China Chuanglian Education Financial Group Limited

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2371)

ANNUAL REPORT 2018

CONTENTS

Corporate Information

Executive Directors

Mr. LU Xing *(Chairman of the Board)*
Mr. LI Jia
Mr. WU Xiaodong
Mr. WANG Cheng
Mr. LI Dongfu (resigned on 29 March 2019)
Mr. XU Dayong (appointed on 8 January 2019)

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 Banker

Hang Seng Bank Limited

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

	2018 RMB'000	2017 RMB'000	2016 RMB'000 (restated)	2015 RMB'000	2014 RMB'000
Turnover	**152,084**	134,022	88,287	97,281	76,906
Gross profit	**82,412**	73,748	44,952	62,517	52,705
Profit/(loss) for the year	**6,232**	(14,840)	(191,895)	(296,649)	23,935
Profit/(loss) for the year attributable to:					
Owners of the Company	**7,588**	(15,232)	(189,233)	(298,658)	24,233
Non-controlling interests	**(1,356)**	392	(2,662)	2,009	(298)
	6,232	(14,840)	(191,865)	(296,649)	23,935
Basic earnings/(loss) per share (RMB cent)	**0.15**	(0.33)	(4.07)	(6.69)	0.58

ADJUSTED RESULTS#

	2018	2017	2016	2015	2014
Profit/(loss) before tax	**17,363**	(9,575)	(24,942)	20,125	30,266
Profit/(loss) attributable to owners of the Company	**14,448**	(6,729)	(65,618)	15,363	26,005
Basic earnings/(loss) per share (RMB cent)	**0.29**	(0.14)	(1.41)	0.34	0.62

ASSETS AND LIABILITIES

	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000	2014 RMB'000
Non-current assets	**204,599**	202,904	172,056	192,800	487,710
Current assets	**107,613**	99,882	149,261	322,408	163,465
Current liabilities	**(47,067)**	(55,870)	(64,153)	(61,316)	(59,625)
Net current assets	**60,546**	44,012	85,108	261,092	103,840
Non-current liabilities	**(11,979)**	(13,050)	(11,645)	(22,803)	(24,863)
Non-controlling interests	**(2,918)**	(4,274)	(2,207)	(5,334)	(2,241)
Equity attributable to owners of the Company	**250,248**	229,592	243,312	425,755	564,446

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 to as the "Group") for the year ended 31 December 2018.

RESULTS

For the year ended 31 December 2018, the Group recorded a turnover from continuing operations of approximately RMB152,084,000 (2017: approximately RMB134,022,000), representing an increase of approximately 13.5% as compared to that of last year. Out of the total turnover from continuing operations, approximately RMB131,471,000 (2017: approximately RMB117,933,000) was derived from the educational consultancy and online training services which accounted for approximately 86.4% of the total turnover for the year ended 31 December 2018, approximately RMB11,091,000 (2017: approximately RMB8,211,000) was derived from on-site training services which accounted for approximately 7.3% of the total turnover for the year ended 31 December 2018 and approximately RMB9,522,000 (2017: approximately RMB3,625,000) was derived from the financial services business segment which amounted for approximately 6.3% of the total turnover for the year ended 31 December 2018. The Group recorded a turnaround from loss to profit in the current year. The profit attributable to owners of the Company for the year ended 31 December 2018 was approximately RMB7,588,000, as compared to a loss of approximately RMB15,232,000 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. In recent years, as a result of the development of internet which requires higher speed of data transmission, the need for higher speed broadband has also increased significantly. According to the data published by the National Bureau of Statistics of China, the population of fixed line broadband users in the PRC increased from approximately 583 million in 2014 to approximately 1.3 billion in 2018, representing compound annual growth rates of approximately 22.2%. The population of mobile broadband users in the PRC increased from approximately 200 million in 2014 to approximately 407 million in 2017, representing a compound annual growth of approximately 19.4%. We believe the rapid growth of both fixed line and mobile broadband user base would be beneficial to the development of online education and training in the PRC as the higher speed of data transmission would enable smoother streaming of videos and more interactive functions within the online education and training session.

The market value of the education industry in the PRC is enormous. China's education market increased from approximately RMB787 billion in 2013 to approximately RMB1,150 billion in 2017 and is expected to further increase to approximately RMB1,794 billion in 2022. Out of which, the market value of online education industry was approximately RMB170 billion in 2017 and it is expected that the market value of online education industry would be over RMB210 billion in 2019.

We expect the market of education industry in the PRC will continue to grow, especially the online education. The increasing popularity of the internet, the changes in the economy structure and the corresponding increase in the demand for talented personnel in the PRC have created the increasing demand for online education from a macro perspective. The increasing coverage of broadband, advancing technology and increasing popularity and accessibility of online education tools have also enhanced the prominence and advantages of online education from a micro perspective. We believe that there are plenty rooms 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 84 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 130 online training and education platforms and a mobile terminal learning platform, Rongxue App* (融學 App). Currently, we have over 5 million of paid users. Since the launch of Rongxue App in 2016, its registered users have increased rapidly to nearly 3 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 18 provinces, autonomous regions and municipalities as well as 40 cities in the PRC.

In addition to the domestic training and education business, the Group commenced its international training and education business during the year. The Group introduced a high quality international curriculum "Innovation Entrepreneurship" program from a professional development center of a prestige American university to the higher education institutions in the PRC. We believe that the "Innovation Entrepreneurship" program can help to enhance the creativity and forward looking capability of young people in the PRC.

Leveraging on the accurate big data accumulated from the online training, the Group has taken certain steps to expand into financial services business. The Group is one of the promotors of Xinmei Mutual Life Insurance Agency* ("**Xinmei Mutual**") (信美人壽相互保險社), the first mutual life insurance agency in the PRC, which launched its formal insurance products in 2017.

In addition, the Group has acquired Beijing Zhongjin Insurance Brokerage Limited* (北京中金保險經紀有限公司) ("**Beijing Zhongjin**") and Well Tunes Financial Group Limited ("**Well Tunes**") in 2017 in order to act as agent of the insurance products from Xinmei Mutal and other insurance companies. The insurance brokerage business achieved a significant progress and recording a revenue of approximately RMB9.5 million for the Reporting Period.

