenue of the Group are securities trading, provision of educational consultancy and online training and education and insurance brokerage services. Under HKFRS 15, revenue is recognised for each of the performance obligations when control over a good or service is transferred to a customer. The directors of the Company have preliminarily assessed each type of the performance obligations and consider that the performance obligations are similar to the current identification of separate revenue components under HKAS 18 Revenue. Furthermore, HKFRS 15 requires the transaction price to be allocated to each performance obligation on a relative stand-alone selling price basis, which may affect the timing and amounts of revenue recognition, and results in more disclosures in the consolidated financial statements. However, the directors of the Company expect that the adoption of HKFRS 15 will not have a material impact on the timing and amounts of revenue recognised based on the existing business model of the Group as at 31 December 2017.

HKFRS 16 Leases

HKFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessors and lessees.

In respect of the lessee accounting, the standard introduces a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases with the lease term of more than 12 months, unless the underlying asset has a low value.

At the commencement date of the lease, the lessee is required to recognise a right-of-use asset at cost, which consists of the amount of the initial measurement of the lease liability, plus any lease payments made to the lessor at or before the commencement date less any lease incentives received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee. A lease liability is initially recognised at the present value of the lease payments that are not paid at that date.

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

HKFRS 16 Leases (Continued)

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. Lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payment made, and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. Depreciation and impairment expenses, if any, on the right-of-use asset will be charged to profit or loss following the requirements of HKAS 16 Property, Plant and Equipment, while interest accrual on lease liability will be charged to profit or loss.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17 Leases. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

HKFRS 16 will supersede the current lease standards including HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 will become effective for annual periods beginning on or after 1 January 2019 with early application permitted provided that the entity has applied HKFRS 15 Revenue from Contracts with Customers at or before the date of initial application of HKFRS 16.

As at 31 December 2017, the Group has non-cancellable operating lease commitments of approximately HK$102,034,000 as disclosed in note 31. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in the measurement, presentation and disclosure as indicated above. The directors of the Company are in the process to determine the amounts of right-of-use assets and lease liabilities to be recognised in the consolidated statement of financial position, after taking into account all practical expedients and recognition exemption under HKFRS 16. The directors of the Company expect that the adoption of HKFRS 16 will not have material impact on the Group's result but certain portion of these lease commitments will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

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 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 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 in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

The principal accounting policies are set out below.

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 acquired or disposed of during the year 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity including reserves and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted after re-attribution of the relevant equity component, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, it derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost with any resulting difference being recognised as a gain or loss in profit or loss attributable to the Group.

Business combinations

Businesses combinations are accounted for by applying the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs incurred to effect a business combination are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that deferred tax assets or liabilities arising from the assets acquired and liabilities assumed in the business combination are recognised and measured in accordance with HKAS 12 Income Taxes;

Goodwill is measured as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the Group's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. Non-controlling interests, unless as required by another standards, are measured at acquisition-date fair value except for non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets on a transaction-by-transaction basis.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business 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, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill (Continued)

A cash-generating unit (or group of cash-generating units) 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 (or group of cash-generated units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units). 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.

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.

Investment in an associate

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 Group's investment in an associate is accounted for in the consolidated financial statements using the equity method. Under the equity method, investment in an associate is initially recognised at cost. The Group's share of the profit or loss and changes in the other comprehensive income of the associate are recognised in profit or loss and other comprehensive income respectively after the date of acquisition.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment in an associate (Continued)

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 loss on deregistration 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.

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 recognised when services are provided.

Insurance brokerage commission income is recognised when brokerage services are rendered and in accordance with the commissioning terms of the underlying agreements with product issuers.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 lease term.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

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.

On the disposal of a foreign operation (i.e. a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other 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.

Short-term employee benefits

A liability is recognised for benefits accruing to employees in respect of 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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 deferred tax 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.

Deferred tax liabilities are recognised for taxable temporary differences associated with investment(s) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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. Alternatively, intangible asset with indefinite useful life is carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets other than goodwill below).

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.

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 (other than financial assets at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets

The Group's financial assets are classified into financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. 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 other than those financial assets classified as at FVTPL, of which interest income is included in other income and gain.

Financial assets at FVTPL

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.

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. The net loss recognised in profit or loss is included in the cost of sales and services line item in the consolidated statement of profit or loss and other comprehensive income. Fair value is determined in the manner described in note 6(c).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets *(Continued)*

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 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).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments. The Group designated certain items as available-for-sale financial assets on initial recognition as those items are seeking long-term profit-taking.

The fair value of available-for-sale monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment loss of financial assets below).

Impairment loss 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 when 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 asset because of financial difficulties.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets *(Continued)*

Impairment loss 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.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

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, 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 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.

Impairment losses on available-for-sale equity investments will not be reversed through profit or loss.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments *(Continued)*

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.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase or cancellation of the Company's own equity instruments.

Other financial liabilities

Other financial liabilities including trade and other payables and amount due to a shareholder 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, 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 have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

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.

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 services are measured at the fair values of the services received, unless that fair value cannot be reliably measured, in which case the services received are measured by reference to the fair value of the share options granted. The fair values of the 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 counterparties render services, unless the services qualify for recognition as assets.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 unit, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible asset with indefinite useful life is tested for impairment at least annually, and whenever there is an indication that they may be impaired.

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 the 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 the cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

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 amounts of assets, liabilities, revenue and expenses reported and disclosures made in the consolidated financial statements. 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 is the critical judgment, 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 and disclosures made 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 Chuanglian 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 resulting in 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 other than insurance brokerage licence 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 other than insurance brokerage licence 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 directors of the Company performs assessment on whether items of plant and equipment have suffered any impairment whenever events of changes in circumstances indicated that the carrying amounts of the assets may not be recoverable, in accordance with stated accounting policy. Where there is an indicator of impairment, an estimation of the recoverable amount is required. Such estimation is based on certain assumptions which are subject to uncertainty and might differ from the actual result. As at 31 December 2017, the carrying value of plant and equipment is approximately RMB35,576,000 (2016: RMB33,828,000), net of accumulated impairment loss of approximately RMB1,587,000 (2016: 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 2017, the carrying value of intangible assets is approximately RMB54,711,000 (2016: RMB49,685,000), net of accumulated impairment loss of approximately RMB651,588,000 (2016: RMB651,588,000). Details of the recoverable amount calculation are disclosed in note 18.

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

Key sources of estimation uncertainty (Continued)

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 2017, the carrying value of goodwill was approximately RMB44,374,000 (2016: RMB38,290,000), net of accumulated impairment loss of approximately RMB326,449,000 (2016: RMB345,562,000). Details of the assumption used are disclosed in note 19.

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 2017, the carrying amount of trade and other receivables was approximately RMB14,544,000 (2016: RMB19,733,000), net of accumulated impairment loss of approximately RMB6,160,000 (2016: RMB19,534,000).

Estimated impairment loss on available-for-sale investments

In determining whether the Group's available-for-sale investments are impaired requires an estimation of the recoverable amount. Impairment assessment had been carried out at the end of the reporting period on the investments in their entirety with reference to the financial performance, financial position, cash flows of the underlying investments and comparable industry information. In the opinion of the directors of the Company, no impairment is considered necessary. As at 31 December 2017, the carrying amount of the Group's available-for-sale investments is RMB68,243,000 (2016: RMB23,498,000).

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.

Estimation of useful life of insurance brokerage licence

The insurance brokerage licence has a legal life of 3 years but are renewable every 3 years at minimal cost. The directors of the Company are of the opinion that the Group will renew the licence continuously and has the ability to do so. The licence is considered by the management of the Group to have an indefinite life because it is expected to contribute to net cash inflows and will not be amortised until its useful life is determined to be finite. Instead, it will be tested for impairment annually and whenever there is an indication that they may be impaired.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital 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 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.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2017 RMB'000	2016 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**94,736**	132,914
Financial assets at fair value through profit or loss		
Held for trading investments	**—**	12,578
Available-for-sale investments	**68,243**	23,498
Financial liabilities		
At amortised cost	**36,274**	30,765

(b) Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investments, trade and other receivables, held for trading investments, bank balances and cash, trade and other payables and amount due to a shareholder. 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.

6. FINANCIAL INSTRUMENTS (Continued)

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

Market risk

(i) Currency risk

As at 31 December 2017 and 2016, no transaction denominated in currencies other than the respective functional currencies of the relevant group entities, i.e. RMB or HK$, except for certain available-for-sale investments, 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 foreign currency denominated monetary assets and liabilities at the end of the reporting period are as follows:

	Assets		Liabilities	
	2017 RMB'000	2016 RMB'000	**2017 RMB'000**	2016 RMB'000
RMB	**8**	7	**—**	1,009
United States Dollar ("USD")	**3,243**	3,498	**—**	—
HK$	**19**	21,891	**—**	—

Sensitivity analysis

The Group is mainly exposed to RMB, USD and HK$. No analysis presented for USD as HK$ is pegged to USD, management believes that the exchange fluctuation is insignificant.

The following table details the Group's sensitivity to a 10% (2016: 10%) increase and decrease in the functional currencies of the relevant group entities, RMB or HK$, against the relevant foreign currencies. 10% (2016: 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% (2016: 10%) change in foreign currency rates.

A negative number below indicates a decrease in post-tax loss for the year where the respective functional currency (HK$ or RMB) strengthens 10% (2016: 10%) against the relevant foreign currency (RMB or HK$). For a 10% (2016: 10%) weakening of respective functional currency (HK$ or RMB) against the relevant foreign currency (RMB or HK$), there would be an equal and opposite impact on the post-tax loss for the year and the balances below would be positive.

6. FINANCIAL INSTRUMENTS (Continued)

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

Market risk *(Continued)*

(i) Currency risk (Continued)

Sensitivity analysis (Continued)

	Effect on profit or loss	
	2017	2016
	RMB'000	RMB'000
HK$ strengthen against RMB by 10%	**1**	(84)
RMB strengthen against HK$ by 10%	**1**	1,642

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances (see note 25 for details) and variable-rate on payable of litigation claim carried at prevailing market rates.

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 (2016: 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 (2016: 50 basis points) higher/lower and all other variables were held constant, the Group's loss for the year ended 31 December 2017 would decrease/increase by approximately RMB301,000 (2016: RMB260,000).

6. FINANCIAL INSTRUMENTS (Continued)

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

Market risk *(Continued)*

(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% (2017: 10%) higher/lower, the post-tax loss for the year ended 31 December 2016 would decrease/increase by approximately HK$1,050,000 (2017: nil) as a result of the changes in fair value of held for trading investments.

Credit risk

As at 31 December 2017, 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 recoverability 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.

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% (2016: 100%) of the total trade receivables as at 31 December 2017.

The Group has concentration of credit risk as 33% (2016: 53%) and 76% (2016: 79%) 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.

6. FINANCIAL INSTRUMENTS (Continued)

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

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.

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 directors of the Company when the borrowings exceed certain predetermined levels of authority.

At 31 December 2017 and 2016, the Group's remaining contractual non-derivative maturity for its financial liabilities is within one year from the end of the reporting period.

(c) Fair value measurements recognised in the consolidated statement of financial position

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

	Level 1	
	2017	2016
	RMB'000	RMB'000
Financial assets at FVTPL		
Held for trading investments	—	12,578

6. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurements recognised in the consolidated statement of financial position (Continued)

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
		31/12/2017 RMB'000	31/12/2016 RMB'000	
Equity securities listed in Hong Kong	Level 1	—	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 consolidated financial statements approximate to their corresponding fair value due to short-term maturities.

7. TURNOVER

Turnover represents the net amounts received and receivable for services rendered net of sales related taxes for the year. An analysis of the Group's turnover for the year from continuing operations is as follows:

	2017 RMB'000	2016 RMB'000 (Restated)
Continuing operations		
Gross proceeds from sales of held for trading investments	**4,253**	—
Educational consultancy and online training and education services income	**126,144**	88,287
Insurance brokerage	**3,625**	—`
Total revenue	**129,769**	88,287
	134,022	88,287

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 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;

2. Educational consultancy and online training and education — provision of educational consultancy services and online training and education services; and

3. Insurance brokerage — provision of insurance brokerage services.

During the year ended 31 December 2017, there was a new reportable and operating segment regarding insurance brokerage business introduced upon the acquisition of subsidiaries as disclosed in note 35.

An operating segment regarding the provision of consultancy and media business operation services and TV programmes distribution services was discontinued in the current year. The segment information reported on the next pages does not include any amounts for the discontinued operation, which are described in more detail in note 11.

Segment revenue and results

The following is an analysis of the Group's revenue and results from continuing operations by reportable and operating segments.

8. SEGMENT INFORMATION (Continued)

For the year ended 31 December 2017

Continuing operations

	Securities trading RMB'000	Educational consultancy and online training and education RMB'000	Insurance brokerage RMB'000	Total RMB'000
REVENUE				
External sales	4,253	126,144	3,625	134,022
Segment (loss) profit	(7,828)	11,759	831	4,762
Unallocated other income				1,801
Unallocated corporate expenses				(24,641)
Loss before tax				(18,078)

For the year ended 31 December 2016

Continuing operations

	Securities trading RMB'000	Educational consultancy and online training and education RMB'000	Total RMB'000 (Restated)
REVENUE			
External sales	—	88,287	88,287
Segment loss	(25,728)	(67,264)	(92,992)
Unallocated other income			2,046
Unallocated corporate expenses			(41,299)
Loss before tax			(132,245)

8. SEGMENT INFORMATION (Continued)

Continuing operations (Continued)

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, certain other income and gain 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.

Segment assets and liabilities

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

	2017 RMB'000	2016 RMB'000
Segment assets		
Continuing operations		
Securities trading	2,068	—
Educational consultancy and online training and education	129,772	14,376
Insurance brokerage	20,588	135,778
Total segment assets	152,428	150,154
Assets relating to discontinued operation	—	12
Unallocated corporate assets	150,358	171,151
Consolidated assets	302,786	321,317
Segment liabilities		
Continuing operations		
Securities trading	—	—
Educational consultancy and online training and education	32,886	—
Insurance brokerage	580	31,792
Total segment liabilities	33,466	31,792
Liabilities relating to discontinued operation	—	1,072
Unallocated corporate liabilities	35,454	42,934
Consolidated liabilities	68,920	75,798

8. SEGMENT INFORMATION (Continued)

Segment assets and liabilities (Continued)

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, provision for a claim, income tax payable and deferred tax liability.

Other segment information

For the year ended 31 December 2017

Continuing operations

	Securities trading RMB'000	Educational consultancy and online training and education RMB'000	Insurance brokerage 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 (note)	—	10,169	16,216	—	26,385
Depreciation and amortisation	—	13,276	3	186	13,465
Share of result of an associate	—	4,181	—	—	4,181
Impairment loss on trade receivables	—	139	—	—	139
Realised loss on fair value changes of held for trading investments	7,828	—	—	—	7,828
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	—	—	—	(460)	(460)
Gain on disposal of plant and equipment	—	—	—	(3)	(3)
Write back of provision for a claim	—	—	—	(1,295)	(1,295)
Share-based payment expenses	—	—	—	5,617	5,617
Income tax expenses	—	6,886	—	349	7,235

8. SEGMENT INFORMATION (Continued)

Other segment information (Continued)

For the year ended 31 December 2016

Continuing operations

	Securities trading RMB'000	Educational consultancy and online training and education RMB'000	Unallocated RMB'000 (Restated)	Total RMB'000 (Restated)
Amounts included in the measure of segment profit or loss or segment assets:				
Additions to non-current assets (note)	—	29,428	914	30,342
Depreciation and amortisation	—	11,244	514	11,758
Loss on disposal of plant and equipment	—	21	—	21
Share of result of associates	—	320	—	320
Interest in an associate	—	875	—	875
Impairment loss on goodwill	—	31,016	—	31,016
Impairment loss on intangible assets	—	37,414	—	37,414
Impairment loss on trade receivables	—	1,755	—	1,755
Unrealised loss on fair value changes of held for trading investments	25,728	—	—	25,728
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	—	(92)	(779)	(871)
Provision for a claim	—	—	2,000	2,000
Share-based payment expenses	—	—	18,005	18,005
Income tax (credit) expenses	—	(6,912)	271	(6,641)

Note: Non-current assets excluded available-for-sale investments and deposit paid for acquisition of available-for-sale investment.

8. SEGMENT INFORMATION (Continued)

Geographical information

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

All of the Group's revenue from continuing operations is arising 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	
	2017	2016
	RMB'000	RMB'000
PRC	**132,866**	123,276
Hong Kong	**1,795**	282
	134,661	123,558

Note: Non-current assets excluded available-for-sale investments and deposit paid for acquisition of available-for-sale investment.

Information about major customers

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

	2017	2016
	RMB'000	RMB'000
Customer A[1]	**35,663**	20,611
Customer B[1]	**18,141**	11,789
Customer C[1]	**16,480**	N/A[2]

1 Revenue from educational consultancy and online training and education segment.

2 Revenue from customer was contributed less than 10% of the total revenue of the Group during the year ended 31 December 2016.

9. OTHER INCOME AND GAIN

	2017 RMB'000	2016 RMB'000 (Restated)
Continuing operations		
Bank interest income	**460**	779
Other interest income (note a)	**—**	92
Write back of provision for a claim (note b)	**1,295**	—
Net foreign exchange gain	**—**	1,167
Gain on disposal of plant and equipment	**3**	—
Others	**43**	18
	1,801	2,056

Notes:

(a) Other interest income was arising from loan receivables of RMB8,000,000 (2017: nil) to an individual third party during the year ended 31 December 2016. The loan carried fixed-rate interest at 6% per annum and had been fully settled in September 2016.