In order to complete the layout of our financial services business, the Group completed the acquisition of the entire equity interest in Premier Management Limited ("**Premier Management**") in September 2018. Premier Management is a corporation licensed under the Securities and Futures Ordinance to conduct type 1 (Dealing in Securities), 4 (Advising on Securities) and 9 (Asset Management) regulated activities. Such acquisition would enable the Group to provide more all rounded financial services to our potential customers inherited from our online education and training business.

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.

In addition to the business-to-business model the Group has adopted over the past few years, the Group intends to allot more resources in developing the business-to-consumer model in the foreseeable future in order to increase the consumers' adherence and loyalty to our training and education platforms.

Furthermore, the Group plans to launch its online to offline model ("**O to O**") whenever it is desirable so that our customers can enjoy the convenience of selecting and paying for the suitable training courses online as well as enjoying the better post-sales servicing and interaction with our local offices and staff. In addition to the existing training center in Nanning of Guangxi Zhuang Autonomous Region, another new training center in Chengdu of Sichuan Province is expected to commercially launch in 2019 which would give the Group more capability to accommodate the increasing need of O to O training. Also, the increase of O to O training can also help to increase the average revenue per user in the future.

After the launch of our international training and education business with the "Innovation Entrepreneurship" program, we will seek to increase our co-operation with more foreign reputable education institutions to provide other programs of high quality international curriculum to suit the different needs and requirements of the different profession in the PRC. We believe the introduction of more high quality international curriculum to the PRC market can help to improve the overall quality of education in the PRC as well as the international vision of the professionals in the PRC.

Leveraging on the solid foundation of our training and education business, we continued to establish our financial services business in the past few year. In the coming future, we are planning to establish local offices of our insurance brokerage business in major cities in the PRC in order to capture the nationwide demand for insurance products and provide high quality post-sales services to the customers. Apart from insurance related business, we have taken steps to enter into the securities trading and asset management business to further satisfy the potential financial needs of our customers. We believe the potential of financial services 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.

As the Group's online training and education business grows in size, we are actively pursuing the introduction of O to O education business and the international training and education business in recent years to complete the layout of our training and education business. In addition, we believe that we are able to benefit from the huge amount of accurate data accumulated from our training and education business to further develop our financial services business in the foreseeable future.

APPRECIATION

On behalf of the Board, I would like to express my sincere appreciation to our management team and employees for their dedication and hard work during the year. I would also like to take this opportunity to send my best regards to all our shareholders, business partners and investors for their support over the years. With the increasing demand for online education and training services in the PRC, we remain confident that we will be able to maintain sustainable business growth and maximize the shareholders' value in the future.

Lu Xing
Chairman

Hong Kong, 29 March 2019

* *For identification purpose only*

FINANCIAL REVIEW

For the year ended 31 December 2018, the Group recorded a turnover from continuing operations of approximately RMB152,084,000 (2017: approximately RMB134,022,000), representing an increase of approximately 13.5% as compared to that of last year. Approximately RMB131,471,000, RMB11,091,000 and RMB9,522,000 were generated from the educational consultancy and online training services, on-site training services and financial services segment respectively (2017: approximately RMB117,933,000, RMB8,211,000 and RMB3,625,000). The 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 be 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. The increase of revenue from the financial services segment was mainly due to the further development of the insurance brokerage business following the acquisition of Beijing Zhongjin and Well Tunes in 2017.

Cost of services of continuing operations for the year ended 31 December 2018 was approximately RMB69,672,000 (2017: approximately RMB56,021,000), representing an increase of approximately 24.4% as compared to that of last year. The increase in cost of 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 services was mainly due to the increase in project cooperation costs and rental expense.

Selling and marketing expenses for the year ended 31 December 2018 was approximately RMB28,404,000 (2017: approximately RMB22,331,000), representing an increase of approximately 27.2% as compared to that of last year. The increase in the selling and marketing expenses in the current year was broadly 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, meeting expenses and consultancy fee offset by decrease in TV channel leasing fee.

Administrative expenses for the year ended 31 December 2018 was approximately RMB52,846,000 (2017: approximately RMB63,329,000), representing a decrease of approximately 16.6% as compared to that of last year. The decrease in administrative expenses was mainly due to the decrease in share-based payment, salaries as well as legal and professional fees, offset by increase in depreciation.

In addition, there was no realised loss on held for trading investments for the year ended 31 December 2018, as substantially all the held for trading investments have been disposed of in the previous year.

The Group recorded a turnaround from loss to profit in the current year. The profit attributable to owners of the Company for the year ended 31 December 2018 was approximately RMB7,588,000 (2017: loss of approximately RMB15,232,000).

SIGNIFICANT INVESTMENTS

As at 31 December 2018, the Group has three financial assets at fair value through other comprehensive income and one financial asset at fair value through profit or loss with details as follows:

	Note	Number of shares held	Investment cost (RMB'000)	Percentage of interest held	Carried at cost less impairment as at 31 December 2017 (RMB'000)	Measured at fair value as at 1 January 2018 (RMB'000)	Fair value change (RMB'000)	Exchange realigment (RMB'000)	Measured at fair value as at 31 December 2018 (RMB'000)
Investment A	(a)(b)(f)	N/A	38,000	19.8%	38,000	38,000	(13,900)	—	24,100
Investment B	(a)(c)(f)	N/A	25,000	2.5%	25,000	35,000	(10,000)	—	25,000
Investment C	(a)(d)(f)	N/A	2,000	4%	2,000	1,600	400	—	2,000
Investment D	(a)(e)	50,000	3,243	12.35%	3,243	3,243	—	172	3,415
Total:			68,243		68,243	77,843	(23,500)	172	54,515

Notes:

(a) The Group has not been in a position to exercise significant influence over the financial and operational policies of all of the investments. Accordingly, all the investments have been classified as financial assets at fair value through other comprehensive income and fair value through profit or loss.

(b) Investment A is a private company incorporated in the PRC and is principally engaged in the operation of a technology platform and offering online payment solutions. During the Reporting Period, Investment A was loss-making for the year ended 31 December 2018 according to the management accounts of Investment A.

(c) Investment B is a mutual insurance agency in the PRC and is principally engaged in the provision of life insurance products in the PRC. During the Reporting Period, Investment B was loss-making for the year ended 31 December 2018 according to the management accounts of Investment B.

(d) Investment C is a private company incorporated in the PRC and is principally engaged in the operation of a technology platform and offering online payment solutions. During the Reporting Period, Investment C was loss-making for the year ended 31 December 2018 according to the management accounts of Investment C.

(e) Investment D is a fund investment incorporated in the Cayman Islands and is principally engaged in investing in cultural innovation industry in Greater China region. The financial performances of Investment D as at 31 December 2017 and 31 December 2018 were referenced to the respective reports from the manager of Investment D. The change in carrying value of Investment D for the Reporting Period represented the exchange realignment.

(f) Investment A, Investment B and Investment C are collectively referred to as the "Investments". As at 31 December 2017, the Investments were carried at cost less impairment, if any. As at 1 January 2018 and 31 December 2018, the Investments were measured at fair values. The Group engaged an independent external expert to determine the fair values of the Investments as at 1 January 2018 and 31 December 2018. The fair values of the Investments were determined using the market approach by applying market multiples from comparable companies and adjusted by marketability discount.

Save as disclosed above, the Group had no significant investments held during the year ended 31 December 2018.

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 2018.

LIQUIDITY AND FINANCIAL RESOURCES

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

As at 31 December 2018, the Group had bank balances and cash of approximately RMB85,088,000 as compared to the bank balances and cash of approximately RMB80,192,000 as at 31 December 2017.

The Group's net current assets totalled approximately RMB60,546,000 as at 31 December 2018, against approximately RMB44,012,000 as at 31 December 2017. The Group's current ratio was approximately 2.29 as at 31 December 2018 as compared with 1.79 as at 31 December 2017.

GEARING RATIO

The gearing ratio of the Group (measured as total liabilities to total assets) was approximately 18.9% as at 31 December 2018 (2017: 22.8%).

CAPITAL STRUCTURE

As at 31 December 2018, the Company's issued share capital was approximately HK$49,685,000 (2017: approximately HK$46,425,000) and the number of its issued shares was 4,968,510,578 (2017:4,642,510,578) 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") is 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 July 2017, 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 more than 50% equity interest in Beijing Chuanglian Education under the prevailing rules and regulations in the PRC. 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**	
	2018	2017	**2018**	2017
Beijing Chuanglian Education	**99.7%**	96.8%	**54.3%**	42.8%

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 2018 RMB'000	Total assets As at 31 December 2018 RMB'000
Beijing Chuanglian Education	**151,558**	**169,448**

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.

Actions taken to mitigate the risks

In light of the above risks associated with the Contractual Arrangements, the Group has adopted relevant procedures and internal control measures to ensure the effective operation of the Group and the implementation of the Contractual Arrangements, including (i) discuss and make all necessary modification to the Contractual Arrangements in order to maintain the economic interests; (ii) regular report by relevant divisions of the Group to the senior management of the Company in relation to the compliance of the Contractual Arrangements; (iii) regular report by the senior management of the Group to the Board any non-compliance issues; (iv) retain legal adviser and/or other professional to assist the Group to deal with specific issues arising from the Contractual Arrangements, if required; and (v) annual review by the independent non-executive Directors the compliance of the Contractual Arrangements.

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 benefits 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.

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 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 (the "**New Waiver**"), subject to the conditions required by the Stock Exchange.

Pursuant to the New Waiver granted to the Company, the New Contractual Arrangements (as supplemented by the Second Supplemental Consultancy and Services Agreement) shall continue to enable the Group to receive the economic benefits derived by the consolidated affiliated entities through the business structure under which the net income (after deducting relevant costs, tax payment and reserved funds as required by the PRC laws and regulations) generated by the consolidated affiliated entities is substantially retained by the Group (such that no annual caps shall be set on the amount of service fees payable to Beijing Chuanglian Zhongren under the Consultancy and Services Agreement as supplemented). Subject to the conditions of the New Waiver and the approval from the independent Shareholders, the fees payable under the Services Framework Agreement will not be subject to the annual caps requirements under Chapter 14A of the Listing Rules.

Details of the New Waiver has been set out under the section headed "New Waiver from Strict compliance with the Listing Rules" in the circular of the Company dated 19 October 2017.

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.

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 2018 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	2,839
2. Loan to Beijing Chuanglian Education by Beijing Chuanglian Zhongren pursuant to the Long Term Loan Agreement	10,480
3. Interest payable to Beijing Chuanglian Zhongren by Beijing Chuanglian Education pursuant to the Long Term Loan Agreement	528

Notes:

1. Mr. Lu, a substantial shareholder of the Company, is holding 100% interest in Beijing Chuanglian Education.

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

3. On 30 August 2017, the Group has obtained an approval to waive the annual caps requirements under Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the fees payable under the Consultancy and Services Agreement and the Services Framework Agreement. On 19 October 2017, the Group also has issued a circular for reporting such approval.

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; (ii) no dividends or other distributions have been made by the consolidated affiliated entities (including Zhongren Guanghua (as defined below)) to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group and (iii) any new contracts entered into, renewed or reproduced between the Group and the consolidated affiliated entities during the financial period which the framework may be renewed and/or reproduced upon the expiry of the existing arrangements or in relation to any existing or new wholly foreign owned enterprise or operating company (including branch company) engaging in the same business as that of the Group which the Group might wish to establish when justified by business expediency, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as the existing New Contractual Arrangements, are fair and reasonable, or advantageous to the Shareholders, so far as the Group is concerned and in the interests of the Shareholders as a whole.

Other Continuing Connected Transactions

For the purpose of Chapter 14A of the Listing Rules, and in particular the definition of "connected person", the consolidated affiliated entities will be treated as the Company's subsidiaries, but at the same time, the directors, chief executives or substantial shareholders of the consolidated affiliated entities and its associates will be treated as connected persons of the Company (excluding for this purpose, the consolidated affiliated entities), and transactions between these connected persons and the Group (including for this purpose, the consolidated affiliated entities), other than those under the New Contractual Arrangements, will be subject to requirements under Chapter 14A of the Listing Rules.

Reference is made to paragraph (e)(iv) under the New Waiver, taking into account that the consolidated affiliated entities of the Company, will be treated as subsidiaries of the Company by virtue of the New Contractual Arrangements (as supplemented) and therefore not treated as connected persons of the Company, thus the transactions between the consolidated affiliated entities and the Group will not be treated as connected transactions. Furthermore, the results of consolidated affiliated entities of the Company will be consolidated to the accounts of the Group, the Directors consider that it is fair and reasonable and in the interests of the Company and the Shareholders as a whole for the fees payable under the Consultancy and Services Agreement (as supplemented) not to be subject to the annual caps requirements under Rule 14A.53 of the Listing Rules.