(b) During the year 31 December 2016, the Group has provided a provision for a claim in relation to a legal case amounting to approximately RMB2,000,000, with reference to the opinion obtained from the legal advisor. On 23 August 2017, a final decision of the legal case was released and the amount payable to the plaintiff has been revised to approximately RMB705,000 (note 28). As a result, write back of provision for a claim amounting to approximately RMB1,295,000 was recognised during the year.

10. INCOME TAX EXPENSES (CREDIT)

	2017 RMB'000	2016 RMB'000 (Restated)
Continuing operations		
PRC Enterprise Income Tax		
— current year	**8,522**	4,250
Hong Kong Profits Tax		
— (over) under provision in prior years	**(192)**	267
Deferred tax (note 30)	**(1,095)**	(11,158)
	7,235	(6,641)

10. INCOME TAX EXPENSES (CREDIT) (Continued)

Under the Law of the PRC 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 2017 and 2016, one of the PRC subsidiaries of the Group was recognised as high technology enterprise and entitled a preferential tax rate of 15%.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the years ended 31 December 2017 and 2016. No provision for Hong Kong Profits Tax has been made 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.

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

	2017 **RMB'000**	2016 RMB'000 (Restated)
Loss before tax (from continuing operations)	**(18,078)**	(132,245)
Notional tax on profit calculated at the rates applicable to profits in the jurisdiction concerned	**(4,323)**	(33,061)
Tax effect of expenses not deductible for tax purpose	**5,663**	14,716
Tax effect of share of result of associates	**35**	80
Tax effect of income not taxable for tax purpose	**(1,183)**	(110)
Tax effect of tax losses not recognised	**10,717**	14,015
Tax effect of tax concession period	**(4,445)**	(2,548)
(Over) Under provision in prior years	**(192)**	267
Effect of different tax rates of subsidiaries operating in other jurisdictions	**963**	—
Income tax expenses (credit) for the year	**7,235**	(6,641)

11. DISCONTINUED OPERATION

On 20 June 2017, the Group entered into a sale agreement to dispose of an indirect wholly owned subsidiary, Bold Champion International Limited ("Bold Champion"), which Bold Champion and its subsidiaries (collectively referred to as the "Bold Champion Group") carried out all of the Group's other media operations. The disposal was effected in order to expand and develop the Group's existing business. The disposal was completed on 20 June 2017, on which date control of Bold Champion passed to the acquirer.

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

	For the period ended 20 June 2017 RMB'000	For the year ended 31 December 2016 RMB'000
Loss of other media operation for the period/year	**(77)**	(66,291)
Gain on disposal of other media operation (note 36)	**10,550**	—
	10,473	(66,291)

11. DISCONTINUED OPERATION (Continued)

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

	For the period ended 20 June 2017 RMB'000	For the year ended 31 December 2016 RMB'000
Revenue	**—**	783
Cost of sales	**—**	(31,022)
Other income	**20**	579
Administrative expenses	**(79)**	(17,154)
Impairment loss on goodwill	**—**	(19,113)
Finance costs	**—**	(368)
Loss before tax	**(59)**	(66,295)
Income tax (expense) credit	**(18)**	4
Loss for the period/year	**(77)**	(66,291)
Loss for the period/year from discontinued operation includes the following:		
Bank interest income	**—**	1
Government subsidies (note)	**—**	200
Depreciation of plant and equipment	**(3)**	(9)
Reversal of impairment loss on trade receivables	**—**	189
Impairment loss on trade and other receivables	**—**	(16,834)

Note: 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 the year ended 31 December 2016.

During the year, Bold Champion Group contributed approximately RMB53,000 to the Group's net operating cash inflows (2016: net operating cash outflows approximately RMB498,000), paid approximately 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 Group at the date of disposal are disclosed in note 36.

12. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

	2017 RMB'000	2016 RMB'000 (Restated)
Continuing operations		
Directors' and chief executive's emoluments (note 13)	3,929	4,107
Other staff costs (excluding directors' and chief executive's emoluments)	40,221	38,233
Share-based payment expenses (excluding directors' and chief executive's emoluments)	4,858	2,928
Retirement benefits scheme contributions (excluding directors' and chief executive's emoluments)	3,143	2,330
Total staff costs	52,151	47,598
Auditor's remuneration	1,295	1,267
Share-based payment expenses granted to consultants (note a)	591	14,992
Depreciation of plant and equipment	7,690	3,893
Amortisation of intangible assets (included in cost of sales and services)	5,775	7,865
Impairment loss on trade receivables	4,181	1,755
Loss on disposal of plant and equipment	—	21
Net foreign exchange loss	722	—
Operating lease rentals in respect of rented premises	10,893	9,377

Note:

(a) 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 (2016: nine) directors and chief executive were as follows:

Year ended 31 December 2017

	Executive directors					Independent non-executive directors			Total
	Lu Xing	Li Jia	Wu Xiao Dong	Wang Cheng	Li Dong Fu[1]	Leung Siu Kee	Wang Shu Ping	Wu Yalin[3]	
	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	311	518	311	311	311	104	104	104	2,074
— Salaries and other benefits	73	74	72	44	72	18	18	19	390
— Discretionary bonus (note)	—	—	302	—	863	—	—	—	1,165
— Retirement benefits scheme contributions	28	29	30	16	29	—	—	—	132
— Share-based payment expenses	—	—	48	48	48	—	8	16	168
	412	621	763	419	1,323	122	130	139	3,929

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

Year ended 31 December 2016

	Executive directors					Independent non-executive directors				Total
	Lu Xing	Li Jia	Wu Xiao Dong	Wang Cheng	Li Dong Fu[1]	Leung Siu Kee	Han Bing[2]	Wang Shu Ping	Wu Yalin[3]	
	RMB'000	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	309	515	309	309	155	103	103	103	—	1,906
— Salaries and other benefits	100	118	100	72	664	29	29	29	—	1,141
— Discretionary bonus (note)	—	—	—	—	859	—	—	—	—	859
— Retirement benefits scheme contributions	27	27	28	14	20	—	—	—	—	116
— Share-based payment expenses	—	—	—	—	85	—	—	—	—	85
	436	660	437	395	1,783	132	132	132	—	4,107

1 Appointed on 1 July 2016.

2 Resigned on 30 December 2016.

3 Appointed on 30 December 2016.

Note: The discretionary bonus is determined by the Board of Directors of the Company having regard to his performance and the Company's performance and profitability and the prevailing market conditions.

None of the directors or chief executive of the Company waived or agreed to waive any emoluments paid by the Group during the two years ended 31 December 2017. No emoluments were paid or payable 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 2017.

The Company did not appoint a chief executive during the years ended 31 December 2017 and 2016. Mr. Lu Xing performed the duties of chief executive for the years ended 31 December 2017 and 2016. The emolument of Mr. Lu Xing disclosed above included those services rendered by him.

14. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2016: 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 (2016: three) individuals were as follows:

	2017 RMB'000	2016 RMB'000
Salaries and other benefits	3,220	3,071
Retirement benefits scheme contributions	45	30
Share-based payment expenses	—	97
	3,265	3,198

Their emoluments were within the following bands:

	Number of employees	
	2017	2016
Nil to HK$1,000,000 (equivalent to approximately RMB863,000 (2016: RMB859,000))	2	2
HK$1,500,001 (equivalent to approximately RMB1,294,001 (2016: RMB1,288,001)) to HK$2,000,000 (equivalent to approximately RMB1,726,000 (2016: RMB1,718,000))	1	—
HK$2,000,001 (equivalent to approximately RMB1,726,001 (2016: RMB1,718,001)) to HK$2,500,000 (equivalent to approximately RMB2,158,000 (2016: RMB2,147,000))	—	1

No emoluments were paid or payable by the Group to the five highest paid individuals including the directors and chief executive of the Company as an inducement to join or upon joining the Group, or as compensation for loss of office during the two years ended 31 December 2017.

15. DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2017, nor has any dividend been proposed since the end of the reporting period (2016: nil).

16. LOSS PER SHARE

For 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:

Loss	2017 RMB'000	2016 RMB'000
Loss for the year attributable to owners of the Company for the purpose of basic and diluted loss per share	**(15,232)**	(189,233)

Number of shares	2017 '000	2016 '000
Weighted average number of ordinary shares for the purpose of basic loss per share	**4,648,425**	4,652,523

From continuing operations

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

Loss	2017 RMB'000	2016 RMB'000
Loss for the year attributable to owners of the Company	**(15,232)**	(189,233)
Less: (Profit) loss for the year from discontinued operation	**(10,473)**	66,291
Loss for the purpose of basic and diluted loss per share from continuing operations	**(25,705)**	(122,942)

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

From discontinued operation

Basic earnings (2016: loss) per share for the discontinued operation is RMB0.22 cents per share for the year ended 31 December 2017 (2016: RMB1.43 cents per share), based on the profit (2016: loss) for the year from discontinued operation of RMB10,473,000 (2016: RMB66,291,000) and the denominators detailed above for both basic and diluted earnings per share.

The computation of diluted loss (earnings) per share for the year ended 31 December 2017 and 2016 did not assume the exercise of the Company's share options because the exercise prices of those share options were higher than the average market price for shares.

17. PLANT AND EQUIPMENT

	Leasehold improvements	Furniture and fixtures	Computers and equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST						
At 1 January 2016	9,558	2,651	4,550	3,257	1,587	21,603
Exchange realignment	124	10	12	107	—	253
Additions	27,343	279	3,844	1,282	—	32,748
Acquired on acquisition of a subsidiary (note 35)	—	—	47	—	—	47
Disposals	(993)	(401)	(32)	—	—	(1,426)
At 31 December 2016	36,032	2,539	8,421	4,646	1,587	53,225
Exchange realignment	(165)	(13)	(18)	(97)	—	(293)
Additions	6,163	2,150	312	761	—	9,386
Acquired on acquisition of a subsidiary (note 35)	—	—	114	—	—	114
Derecognised on disposal of subsidiaries (note 36)	—	(15)	(57)	—	—	(72)
Disposals	—	—	(6)	(1,295)	—	(1,301)
At 31 December 2017	42,030	4,661	8,766	4,015	1,587	61,059
DEPRECIATION AND IMPAIRMENT						
At 1 January 2016	9,034	1,011	2,808	2,227	1,587	16,667
Exchange realignment	122	10	11	90	—	233
Charge for the year	1,552	645	1,355	350	—	3,902
Eliminated on disposals	(993)	(381)	(31)	—	—	(1,405)
At 31 December 2016	9,715	1,285	4,143	2,667	1,587	19,397
Exchange realignment	(165)	(13)	(15)	(90)	—	(283)
Charge for the year	4,532	992	1,489	680	—	7,693
Derecognised on disposal of subsidiaries (note 36)	—	(11)	(52)	—	—	(63)
Eliminated on disposals	—	—	(6)	(1,255)	—	(1,261)
At 31 December 2017	14,082	2,253	5,559	2,002	1,587	25,483
CARRYING VALUES						
At 31 December 2017	27,948	2,408	3,207	2,013	—	35,576
At 31 December 2016	26,317	1,254	4,278	1,979	—	33,828

17. PLANT AND EQUIPMENT (Continued)

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	10%–20%

18. INTANGIBLE ASSETS

	LED displays advertising right RMB'000 note (i)	Consultancy service contracts RMB'000 note (ii)	Software RMB'000 note (iii)	Customer relationship RMB'000 note (iv)	Insurance brokerage licence RMB'000 note (v)	Total RMB'000
COST						
At 1 January 2016	680,320	42,403	11,335	108,281	—	842,339
Additions	—	—	2,365	—	—	2,365
At 31 December 2016	680,320	42,403	13,700	108,281	—	844,704
Additions	—	—	801	—	—	801
Addition arising from acquisition of a subsidiary (note 35)	—	—	—	—	10,000	10,000
Derecgonised upon disposal of subsidiaries (note 36)	—	(42,403)	—	—	—	(42,403)
At 31 December 2017	680,320	—	14,501	108,281	10,000	813,102
AMORTISATION AND IMPAIRMENT						
At 1 January 2016	680,320	42,403	9,949	17,068	—	749,740
Charge for the year	—	—	647	7,218	—	7,865
Impairment loss recognised	—	—	—	37,414	—	37,414
At 31 December 2016	680,320	42,403	10,596	61,700	—	795,019
Charge for the year	—	—	1,395	4,380	—	5,775
Derecgonised upon disposal of subsidiaries (note 36)	—	(42,403)	—	—	—	(42,403)
At 31 December 2017	680,320	—	11,991	66,080	—	758,391
CARRYING VALUES						
At 31 December 2017	—	—	2,510	42,201	10,000	54,711
At 31 December 2016	—	—	3,104	46,581	—	49,685

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") in 2010.

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

In prior years, the Group recognised a full impairment loss in relation to LED display advertising right as no revenue expected to be generated in the future. No material revenue generated from the LED displays advertising right as at 31 December 2017 and 2016.

(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 in 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.

In prior years, the Group recognised a full impairment loss in relation to consultancy service contracts as the directors of the Company expected that there was a significant decline in income derived from providing consultancy services upon the change in business plan of its customers in 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 2016.

During the year ended 31 December 2017, the cost and accumulated impairment loss of the consultancy service contracts have been derecgonised upon disposal of Bold Champion Group, as disclosed in note 36.

(iii) 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 Limited and its subsidiaries (collectively referred as "Housden Group") in 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.

(iv) 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, Zhongren Guanghua, 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, Zhongren Guanghua has spent substantial time and resources to negotiate customised training plans with local training organisations. The directors of the Company were in the view that the customer relationship has a useful life of 15 years with reference to turnover rate of the customers.

As at 31 December 2016, 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.

18. INTANGIBLE ASSETS (Continued)

(iv) (Continued)

The recoverable amounts had been determined on the basis of value-in-use calculations, which used cash flow projections based on financial budgets approved by management covering a 4-year period and a pre-tax discount rate of 31.20%. Cash flows beyond 4-year period were assumed constant with 3% growth rate. The growth rate was 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 was 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 included budgeted educational consultancy service income and online training and education services income and gross margin had been determined based on past performance and management's expectations for the market development. Management believed 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.

As the recoverable amount of the customer relationship was approximately RMB46,581,000 as at 31 December 2016, there was an indicator which the customer relationship previously recognised had been lost on the online training and education segment. Therefore, an impairment loss of approximately RMB37,414,000 had been provided for the year ended 31 December 2016. No impairment loss has been provided for the year ended 31 December 2017.

(v) Insurance brokerage licence represents the permission of operating insurance brokerage services in the PRC which acquired through an acquisition of the entire issued share capital of Beijing Zhongjin Insurance Brokerage Limited ("Beijing Zhongjin") during the year ended 31 December 2017.

The insurance brokerage licence can be renewed after expiry, as long as Beijing Zhongjin is eligible for the requirement, and the cost of renewal of the licence is minimal. Therefore the insurance brokerage licence is considered to be an intangible asset with an indefinite useful life and no amortisation should be provided.

As at 31 December 2017, the management reviewed the recoverable amounts of the insurance brokerage licence with reference to the valuation issued by an independent qualified professional valuer not connected to the Group. No impairment loss has been provided for the year ended 31 December 2017.

The recoverable amounts 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 period and a pre-tax discount rate of 18.50%. Cash flows beyond 5-year period are assumed constant with 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. Other key assumptions for the value-in-use calculations relate to the estimation of cash inflows/outflows which include budgeted income and gross margin, such estimation is based on 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.

19. GOODWILL

	RMB'000
COST	
At 1 January 2016	378,852
Arising on acquisition of a subsidiary (note 35)	5,000
At 31 December 2016	383,852
Arising on acquisition of subsidiaries (note 35)	6,084
Derecognised upon disposal of subsidiaries (note 36)	(19,113)
At 31 December 2017	370,823
IMPAIRMENT	
At 1 January 2016	295,433
Impairment loss recognised during the year	50,129
At 31 December 2016	345,562
Derecgonised upon disposal of subsidiaries (note 36)	(19,113)
At 31 December 2017	326,449
CARRYING VALUES	
At 31 December 2017	44,374
At 31 December 2016	38,290

19. GOODWILL (Continued)

The carrying amounts of goodwill as at 31 December 2017 and 2016 allocated to the units are as follows:

	2017	2016
	RMB'000	RMB'000
Insurance brokerage — Beijing Zhongjin	**4,350**	—
Insurance brokerage —Well Tunes Financial Group Limited ("Well Tunes")	**1,734**	—
Educational consultancy and online training and education — Housden Holdings	**38,290**	38,290
	44,374	38,290

Beijing Zhongjin

Goodwill is arising on the acquisition of Beijing Zhongjin in 2017. The recoverable amount of Beijing Zhongjin has been determined based on a value-in-use calculation, which uses cash flow projections based on financial budgets approved by management covering a 5-year period and a pre-tax discount rate of 18.50%. Cash flows beyond 5-year period are assumed constant with 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 insurance brokerage service income and expected gross margins during the budget period. Expected cash inflows/outflows, which include budgeted insurance brokerage 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. During the year ended 31 December 2017, the management determines that there is no impairment of goodwill of Beijing Zhongjin.