Details of the New Waiver has been set out under the section headed "New Waiver from Strict compliance with the Listing Rules" in the circular of the Company dated 19 October 2017.

Pursuant to the New Waiver granted to the Company, the New Contractual Arrangements (as supplemented by the Second Supplemental Consultancy and Services Agreement) shall continue to enable the Group to receive the economic benefits derived by the consolidated affiliated entities through the business structure under which the net income (after deducting relevant costs, tax payment and reserved funds as required by the PRC laws and regulations) generated by the consolidated affiliated entities is substantially retained by the Group (such that no annual caps shall be set on the amount of service fees payable to Beijing Chuanglian Zhongren under the Consultancy and Services Agreement as supplemented). Subject to the conditions of the New Waiver and the approval from the independent Shareholders, the fees payable under the Services Framework Agreement will not be subject to the annual caps requirements under Chapter 14A of the Listing Rules.

Details of the New Waiver has been set out under the section headed "New Waiver from Strict compliance with the Listing Rules" in the circular of the Company dated 19 October 2017.

The actual amounts of the transactions between the consolidated affiliated entities and the Group for the year ended 31 December 2018 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	16,981
2.	Service fee payable to Beijing Chuanglian Zhongren by 四川創聯國培教育咨詢有限公司 (Sichuan Chuanglian Guopei Education Advisory Limited*) ("Sichuan Chuanglian Guopei")	15,262
3.	Service fee payable to Beijing Chuanglian Zhongren by 北京中人光華教育科技有限公司 (Beijing Zhongren Guanghua Education Technology Company Limited*) ("Beijing Zhongren Guanghua")	8,872
4.	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")	6,132
5.	Service fee payable to Beijing Chuanglian Zhongren by 內蒙古聯培教育科技有限公司 (Inner Mongolia Lianpei Education Technology Limited*) ("Inner Mongolia Lianpei")	19,391
		33,680

* English name is for identification purposes only

Notes:

1. Mr. Lu, a 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 Beijing Zhongren Guanghua, 99.99% interest in Hainan Zhongren Guanghua and 100% interest in Inner Mongolia Lianpei. 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, Sichuan Chuanglian Guopei, Zhongren Guanghua, Hainan Zhongren Guanghua and Inner Mongolia Lianpei are the subsidiaries of the Group which the balances and transactions mentioned above are eliminated in the consolidated financial statements in accordance with Hong Kong Financial Reporting Standard 10.

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.

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 (the "**Subscription**"), 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 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.

The equity fund raising activities conducted by the Company during the Reporting Period are set out below:

	Intended use of net proceeds from Subscription (Approximate)	**Utilised net proceeds from Subscription for the year ended 31 December 2018** (Approximate)	**Unutilised net proceeds from Subscription as at 31 December 2018** (Approximate)
For developing and expanding its financial related business, especially the insurance brokerage business acquired by the Group in April 2017 and general working capital of the Group	HK$29.7 million	HK$15 million for increasing the capital of Beijing Zhongjin in order to expand its business scope and area; and HK$14.7 million for general working capital of the Group.	—

As at 31 December 2018, all net proceeds raised from Subscription has been fully utilised.

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 2018, 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 2018, the Group did not have any charges on its assets (2017: Nil).

Capital Commitment

As at 31 December 2018, the Group had outstanding capital commitment in respect of the acquisition of plant and equipment of RMB19,511,000 (2017: nil). 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 (2018: nil).

Event after the Reporting Period

No important events affecting the Group have occurred since the end of the Reporting Period.

Employee Information and Remuneration Policy

As at 31 December 2018, the Group had 179 employees (2017: 218 employees) in Hong Kong and the PRC and the total staff costs (including all Directors' remuneration and fees) are approximately RMB44,682,000 for the year ended 31 December 2018 (2017: approximately RMB52,151,000).

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 2018, there were 62,510,000 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.

EXECUTIVE DIRECTORS

Mr. LU Xing ("Mr. Lu"), aged 51, 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 51, 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 51, 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 42, 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. XU Dayong ("Mr. Xu"), aged 39, is an executive Director and chief technology officer of the Company. Mr. Xu graduated from Northeast Normal University with a bachelor's degree in computer science and technology. Mr. Xu was a software development engineer of the Tokyo Management System Institution from July 2002 to July 2003. From July 2004 to August 2011, he served as a development manager and project supervisor of Beijing Tianyuan Network Technology Company Limited (北京市天元網路技術股份有限公司). From November 2011 to May 2015, he worked as a system architect and development manager in the Telecom Division of Yonyou Group (用友集團電信事業部) (now known as Yongyou Guangxin Network Technology Company Limited (用友廣信網路科技有限公司). Since June 2015, he has been the technical manager and was further promoted as the technical director of the Company.

INDEPENDENT NON EXECUTIVE DIRECTORS

Mr. LEUNG Siu Kee ("Mr. Leung"), aged 42, is an independent non-executive Director. Mr. Leung is also the chairman of the audit committee of the Company and a member of each 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 57, is an independent non-executive Director. Mr. Wu is also the chairman of the nomination committee of the Company and a member of each 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 60, is an independent non-executive Director. Ms. Wang is also the chairman of the remuneration committee of the Company and a member of each 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 43, 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 21 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 was appointed as an independent non-executive director of Takbo Group Holdings Limited (HKSE: 8436) with effect from 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 deviation stated in the following paragraph. 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 2018, 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.

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 and up to the date of this report, the Board comprised the following Directors:

Executive Directors

Mr. Lu Xing *(Chairman)*
Mr. Li Jia
Mr. Wu Xiaodong
Mr. Wang Cheng
Mr. Li Dongfu *(resigned on 29 March 2019)*
Mr. Xu Dayong *(appointed on 8 January 2019)*

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 2018, 8 Board meetings were held. The details of the attendance record of the Directors are as follows:

	Attendance
Executive Directors	
Mr. Lu Xing	2/8
Mr. Li Jia	4/8
Mr. Wu Xiaodong	5/8
Mr. Wang Cheng	0/8
Mr. Li Dongfu *(resigned on 29 March 2019)*	5/8
Independent Non-executive Directors	
Mr. Leung Siu Kee	3/8
Mr. Wu Yalin	5/8
Ms. Wang Shuping	8/8

For the year ended 31 December 2018, 1 general meeting was held. The details of the attendance record of the Directors are as follows:

	Attendance
Executive Directors	
Mr. Lu Xing	1/1
Mr. Li Jia	0/1
Mr. Wu Xiaodong	0/1
Mr. Wang Cheng	0/1
Mr. Li Dongfu *(resigned on 29 March 2019)*	0/1
Independent Non-executive Directors	
Mr. Leung Siu Kee	1/1
Mr. Wu Yalin	0/1
Ms. Wang Shuping	0/1

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 2018, 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 *(resigned on 29 March 2019)*	✓	✓
Independent Non-executive Directors		
Mr. Leung Siu Kee	✓	✓
Mr. Wu Yalin		✓
Ms. Wang Shuping		✓

Notes:

1. Professional training namely Guidelines on M&A successful cases analysis 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 2018, 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.