Well Tunes

Goodwill is arising on the acquisition of Well Tunes in 2017. The recoverable amount of Well Tunes has been determined based on a value-in-use calculation, which uses cash flow projections based on financial budgets approved by management covering a 5-year period and a pre-tax discount rate of 18.50%. 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 insurance brokerage service income and expected gross margins during the budget period. Expected cash inflows/outflows, which include budgeted insurance brokerage 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. During the year ended 31 December 2017, the management determines that there is no impairment of goodwill of Well Tunes.

19. GOODWILL (Continued)

Housden Holdings

Goodwill was arising on the acquisition of Housden Holdings in 2013. The recoverable amount of Housden Holdings has been determined based on a value-in-use calculation, which uses cash flow projections based on financial budgets approved by management covering a 4-year (2016: 4-year) period and a pre-tax discount rate of 31.99% (2016: 31.20%). Cash flows beyond 4-year (2016: 4-year) period are assumed constant with 3% (2016: 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 2017, management of the Group determines that there is no impairment of goodwill of Housden Holdings while impairment loss of approximately RMB26,016,000 had been recognised during the year ended 31 December 2016 with its recoverable amount of approximately RMB38,290,000 as the actual results of the Housden Holdings did not meet the management's expectations.

CL Xinghui

Goodwill was arising on the acquisition of CL Xinghui during the year ended 31 December 2016. As at 31 December 2016, the recoverable amount of CL Xinghui was nil and had been determined based on a value-in-use calculation, which used cash flow projections based on financial budgets approved by management covering a 5-year period and a pre-tax discount rate of 33.2%. Cash flows beyond 5-year period were assumed constant with 3% growth rate. The growth rate was based on the relevant industry growth forecasts and did not exceed the average long-term growth rate for the relevant industry. Cash flow projections during the budget period was also based on the budgeted online training and education services income and expected gross margins during the budget period. Expected cash inflows/outflows, which included budgeted online training and education services income and gross margin had been determined based on management's expectations for the market development. Management believed 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 2016, impairment loss of approximately RMB5,000,000 had been provided as the recoverable amount of CL Xinghui was nil as at 31 December 2016.

19. GOODWILL (Continued)

Bold Champion

Goodwill was arising on the acquisition of Bold Champion during the year ended 31 December 2011. As at 31 December 2016, the management considered that the consultancy service income and TV programmes distribution services income had slowed down. The recoverable amount of Bold Champion was nil. During the year ended 31 December 2016, impairment loss of of approximately RMB19,113,000 had been recognised as no significant revenue expected to be generated in the foreseeable future.

During the year ended 31 December 2017, the cost and accumulated impairment loss of goodwill have been derecognised upon disposal of Bold Champion Group.

20. INTEREST IN AN ASSOCIATE

	2017	2016
	RMB'000	RMB'000
Cost of investment in an associate		
Unlisted equity interest	—	1,050
Share of post-acquisition results	—	(175)
	—	875

As at 31 December 2017 and 2016, the Group had interest in the following associate:

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		Principal activity
					2017	2016	
廣西北部灣國聯集創教育投資有限公司 ("廣西北部灣") (note a)	Incorporated	The PRC	The PRC	Registered capital	—	35%	Provision of financial, technical or educational consultancy services

(a) During the year ended 31 December 2017, 廣西北部灣 was deregistered and no material gain or loss on deregistration was recognised.

20. INTEREST IN AN ASSOCIATE (Continued)

The financial information and carrying amount of the Group's interest in an associate that is not individually material and is accounted for using the equity method are set out below:

	2017 RMB'000	2016 RMB'000
The Group's share of loss and total comprehensive expense	**(139)**	(320)
Carrying amount of the Groups' interest in the associate	**—**	875

21. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprise:

	2017 RMB'000	2016 RMB'000
Unlisted equity securities, at cost	**68,243**	23,498

The above unlisted equity investments represent investments in unlisted equity securities issued by private entities incorporated in the PRC and the Cayman Islands. They are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

Included in the available-for-sale investments are the following amounts denominated in a currency other than the functional currency of relevant group entities:

	2017 RMB'000	2016 RMB'000
USD	**3,243**	3,498

22. DEPOSIT PAID FOR ACQUISITION OF AN AVAILABLE-FOR-SALE INVESTMENT

On 25 December 2015, an indirect wholly-owned subsidiary entered into an agreement with eight independent third parties in relation to incorporation of a company (the "Insurance Company") which will be engaged in mutual insurance business and the registered capital will be RMB1,000,000,000. The Group will contribute 2.5% of the total registered capital.

On 25 November 2016, the Group had paid RMB25,000,000, which represents 2.5% of the registered capital of the Insurance Company. However, as the incorporation procedures of the Insurance Company were still in progress up to 31 December 2016, such costs were recognised as deposit paid for acquisition of available-for-sale investment as at 31 December 2016. The Insurance Company was incorporated and commenced business during the year ended 31 December 2017.

23. TRADE AND OTHER RECEIVABLES

	2017 **RMB'000**	2016 RMB'000
Trade receivables	**12,481**	12,144
Less: impairment loss recognised	**(6,070)**	(3,803)
	6,411	8,341
Deposits for production of TV programmes (note a)	**—**	15,634
Other receivables (note b)	**7,020**	9,715
Less: impairment loss recognised	**(90)**	(15,731)
	6,930	9,618
Deposits	**1,203**	1,774
Prepayments	**5,146**	3,769
	19,690	23,502

The Group does not hold any collateral over these receivables.

Notes:

a) The balance represented the deposits for production of TV programmes paid to TV programmes production companies. The balance was unsecured, non-interest bearing and refunded upon cancellation of TV programmes production during the year ended 31 December 2017.

b) As at 31 December 2017, included in other receivables is deposit placed in securities account amounted to approximately RMB2,068,000 (2016: RMB1,799,000).

23. TRADE AND OTHER RECEIVABLES (Continued)

Trade receivables are due according to the terms on the relevant contracts as at 31 December 2017 and 2016. 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.

	2017 RMB'000	2016 RMB'000
Within 30 days	**5,490**	3,102
31 to 60 days	**359**	367
61 to 180 days	**10**	43
181 to 365 days	**24**	—
Over 365 days	**528**	4,829
	6,411	8,341

As at 31 December 2017, included in the Group's trade receivables balances were approximately RMB5,490,000 (2016: RMB3,258,000) 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

	2017 RMB'000	2016 RMB'000
31 to 60 days	**359**	211
61 to 180 days	**10**	43
181 to 365 days	**24**	—
Over 365 days	**528**	4,829
	921	5,083

As at 31 December 2017, included in the Group's trade receivables balances are debtors with aggregate carrying amount of approximately RMB921,000 (2016: RMB5,083,000) 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.

23. TRADE AND OTHER RECEIVABLES (Continued)

Movement in the impairment losses on trade receivables

	2017 **RMB'000**	2016 RMB'000
1 January	**3,803**	903
Acquired on acquisition of a subsidiary	**—**	134
Impairment losses recognised	**4,181**	2,955
Impairment losses reversed	**—**	(189)
Derecognised on disposal of subsidiaries	**(1,914)**	—
31 December	**6,070**	3,803

As at 31 December 2017, included in the impairment loss on trade receivables are individually impaired trade receivables with an aggregate balance of approximately RMB6,070,000 (2016: RMB3,803,000). The individually impaired receivables are recognised based on the credit history of its customer and current market conditions.

Movement in the impairment losses on other receivables

	2017 **RMB'000**	2016 RMB'000
1 January	**15,731**	143
Amounts written off during the year as uncollectible	**—**	(51)
Impairment losses recognised	**—**	15,634
Derecognised on disposal of subsidiaries	**(15,634)**	—
Exchange realignment	**(7)**	5
31 December	**90**	15,731

As at 31 December 2017, included in the impairment loss on other receivables are individually impaired long outstanding other receivables with an aggregate balance of approximately RMB90,000 (2016: RMB15,731,000), which their recoverability is considered doubtful by the directors of the Company.

24. HELD FOR TRADING INVESTMENTS

Held for trading investments include:

	2017 RMB'000	2016 RMB'000
Listed securities:		
— Equity securities listed in Hong Kong	—	12,578

25. BANK BALANCES AND CASH

Bank balances carried interest at market rates which range from 0.01% to 1.75% (2016: 0.01% to 1.75%) 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:

	2017 RMB'000	2016 RMB'000
RMB	8	7
HK$	19	21,891

26. TRADE AND OTHER PAYABLES

	2017 RMB'000	2016 RMB'000
Trade payables	5,937	3,516
Other payables (note a)	7,703	5,768
Payables of litigation claim (note b)	13,492	12,115
Receipts in advance	13,650	18,023
Accruals	9,001	9,225
	49,783	48,647

26. TRADE AND OTHER PAYABLES (Continued)

Notes:

(a) As at 31 December 2016, included in other payables was amount due to non-controlling interest amounted to RMB230,000 (2017: nil). The amount was unsecured, interest-free and repayable on demand and derecognised through disposal of subsidiaries during the year ended 31 December 2017.

(b) Payables of litigation claim represented payables to a supplier amounting to approximately RMB12,787,000 (2016: RMB12,115,000) and 廊坊市時代廣場管理處 ("Management office") amounting to approximately RMB705,000 (2016: nil), as disclosed in note 28.

Payable of litigation claim to a supplier represents 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 2017, the carrying value of such LED display panel recognised as construction in progress was nil (2016: nil), net of accumulated impairment loss of approximately RMB1,587,000 (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.

The payable of litigation claims amounting to RMB12,787,000 (2016: RMB12,115,000), including litigation claim of approximately RMB10,342,000 (2016: RMB10,342,000) plus the estimated accrued interest of approximately RMB2,322,000 (2016: RMB1,650,000) and the related court expenses of approximately RMB123,000 (2016: RMB123,000).

26. TRADE AND OTHER PAYABLES (Continued)

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

	2017 RMB'000	2016 RMB'000
Within 30 days	**4,502**	3,190
31–60 days	**15**	—
61–90 days	**581**	—
Over one year	**839**	326
	5,937	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 timeframe.

As at 31 December 2017 and 2016, the Group's other payables that are denominated in currency other than the functional currency of the relevant group entities are set out below:

	2017 RMB'000	2016 RMB'000
RMB	**—**	1,009

27. AMOUNT DUE TO A SHAREHOLDER

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

28. PROVISION FOR A CLAIM

On 29 December 2016, a legal case between a subsidiary, 創智利德(北京)科技發展有限公司 ("Chuangzhi Lide") and Management Office was brought to the first court hearing at 廊坊市廣陽區人民法院. Management Office sued Chuangzhi Lide for breach of rental agreement and claimed for the outstanding amount for rental payable of approximately RMB650,000, utilities payable of approximately RMB39,000 and payment of liquidated damage RMB8,000,000.

With reference to a legal opinion obtained from the legal advisor as at 16 March 2017, likelihood of an unfavorable outcome is probable and the amount of the loss of RMB2,000,000 can be reasonably estimated. As a result, a provision of RMB2,000,000 in respect of such claim was made for the year ended 31 December 2016.

On 23 August 2017, the court has released the final decision and amended its preciously court decision in relation to the calculation of the payment of liquidated damage. On the same day, the court has accepted the application for liquidation of Chuangzhi Lide. With reference to the opinion from the liquidator of Chuangzhi Lide, the payable to Management office amounting to approximately RMB705,000 (note 26).

29. SHARE CAPITAL

	Number of shares		Share capital		Equivalent nominal value of ordinary shares	
	2017	2016	**2017**	2016	**2017**	2016
	'000	'000	**HK$'000**	HK$'000	**RMB'000**	RMB'000
Ordinary shares of HK$0.01 each (2016: HK$0.01 each)						
Authorised:						
At beginning and 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	**4,652,523**	4,652,523	**46,525**	46,525	**38,786**	38,786
Shares repurchased and cancelled (note)	**(10,012)**	—	**(100)**	—	**(83)**	—
At end of the year	**4,642,511**	4,652,523	**46,425**	46,525	**38,703**	38,786

29. SHARE CAPITAL (Continued)

Note:

During the year, the Company repurchased its own shares through the Stock Exchange as follows:

Month of repurchase	No. of ordinary shares of HK$0.01 each	Price per share Highest	Price per share Lowest	Aggregate consideration paid
		HK$	HK$	RMB'000
July 2017	10,012,000	0.124	0.117	1,049

The above shares were cancelled during the year ended 31 December 2017.

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

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 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	(1,095)
Additions arising from acquisition of a subsidiary (note 35)	2,500
At 31 December 2017	13,050

As at 31 December 2017, the Group has unused tax losses of approximately RMB224,973,000 (2016: RMB167,153,000) available to offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

30. DEFERRED TAX LIABILITY (Continued)

The tax losses of approximately HK$163,223,000 (equivalent to approximately RMB140,916,000) (2016: HK$107,729,000 (equivalent to approximately RMB96,940,000)) may be carried forward indefinitely while the tax losses of approximately RMB84,057,000 (2016: RMB70,213,000) 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 RMB9,554,000 (2016: RMB5,308,000) 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.

31. OPERATING LEASE COMMITMENTS

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 which fall due as follows:

	2017 **RMB'000**	2016 RMB'000
Within one year	**15,458**	9,520
In the second to fifth year inclusive	**37,107**	25,026
Over five years	**49,469**	24,792
	102,034	59,338

Operating lease payments represent rentals payable by the Group for certain of its office premises and plant and machinery. Leases are negotiated for terms ranged from one to five (2016: one to ten) years with fixed rentals.

32. CAPITAL COMMITMENTS

	2017 **RMB'000**	2016 RMB'000
Commitments contracted but not provided for in respect of:		
— Capital contribution to an associate	**3,840**	4,890
— Acquisition of plant and equipment	**—**	1,914
	3,840	6,804

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
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
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

33. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

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

(a) Share option scheme (Continued)

Date of grant	Vesting period	Exercise period	Exercise price	Fair value at grant date
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
18 May 2016	18 May 2016 to 18 May 2017	19 May 2017 to 17 May 2021	HK$0.290	HK$0.136
18 May 2016	18 May 2016 to 18 May 2018	19 May 2018 to 17 May 2021	HK$0.290	HK$0.155
18 May 2016	18 May 2016 to 18 May 2019	19 May 2019 to 17 May 2021	HK$0.290	HK$0.169
28 October 2016	28 October 2016 to 28 October 2017	29 October 2017 to 27 October 2021	HK$0.184	HK$0.076
28 October 2016	28 October 2016 to 28 October 2018	29 October 2018 to 27 October 2021	HK$0.184	HK$0.089
28 October 2016	28 October 2016 to 28 October 2019	29 October 2019 to 27 October 2021	HK$0.184	HK$0.099
29 June 2017	29 June 2017 to 29 June 2018	30 June 2018 to 28 June 2022	HK$0.127	HK$0.058
29 June 2017	29 June 2017 to 29 June 2019	30 June 2019 to 28 June 2022	HK$0.127	HK$0.066
29 June 2017	29 June 2017 to 29 June 2020	30 June 2020 to 28 June 2022	HK$0.127	HK$0.072

Note:

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

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:

For the year ended 31 December 2017

Date of grant	Outstanding at 1 January 2017	Granted during the year	Exercised during the year	Forfeited during the year (note a)	Reclassified during the year	Outstanding at 31 December 2017
Directors						
4 May 2015	18,500,000	—	—	(1,000,000)	—	17,500,000
29 June 2017	—	10,500,000	—	—	—	10,500,000
Employees						
4 May 2015	41,774,000	—	—	—	—	41,774,000
2 July 2015	2,510,000	—	—	—	—	2,510,000
18 May 2016	10,700,000	—	—	—	—	10,700,000
28 October 2016	3,000,000	—	—	—	—	3,000,000
29 June 2017	—	28,800,000	—	—	—	28,800,000
Consultants						
4 May 2015	159,200,000	—	—	—	—	159,200,000
2 July 2015	48,000,000	—	—	—	—	48,000,000
20 October 2015	4,000,000	—	—	—	—	4,000,000
18 May 2016	7,000,000	—	—	—	—	7,000,000
29 June 2017	—	3,000,000	—	—	—	3,000,000
	294,684,000	42,300,000	—	(1,000,000)	—	335,984,000
Exercisable at the end of the year						262,278,000
Weighted average exercise price	HK$0.44	HK$0.127	—	HK$0.40	—	HK$0.45

Note:

a) During the year ended 31 December 2017, 1,000,000 share options were forfeited due to the resignation of a director.

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 2016

Date of grant	Outstanding at 1 January 2016	Granted during the year	Exercised during the year	Forfeited during the year (note b)	Reclassified during the year (note c)	Outstanding at 31 December 2016
Directors						
11 September 2013	3,550,000	—	—	(3,550,000)	—	—
4 May 2015	17,000,000	—	—	—	1,500,000	18,500,000
Employees						
11 September 2013	27,400,000	—	—	(27,400,000)	—	—
4 May 2015	46,474,000	—	—	(1,200,000)	(3,500,000)	41,774,000
2 July 2015	2,510,000	—	—	—	—	2,510,000
18 May 2016	—	10,700,000	—	—	—	10,700,000
28 October 2016	—	3,000,000	—	—	—	3,000,000
Consultants						
11 September 2013	5,000,000	—	—	(5,000,000)	—	—
4 May 2015	157,200,000	—	—	—	2,000,000	159,200,000
2 July 2015	48,000,000	—	—	—	—	48,000,000
20 October 2015	4,000,000	—	—	—	—	4,000,000
18 May 2016	—	7,000,000	—	—	—	7,000,000
	311,134,000	20,700,000	—	(37,150,000)	—	294,684,000
Exercisable at the end of the year						244,381,000
Weighted average exercise price	HK$0.44	HK$0.27	—	HK$0.37	—	HK$0.44

Notes:

b) During the year ended 31 December 2016, aggregate number of 1,200,000 share options was forfeited due to early termination of those share options in regards on resignation of employees and aggregate number of 35,950,000 share options was forfeited due to the expiry of those share options.

c) During the year ended 31 December 2016, an employee who have outstanding balance of 1,500,000 share options granted on 4 May 2015 were appointed as executive director on 1 July 2016. In addition, an employee who was granted 2,000,000 share options was resigned and employed as consultant on 14 May 2016.

33. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

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

(a) Share option scheme (Continued)

During the year ended 31 December 2017, options were granted on 29 June 2017 (2016: 18 May 2016 and 28 October 2016). The estimated fair values of the options granted on those dates are approximately RMB2,411,000 (2016: RMB2,355,000 and RMB234,000 respectively).

The fair values of share options granted in 2017 and 2016 were calculated using the Binomial Option Pricing Model. The inputs into the model were as follows:

	Date of grant		
	29 June 2017	**28 October 2016**	**18 May 2016**
Share price on the date of grant	HK$0.127	HK$0.177	HK$0.290
Exercise price	HK$0.127	HK$0.184	HK$0.290
Expected volatility	75.39%	78.67%	79.09%
Expected life	5 years	5 years	5 years
Risk-free rate	1.130%	0.654%	0.953%
Expected dividend yield	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 behavioral considerations.

The Group recognised the total expense of approximately HK$6,507,000 (equivalent to approximately RMB5,617,000) for the year ended 31 December 2017 (2016: HK$20,962,000 (equivalent to approximately RMB18,005,000)) and prepayment of approximately HK$22,000 (equivalent to approximately RMB18,000) (2016: HK$367,000 (equivalent to approximately RMB330,000)) 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 2017, 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$1,500 per month since 1 June 2014 onwards. During the year ended 31 December 2017, 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 RMB424,000 (2016: RMB169,000).

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 2017, 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 RMB2,851,000 (2016: RMB2,289,000).

35. ACQUISITION OF SUBSIDIARIES

For the year ended 31 December 2017

Acquisition of Beijing Zhongjin

On 27 April 2017, the Group acquired 100% of issued share capital of Beijing Zhongjin for cash 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 approximately RMB4,350,000. Beijing Zhongjin is engaged in the provision of insurance brokerage services. Beijing Zhongjin was acquired so as to continue the expansion of the Group's insurance brokerage operations.

Consideration transferred	RMB'000
Cash	10,000

Acquisition-related costs amounting to approximately RMB1,456,000 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:	RMB'000
Intangible asset	10,000
Plant and equipment	114
Trade and other receivables	1,641
Bank balances and cash	5
Trade and other payables	(3,610)
Deferred tax liability	(2,500)
	5,650

The fair value and the gross contractual amounts of trade and other receivables at the date of acquisition amounted to approximately RMB1,641,000. There are no uncollectible contractual cash flows expected.

35. ACQUISITION OF SUBSIDIARIES (Continued)

For the year ended 31 December 2017 (Continued)

Acquisition of Beijing Zhongjin *(Continued)*

Goodwill arising on acquisition:	RMB'000
Consideration transferred	10,000
Less: net assets acquired	(5,650)
Goodwill arising on acquisition	4,350

Goodwill arose in the acquisition of Beijing Zhongjin 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 Beijing Zhongjin. 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 the acquisition is expected to be deductible for tax purposes.

Net cash outflow on acquisition of Beijing Zhongjin:	RMB'000
Cash consideration paid	10,000
Less: Bank balances and cash acquired	(5)
	9,995

Included in the loss for the year is a profit of approximately RMB523,000 attributable to the additional business incurred by Beijing Zhongjin. Revenue for the year includes approximately RMB3,625,000 generated from Beijing Zhongjin.

Had the acquisition been completed on 1 January 2017, total group revenue from continuing operations for the year would have been approximately RMB134,541,000 and loss for the year would have been approximately RMB25,467,000. 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 2017, nor is it intended to be a projection of future results.

Acquisition of Well Tunes

On 16 November 2017, the Group acquired 100% of issued share capital of Well Tunes for cash consideration of RMB1,835,000. This acquisition has been accounted for using the acquisition method. The amount of goodwill arising as a result of the acquisition was approximately RMB1,734,000. Well Tunes is engaged in the provision of insurance brokerage service. Well Tunes was acquired so as to continue the expansion of the Group's insurance brokerage operations.

35. ACQUISITION OF SUBSIDIARIES (Continued)

For the year ended 31 December 2017 (Continued)

Acquisition of Well Tunes *(Continued)*

Consideration transferred	RMB'000
Cash	1,835

Acquisition-related costs amounting to approximately RMB271,000 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:	RMB'000
Trade and other receivables	19
Bank balances and cash	99
Trade and other payables	(17)
	101

The fair value and the gross contractual amounts of trade and other receivables at the date of acquisition amounted to approximately RMB19,000. There are no uncollectible contractual cash flows expected.

Goodwill arising on acquisition:	RMB'000
Consideration transferred	1,835
Less: net assets acquired	(101)
Goodwill arising on acquisition	1,734

Goodwill arose in the acquisition of Well Tunes 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 Well Tunes. 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 the acquisition is expected to be deductible for tax purposes.

35. ACQUISITION OF SUBSIDIARIES (Continued)

For the year ended 31 December 2017 (Continued)

Acquisition of Well Tunes *(Continued)*

Net cash outflow on acquisition of Well Tunes:	RMB'000
Cash consideration paid	**1,835**
Less: Bank balances and cash acquired	**(99)**
	1,736

Included in the loss for the year is a loss of approximately RMB29,000 attributable to the additional business incurred by Well Tunes. Revenue for the year includes approximately RMB300 generated from Well Tunes.

Had the acquisition been completed on 1 January 2017, total group revenue from continuing operations for the year would have been approximately RMB134,070,000 and loss for the year would have been approximately RMB25,332,000. 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 2017, nor is it intended to be a projection of future results.

For the year ended 31 December 2016

On 31 March 2016, the Group acquired additional 50% of the issued share capital of CL Xinghui for consideration of RMB5,000,000. Together with the 20% of the issued share capital of CL Xinghui held by the Group, the Group held 70% of the issued share capital of CL Xinghui after the further acquisition on 31 March 2016. This acquisition had 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 online education development services. CL Xinghui was acquired so as to continue the expansion of the Group's online education operations.

Consideration transferred	RMB'000
Cash	5,000
Fair value on 20% shareholding of CL Xinghui	—
Total	5,000

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.

35. ACQUISITION OF SUBSIDIARIES (Continued)

For the year ended 31 December 2016 (Continued)

Acquisition-related costs amounting to approximately RMB6,000 had been excluded from the consideration transferred and had 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:	RMB'000
Plant and equipment	47
Trade and other receivables	26
Bank balances and cash	352
Trade and other payables	(425)
	—

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

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 the acquisition was expected to be deductible for tax purposes.

Net cash outflow on acquisition of CL Xinghui:	RMB'000
Cash consideration paid	5,000
Less: Bank balances and cash acquired	(352)
	4,648

35. ACQUISITION OF SUBSIDIARIES (Continued)

For the year ended 31 December 2016 (Continued)

Included in the loss for the year was a loss of approximately RMB1,444,000 attributable to the additional business incurred by CL Xinghui. Revenue for the year included 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 was for illustrative purposes only and was 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 was it intended to be a projection of future results.

In determining the pro-forma's revenue and loss of the Group had CL Xinghui been acquired at the beginning of the current year, the directors of the Company had calculated depreciation of plant and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements at the date of acquisition.

36. DISPOSAL OF SUBSIDIARIES

As referred to in note 11, on 20 June 2017, the Group discontinued its other media operation at the time of disposal of Bold Champion Group. The net assets of Bold Champion Group at the date of disposal were as follows:

Consideration received	RMB'000
Cash received	9

Analysis of assets and liabilities over which control was lost:	RMB'000
Plant and equipment	9
Intangible assets	—
Goodwill	—
Bank balances and cash	107
Amount due to non-controlling interests (included in other payables)	(230)
Trade and other payables	(1,938)
Income tax payable	(8,678)
	(10,730)

36. DISPOSAL OF SUBSIDIARIES (Continued)

Gain on disposal of subsidiaries:	RMB'000
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
	10,550

The gain on disposal is included in the profit for the year from discontinued operation (see note 11).

Net cash outflow on disposal of subsidiaries	RMB'000
Cash consideration	9
Less: bank balances and cash disposed of	(107)
	(98)

The impact of Bold Champion Group on the Group's results and cash flows in the current and prior year is disclosed in note 11.

37. CHANGES IN OWNERSHIP INTEREST IN A SUBSIDIARY

During the year ended 31 December 2016, the Group had the following changes in its ownership interests in subsidiaries that do not result in a gain of control.