NONEXECUTIVE 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 2018 to 21 December 2021, 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 2019 to 10 January 2022, 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 2018 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 2018 falls within the following bands:

	Number of senior management
HK$1,500,001 to HK$2,000,000 (equivalent to approximately RMB1,267,001 to RMB1,690,000)	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 2018 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

NOMINATION POLICY

The Board has adopted the nomination policy (the "Nomination Policy") on 23 August 2018 which sets out the nomination criteria and procedures for the Company to select candidate(s) for possible inclusion in the Board. The Nomination Policy could assist the Company to achieve board diversity in the Company and enhance the effectiveness of the Board and its corporate governance standard.

When assessing the suitability of a candidate, factors such as the qualifications, skills, integrity and experience will be taken into consideration as a whole. In the case of independent non-executive Directors, they must further satisfy the independence criteria set out within Rule 3.13 of the Listing Rules. Since the selection of candidates should ensure that diversity remains a central feature of the Board, a range of diverse perspectives, including but not limited to gender, age, cultural and educational background, or professional experience would be considered.

The process to identify potential candidates for the Board would be as follows:

(1) identifying potential candidates, including recommendations from the Board members, professional search firms and the shareholders of the Company;

(2) evaluating the candidates based on the approved selection criteria through methods such as reviewing the resume and conducting the background checks;

(3) reviewing the profiles of the shortlisted candidates and interview them; and

(4) making recommendations to the Board on the selected candidates.

The Nomination Policy also includes the Board succession plan to assess whether vacancies on the Board would be created or expected due to the Directors' resignation, retirement, death and other circumstances and to identify candidates in advance if necessary. The Nomination Policy will be reviewed on a regular basis.

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 2018, the Board had reviewed and performed duties of the above- mentioned corporate governance matters of the Company. Saved for the deviation 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	1,550
Non-audit services (Note)	662
Total	2,212

Note: Other non-audit services include perform (i) agreed-upon procedures regarding financial information of the Group for the six months ended 30 June 2018; (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 2018.

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.

DIVIDEND POLICY

The Board has adopted the dividend policy (the "Dividend Policy") on 23 August 2018 which sets out the appropriate procedure on declaring and recommending the dividend payment of the Company. The Company takes priority to distributing dividends in cash and shares its profits with the shareholders of the Company. The dividend distribution decision of the Company will depend on, among others, the financial results, the current and future operations, liquidity and capital requirements, financial condition and other factors as the Board may deem relevant. The Board may also declare special dividends from time to time. The Dividend Policy will be reviewed on a regular basis.

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 2018, 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 2018, 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 2018, 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 2018 of the Group, and the performance in the aspect of social governance in 2018. For information about corporate governance, please refer to "Corporate Governance Report" on page 25.

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 2018 to 31 December 2018.

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 2018, 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 THIS REPORT

China Chuanglian Education Financial Group Limited (the "Company"), together with its subsidiaries (the "Group"), is pleased to present our first Environmental, Social and Governance Report (the "Report") to provide an overview of the Group's management on significant issues affecting the operation, and the performance of the Group in terms of environmental and social aspects. This Report is prepared by the Group with the professional assistance of APAC Compliance Consultancy and Internal Control Services Limited. For information about corporate governance, please refer to "Corporate Governance Report" on page 25.

Preparation Basis and Scope

This Report is prepared in accordance with Appendix 27 to the rules governing the listing of securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") – "Environmental, Social and Governance Reporting Guide" and has complied with "comply or explain" provision in the Listing Rules.

This Report summarises the performance of the Group in respect of corporate social responsibility, covering its operating activities which are considered as material by the Group – (i) educational consultancy and online training and education in the People's Republic of China ("PRC"), (ii) securities trading business in Hong Kong ("HK"), and (iii) insurance brokerage in Hong Kong and the PRC. With the aim to optimise and improve the disclosure requirements in the Report, the Group has taken initiative to formulate policies, record relevant data as well as implement and monitor measures. This Report shall be published both in Chinese and English on the website of Stock Exchange. Should there be any discrepancy between the Chinese and the English versions, the English version shall prevail.

Reporting Period

This Report demonstrates our sustainability initiatives during the reporting period from 1 January 2018 to 31 December 2018.

Contact Information

The Group welcomes your feedback on this Report for our sustainability initiatives. You are welcome to contact us through the following method:

Tel: (852) 3582-5200
Fax: (852) 3582-4296

INTRODUCTION

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 84 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[1]. Currently, we have over 7.7 million of paid users. During the reporting period, the Group continued to expand our online training and education business to more geographical areas 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.

STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT

The Group understands the success of the Group's business depends on the support from its key stakeholders, who (a) have invested or will invest in the Group; (b) have the ability to influence the outcomes within the Group; and (iii) are interested in or affected by or have the potential to be affected by the impact of the Group's activities, products, services and relationships. The Group will continue to ensure effective communication and maintain good relationship with each of its key stakeholders.

Stakeholders are prioritised from time to time in view of the Group's roles and duties, strategic plan and business initiatives. The Group engages with its stakeholders to develop mutually beneficial relationships and to seek their views on its business proposals and initiatives as well as to promote sustainability in the marketplace, workplace, community and environment.

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The Group acknowledges the importance of intelligence gained from the stakeholders' insights, inquiries and continuous interest in the Group's business activities. The following table provides an overview of the Group's key stakeholders, and various platforms and methods of communication are used to reach, listen and respond.

Stakeholders	Expectations	Engagement channels	Measures
Government	• Comply with applicable laws and regulations • Proper tax payment • Promote regional economic development and employment	• On-site inspections and checks • Research and discussion through work conferences, work reports preparation and submission for approval • Annual and interim reports • Website	• Operated, managed and paid taxes according to laws and regulations, strengthened safety management; accepted the government's supervision, inspection and evaluation for example, accepted certain 1-2 on-site inspections throughout the year, and actively undertook social responsibilities
Shareholders and Investors	• Low risk • Return on the investment • Information disclosure and transparency • Protection of interests and fair treatment of shareholders	• Annual general meeting and other shareholder meetings • Annual and interim reports, announcements	• Issued notices of general meeting and proposed resolutions according to regulations, disclosed company's information by publishing announcements/ circulars/ annual and interim reports • Carried out different forms of investor activities with an aim to improve investors' recognition. Held results briefing upon neccessary. Disclosed company contact details on website and in published reports and ensured all communication channels are available and effective
Employees	• Safeguard the rights and interests of employees • Working environment • Career development opportunities • Self-actualization • Health and safety	• Trainings, seminars, briefing sessions • Cultural and sport activities • Newsletters • Intranet and emails	• Provided a healthy and safe working environment; developed a fair mechanism for promotion; established labor unions at all levels to provide communication platforms for employees; cared for employees by helping those in need and organized employee activities

Stakeholders	Expectations	Engagement channels	Measures
Students and Parents	• Safe and high-quality educational service • Student information protection • Integrity • Business ethics	• Website, brochures • Email and customer service hotline • Regular meeting • Satisfactory survey	• Established parent committee to maintain good communication; held regular online training and examination to find their difficulties in learning.
Suppliers/ Partners	• Long-term partnership • Honest cooperation • Fair, open information resources sharing • Risk reduction	• Business meetings, supplier conferences, phone calls, interviews • Regular meeting • Review and assessment • Tendering process	• Invited tenders publicly to select best suppliers and contractors, performed contracts according to agreements, enhanced daily communication, and established long-term cooperation with quality suppliers and contractors
Public and Communities	• Social responsibility • Open information	• Community engagement • Information disclosure	• Engaged in charity and volunteering • Disclosed information timely

With these on-going dialogues, the Group understands the expectations and concerns from stakeholders. The feedbacks obtained allow the Group to make more informed decisions, and to better assess and manage the resulting impact.

The principle of materiality strengthens the Group's ESG reporting which means understanding the ESG issues that are important to the Group's business, informing the issue and key performance indicators (KPIs) to cover in the Report. The Group's approach to materiality in this Report is based on the best-practice recommendations of the ESG Reporting Guide and the Global Reporting Initiative Guidelines.

In 2018, the Group evaluated the importance of global sustainability challenges to the Group. As part of this exercise, internal and external stakeholders, including employees, consumers, distributors, investors, suppliers and the community, contributed their perspectives regarding ESG reporting and the broader ESG issuers relevant to the Group. The assessment also considered ESG issues relevant to the Group's industry and operation locations and included the following steps:

Step 1: Identification – Industry Benchmarking

- Relevant ESG issues were identified based on feedback from investors, sustainability indices and the ESG reports of the Group's local and international industry peers.
- The materiality of each ESG issue was determined based on the frequency of its disclosure by selected peer companies.

Step 2: Prioritization – Stakeholder Engagement

- The Group engaged key stakeholders on ESG issues affecting the Group.
- Stakeholders were asked to rank each of the shortlisted ESG issues according to their view of its importance to the operation of the Group.

Step 3: Validation – Determining Material Issues

- The Group's management validated the range of ESG issues being reported to ensure the results of the materiality assessment were in line with and reflective of issues important to business development.
- As a result of this process carried out in 2018, those important issues to the Group were discussed in this Report.

A. ENVIRONMENTAL ASPECTS

The Group is mainly involved in office operations and its business activities do not have significant impact on the environment and natural resources. In spite of this, as an education provider, the Group recognizes that it has an obligation to reduce the impact of our operations on the environment and be accountable for the resources and materials that are used in our daily operations. Throughout the year, the Group fully complied with all of the relevant environmental laws and regulations in the countries and regions, such as the Environmental Protection Law of the People's Republic of China in the PRC and the Air Pollution Control Ordinance (Cap. 311) in Hong Kong. Besides, no concluded cases regarding environmental issues were brought against the Group. As our Group continues to develop, we are committed to continuously improve the environmental sustainability of our business operations, ensuring that environmental considerations are top priorities in our daily business operations. The Group promotes environmental stewardship throughout our business ecosystem by introducing a number of measures to enhance the environmental protection awareness among its employees, encouraging them to develop environment-friendly working habits and to take action in protecting the precious environment.

A1. Emissions

As one of the world's leading online education services provider, the Group recognizes that it has ethical duties to reduce emissions. Given that most of our operations is offices based, the Group bears low impact on air pollutant emission and greenhouse gas emission. In the meantime, the Group fully complies with all of the relevant environmental laws and regulations in the countries and regions where we operate such as the Atmospheric Pollution Prevention and Control Law of the People's Republic of China (2015) in the PRC, the Motor Vehicle Idling (Fixed Penalty) Ordinance (Cap. 611) and the Road Traffic Ordinance (Cap. 374) in Hong Kong. Besides, no concluded cases regarding emissions brought against the issuer or its employees during the year.

Air Pollutant Emission

Air pollutant emission control is essential to mitigate the impact on the environment and to protect the health of employees. No substantial emissions are generated from any type of fuels in daily operation as the Group is not engaged in any industrial production. The Group's air pollutants are mainly generated from the mobile sources. The Group has taken the initiatives to formulate plans in traffic management for the reduction of air pollutants in the daily business operation, for examples:

- Encouraging employees and clients to take video conference instead of unnecessary transportation.
- Ensuring no idling vehicles with running engines.
- Maintaining vehicle regularly including replacement of any wear components and generator cleaning.
- Giving top priority to the use of electric vehicles instead of fossil fuel vehicles.