Acquisition of additional interests in subsidiaries

(i) On 23 February 2016, the Group acquired an additional 24.99% issued shares of 北京創聯無錫培訓服務有限公司 ("創聯無錫") through its subsidiary 北京創聯資產管理有限公司 ("創聯資產"), increasing its ownership interest to 75.99%. The consideration was satisfied by cash consideration of RMB490,000 to the non-controlling shareholder. The carrying value of the net assets of 創聯無錫 was approximately RMB869,000. A schedule of the effect of acquisition of additional interest is as follow:

	2016 RMB'000
Carrying amount of non-controlling interest acquired	217
Consideration for acquisition of additional interest in 創聯無錫	(490)
Difference recognised in other reserve within equity	(273)

37. CHANGES IN OWNERSHIP INTEREST IN A SUBSIDIARY (Continued)

Acquisition of additional interests in subsidiaries (Continued)

(ii) On 2 September 2016, the Group acquired an additional 48.5% issued shares of 創聯資產, increasing its ownership interest to 99.5%. The consideration was satisfied by cash consideration of RMB9,700,000 to the non-controlling shareholder. The carrying value of the net assets of 創聯資產 was approximately RMB20,759,000. A schedule of the effect of acquisition of additional interest is as follow:

	2016 RMB'000
Carrying amount of non-controlling interest acquired	10,068
Consideration for acquisition of additional interest in 創聯資產	(9,700)
Difference recognised in other reserve within equity	368

38. 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:

	2017 **RMB'000**	2016 RMB'000
Short-term benefits	**5,316**	6,463
Post-employment benefits	**145**	138
Share-based payment expenses	**168**	85
	5,629	6,686

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.

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	NOTE	2017 RMB'000	2016 RMB'000
Non-current assets			
Investments in subsidiaries		**13**	13
Available-for-sale investment		**3,243**	3,498
		3,256	3,511
Current assets			
Other receivables		**2,889**	3,727
Amounts due from subsidiaries		**180,289**	194,882
Held for trading investments		**—**	12,578
Bank balances and cash		**6,271**	16,832
		189,449	228,019
Current liability			
Other payables		**2,277**	2,137
Net current assets		**187,172**	225,882
Net assets		**190,428**	229,393
Capital and reserves			
Share capital		**38,703**	38,786
Reserves	(a)	**151,725**	190,607
Total equity		**190,428**	229,393

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

Note:

(a)

	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 2016	1,110,456	57,814	41,683	141,000	595	79,807	1,927	(794,320)	638,962
Loss for the year	—	—	—	—	—	—	—	(469,012)	(469,012)
Other comprehensive income for the year — Exchange differences arising on translating foreign operations	—	—	17,319	—	—	—	—	—	17,319
Total comprehensive income (expense) for the year	—	—	17,319	—	—	—	—	(469,012)	(451,693)
Recognition of equity-settled share-based payment expenses (note 33)	—	—	—	—	—	3,338	—	—	3,338
At 31 December 2016	1,110,456	57,814	59,002	141,000	595	83,145	1,927	(1,263,332)	190,607

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

Note: (Continued)

(a) (Continued)

	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 2017	1,110,456	57,814	59,002	141,000	595	83,145	1,927	(1,263,332)	190,607
Loss for the year	—	—	—	—	—	—	—	(26,532)	(26,532)
Other comprehensive expense for the year									
— Exchange differences arising on translating foreign operations	—	—	(16,985)	—	—	—	—	—	(16,985)
Total comprehensive expense for the year	—	—	(16,985)	—	—	—	—	(26,532)	(43,517)
Recognition of equity-settled share-based payment expenses (note 33)	—	—	—	—	—	5,598	—	—	5,598
Share repurchased and cancelled (note 29)	(966)	—	—	—	—	—	—	—	(966)
At 31 December 2017	1,109,490	57,814	42,017	141,000	595	88,743	1,927	(1,289,864)	151,722

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Company's principal subsidiaries as at 31 December 2017 and 2016 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
				2017		2016		
				Directly	Indirectly	Directly	Indirectly	
上海美視文化傳播有限公司	The PRC	Registered capital	RMB3,000,000	—	— (note c)	—	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	—	— (note c)	—	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%	—	97.82%	Operating and broadcasting across LED displays
Beijing Zhongjin	The PRC	Registered Capital	RMB15,000,000	—	99.50%	—	—	Provision of insurance brokerage services
四川創聯國培教育諮詢有限公司	The PRC	Registered Capital	RMB2,000,000	—	100%	—	100%	Provision of online education development service
海南中人光華教育服務有限公司	The PRC	Registered Capital	RMB200,000	—	99.00%	—	99.00%	Provision of online education development service
內蒙古聯培教育科技有限公司	The PRC	Registered Capital	RMB2,000,000	—	100%	—	100%	Provision of online education development service
Well Tunes	Hong Kong	Ordinary	HK$250,000	—	100%	—	—	Provision of insurance brokerage services

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

Details of the Company's principal subsidiaries as at 31 December 2017 and 2016 are as follows: (Continued)

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
				2017		2016		
				Directly	Indirectly	Directly	Indirectly	
廣西創聯國培教育諮詢有限公司	The PRC	Registered capital	RMB11,000,000	—	70%	—	70%	Provision of online education development service
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
Chuanglian Education	The PRC	Registered capital	RMB11,000,000	—	— (note a)	—	— (note a)	Investment management and the provision of educational consultancy services
Zhongren Guanghua	The PRC	Registered capital	RMB2,550,000	—	— (note a)	—	— (note a)	Provision of internet information services and the promotion of technologies

Notes:

(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 2016 and 2015, the Group has 100% of voting right for Chuanglian Education and 51% of voting right for Zhongren Guanghua.

(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.

(c) These companies are subsidiaries of Bold Champion which have been disposed of on 20 June 2017.

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

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 the PRC, Hong Kong and the BVI. The principal activities of these subsidiaries are summarised as follows:

Principal activities	Principal place of business	Number of subsidiaries	
		31/12/2017	31/12/2016
Inactive	Hong Kong	**1**	1
	The BVI	**1**	1
	The PRC	**10**	9
Investment holding	Hong Kong	**2**	3
	The BVI	**4**	5
		18	19

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

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	
		2017	2016	**2017 RMB'000**	2016 RMB'000	**2017 RMB'000**	2016 RMB'000
Zhongren Guanghua	The PRC	**49%**	49%	**1,364**	(858)	**802**	(647)
Individually immaterial subsidiaries with non-controlling interests				**(972)**	(1,804)	**3,472**	2,854
				392	(2,662)	**4,274**	2,207

Summarised financial information in respect 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.

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

Details of non-wholly owned subsidiary that have material non-controlling interests (Continued)

Zhongren Guanghua

	2017 RMB'000	2016 RMB'000
Current assets	4,459	19,133
Non-current assets	5,227	3,900
Current liabilities	8,222	24,354
Equity attributable to owners of the Company	747	(674)
Non-controlling interests	717	(647)

	2017 RMB'000	2016 RMB'000
Revenue	37,511	43,444
Expenses	(34,726)	(45,194)
Profit (loss) and total comprehensive expenses for the year	2,785	(1,750)
Profit (loss) attributable to owners of the Company	1,421	(892)
Profit (loss) attributable to non-controlling interests	1,364	(858)
Total loss and comprehensive expenses for the year	2,785	(1,750)
Net cash (outflow) inflow from operating activities	(10,890)	1,782
Net cash outflow from investing activities	(2,857)	(1,470)
Net cash outflow from financing activities	—	(1,722)
Net cash outflow	(13,747)	(1,410)

41. COMPARATIVE FIGURES

The presentation of comparative information in respect of the consolidated statement of profit or loss and segment information for the year ended 31 December 2016 has been restated in order to disclose the discontinued operation separately from continuing operations.

As the reclassifications have no financial effect on the amounts stated in the consolidated statement of financial position, it is not necessary to present the third consolidated statement of financial position as at 1 January 2016.

42. EVENT AFTER THE REPORTING PERIOD

On 4 January 2018, the Company entered into a subscription agreement with Sheng Yuan Asset Management Limited (the "Subscriber"), pursuant to which the Subscriber has agreed to subscribe for, and the Company has agreed to allot and issue a total of 326,000,000 new ordinary shares of HK$0.01 each in the share capital of the Company at the subscription price of HK$0.092 per subscription share, raising gross proceeds of approximately HK$29,992,000. The proceeds from the subscription would be used for providing the Group with additional financial resources to develop and expand its financial related business, especially the insurance brokerage business acquired by the Group and for general working capital of the Group. These new shares were issued under the general mandate granted to the Subscriber and rank pari passu with other shares in all respects. Details of the subscription are set out in the announcement of the Company dated 4 January 2018. The subscription of shares is completed on 16 January 2018.