Taking into consideration of materiality ESG reporting principle and further improvement in air pollutant reduction policy, the Group takes its own initiative to extend ESG reporting scope in 2018 to include nearly all subsidiaries data which are considered as material to be disclosed. Meanwhile, taking into consideration of consistency principle, the Group decides to restate prior year comparative figures to match with 2018 reporting scope and methodology. During the 2018 reporting period, the significant increase in air pollutant emission was mainly attributable to the large increase in vehicle fuel consumption, travelling distance, and number of vehicles owing to the Group's business expansion and development of the online training and education business during the year, as well as the increase in sales of educational consultancy and online training and education, securities trading and insurance brokerage services during the year. The air pollutant emission during the reporting period is as follows:

Air Pollutants	Unit	HK	PRC	2018 Total	2017 Total (Restated)
Nitrogen oxides (NOx)	kg	—	3.00	3.00	1.89
Sulfur dioxide (SO2)	kg	—	1.96	1.96	0.88
Particular matter (PM)	kg	—	1.06	1.06	0.52

Greenhouse Gas ("GHG") Emission

Climate change is gradually concerned by the community as it affects our daily life. GHG is considered as one the major contributors to the climate change and global warming. The Group tackles the GHG emission by lowering the energy consumption. Policies and procedures (as mentioned in the section "Use of Resources") to encourage energy saving have been incorporated throughout the operations in order to reduce the carbon footprint. Our Group is taking action to minimize the GHG emissions in our business operations. We have adopted energy saving initiatives that are mentioned in the section "Use of Resources". During the reporting period, no GHG emissions were generated or emitted through stationary sources as the Group was not engaged in any industrial production. The Group's scope 1 direct emissions, scope 2 indirect emissions, and scope 3 other indirect emissions mainly came from mobile combustion, purchased electricity, and business air travel by employees respectively. The steady increase in total GHG emission in 2018 was mainly attributable to higher levels of considerable automobiles' fuel consumption, electricity usage, and overseas business travelling. Due to the Group's business expansion and the increase in number of employees for the commencement of securities trading business and continuous development for the online training and education business during the year, the increase in sales of educational consultancy and online training and education, securities trading and insurance brokerage services also contributed to the increase in GHG emission in this year.

The GHG emission of the Group during the reporting period is as follows:

GHG Emission[1]	Unit	HK	PRC	2018 Total	2017 Total (Restated)
Scope 1[2]	tonnes of CO_2-e	—	55.70	55.70	25.93
Scope 2[3]	tonnes of CO_2-e	22.82	540.57	563.39	490.60
Scope 3[4]	tonnes of CO_2-e	—	61.85	61.85	49.32
Total	tonnes of CO_2-e	22.82	658.12	680.94	565.85
GHG emission Intensity	tonnes of CO_2-e /m^2	0.02	0.12		HK:0.05 PRC:0.10

Hazardous and Non-hazardous Wastes

The Group recognizes the importance of waste reduction. Waste management measures have been introduced and implemented to minimize the amount of waste generated and the impact on the environment. Under its business operation in respect of its nature, no hazardous waste was generated during the reporting period.

For non-hazardous waste, the waste is mainly generated from daily office operation. The Group takes initiative to reduce waste by implementing different measures. Generally, the Group has engaged qualified recycling companies to collect and handle the waste in accordance to the Prevention and Control of Environmental Pollution by Solid Waste (2015 Amendment) in the PRC and the Waste Disposal Ordinance (Cap. 354) in Hong Kong. For office, the Group promotes the idea of "green office" by introducing more paperless solutions in its daily operations to reduce the volume of paper and printed materials used.

The Group introduces knowledge on environmental protection to all employees and encourages them to consider environmental-friendly printing such as double-sided printing and copying. The Group also encourages employees to reuse single sided non-confidential print out. On top of that, the Group actively promotes the use of email to replace traditional mails. Email is used among staff whenever possible. Office Automation system is used for administration of notice and leave application instead of paper record. All these measures are geared at reducing waste such as paper waste which can help mitigate the global greenhouse effect as well. Recycling bags are available for paper collection. All paper boxes, paper, newspaper and magazines are collected for recycling purpose.

2 The calculation of the greenhouse gas emission is based on the "Corporate Accounting and Reporting Standard" from greenhouse gas protocol.

3 Scope 1: Direct emission from sources that are owned or controlled by the Group.

4 Scope 2: Indirect emissions from purchased electricity consumed by the Group.

5 Scope 3: All other indirect emissions that occur outside the company, including both upstream and downstream emissions

The Group takes effort to reduce wastes in our daily business operation and handles wastes in an environmental-friendly way. Under our business operation in respect of its nature, the Group generates very small amount of waste during the reporting period. As the Group outsources its office cleaning work to independent contractors for handling and collecting the non-hazardous waste in the office, the waste volume record is not provided by the cleaning contractor. Although our non-hazardous waste amount is insignificant, the Group will coordinate with the cleaning contractor to collect the waste volume data in the coming year in order to formulate appropriate measures and targets to reduce the non-hazardous waste production. The non- hazardous waste recycled by the Group during the reporting period is as follows:

Non-hazardous waste recycled	Unit	HK	PRC	2018 Total	2017 Total
Paper	kg	55.00	—	55.00	—

A2. USE OF RESOURCES

The Group considers environmental protection as an essential component of a sustainable and responsible business. The Group has an in-depth understanding of the importance of safeguarding sustainable development of the environment and thus to attach importance to efficient utilization of resources by introducing various measures in daily business operations. It understands that staff participation is the key to achieve such goals. The Group strives to build up a working environment that emphasizes the “Green office” and “Low Carbon” policy such as a set of guidelines to improve the efficient use of energy, water and other resources. As we are engaged in provision of education services but not industrial manufacturing, no packaging materials and related resources were consumed during the reporting period.

Energy

The Group considers environmental protection as an essential component of a sustainable and responsible business. With aims of resource saving and implementation of energy saving measures, the Group actively promotes the concept of energy saving and emission reduction into the entire process of its business development and operation. In the meantime, the Group puts effort to promote energy saving awareness among its staff by posting related reminders or messages through emails, recommending them to switch off all the lights, computers and printers by the end of the work day. The Group encourages all of its employees to set their computers to sleep-mode automatically when left idle for a certain period of time. Printers and copiers are also set to sleep-mode automatically for the computers. Receptionists are responsible for turning off lights and all the electronic appliances after meetings. Notices are posted in the office to remind staff to turn off light before leaving office. Air-conditioners are set within a reasonable range of around 25 degrees Celsius. During lunch time, air-conditioners in the office area are switched off. Under these measures, less electricity will be consumed.

In order to keep pace with the market trends, the Group regularly upgrades its existing facilities such as replacing outdated computers, phones and other electrical appliances to meet the needs of our customers and enhance operational efficiency. The Group regularly upgrades its existing facilities such as replacing outdated computers, phones and other electrical appliances to meet the needs of our customers and employees and enhance operational efficiency. The Group adheres to environmental protection and waste reduction principles for its upgrading processes, and reuses existing facilities and materials wherever possible, so as to reduce waste. Meanwhile, it also actively uses eco-friendly equipment for any replacement.

The Group energy consumption is classified into two fuel types – electricity and petrol. During the reporting period, purchased electricity was our major energy consumption source for daily office operation. Regarding electricity consumption for the PRC and Hong Kong offices, most of the electricity supplies are solely controlled and centrally managed by their respective property management companies. Hence, it is not feasible for the Group to provide all relevant electricity consumption data as there is no separate submeter for each individual office unit to record electricity usage. In order to improve efficiency of energy consumption, the Group strictly complies with the Energy Conservation Law of the People's Republic of China and the relevant documents and regulations in the countries and regions where we operate. The Group is also exploring energy saving and green management measures for our facilities, and strives to reduce resource consumption as much as possible. The increase in total energy consumption in 2018 was mainly attributable to the increase in demand for electricity and higher levels of considerable automobiles' fuel consumption. Due to the Group's business expansion and the increase in number of employees for the commencement of securities trading business and continuous development for the online training and education business during the year, the increase in sales of educational consultancy and online training and education, securities trading and insurance brokerage services also contributed to the increase in GHG emission in this year. During the reporting period, the energy consumptions are as follows:

Energy	Unit	HK	PRC	2018 Total	2017 Total (Restated)
Purchased electricity	MWh	28.89	818.19	847.08	721.38
Petrol	MWh	—	226.98	226.98	105.65
Total energy consumption	MWh	28.89	1,045.17	1,074.06	827.03
Total energy intensity	MWh/m^2	0.02	0.20		HK:0.06 PRC:0.15

Water

Water is another important natural resource. Regarding water consumption for the PRC and Hong Kong offices, most of the water supplies are solely controlled and centrally managed by their respective property management companies. Hence, it is not feasible for the Group to provide all relevant water consumption data as there is no sub-meter for individual office unit to record water usage.

However, the Group still actively seeks ways to mitigate water consumption by raising employees' awareness of water saving through green office policy such as reminding employees to turn faucet off tightly, conducting regular inspection and maintenance of water facilities, and posting notices in pantries, washrooms and other communication channels. During the reporting period, the increase in water consumption was mainly attributable to increase in headcounts for commencement of securities trading business, as well as the continuous development for the online training and education business during the year. The water consumption of the Group is summarized as follows:

Water	Unit	HK	PRC	2018 Total	2017 Total (Restated)
Total water consumption	m^3	—	12,794	12,794	10,506
Intensity	m^3/employee	—	57		51

A3. The Environment and natural resources

The Group's daily operations have no significant impact on the environment, taking account of its business nature. The Group also ensures to strictly abide by and implement the relevant environmental and natural resources policies and regulations where it operates. Besides, no concluded cases regarding significant impacts of activities on the environmental and natural resources were brought against the issuer or its employees during the reporting period. The Group reviews its environmental policy from time to time and will consider implementing further eco-friendly measures and practices in the Group's business operations in order to enhance environmental sustainability and lower the impact of operation on the environment.

B. SOCIAL ASPECTS

The Group recognizes that maintenance of strong, healthy and friendly business relations with employees, supply chains, and which a business a connected or expects to have a connection, whether internal or external, is the foundation for the Group success and development. The Group highly considers employees as important assets and is committed to earning respect from employees, maintaining work-life balance, and making them to grow together with us. With supporting business sustainable development, the Group works closely with suppliers to manage social risks. Also, with a goal of understand the needs and interests of communities where the issuer operates, the Group takes its own initiatives to actively contribute to the society in various ways.

EMPLOYMENT AND LABOUR PRACTICES

B1. Employment

The Group believes our employees are the most valuable asset. Therefore, 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. Throughout the year, the Group fully complied with all of the relevant laws and regulations in the countries and regions, such as the Employment Ordinance (Cap. 57), the Minimum Wage Ordinance (Cap. 608), the Labour Law of the People's Republic of China, and other relevant regulations where we operated. We pursue fair and equitable principle, promote equal opportunity in recruiting and promotion for employees and prohibit any kind of forced labour. 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 Labour 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 labour. 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 labour contracts, which set out clearly the information such as job descriptions, remunerations, etc., to prevent any form of forced labour. During the reporting period, no concluded cases regarding social issues were brought against the Group.

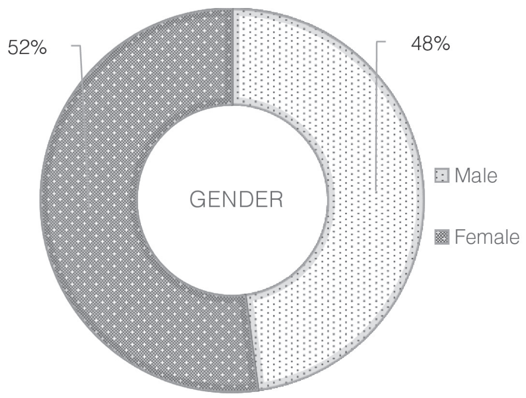
The Group pays special attention to its employees' right, hence, it treats its employees fairly based on a series of standardised internal policies and procedures in a proactive manner. The Group updates and improves these policies and procedures regularly by taking into consideration the health and well-being of its employees. All employees are kept abreast of any updated policies and practices through emails, and details are also available from the Human Resources Department.

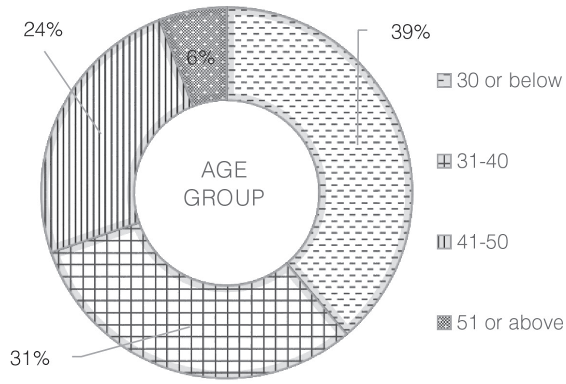
The employees of the Group sticks to the principle of "Morality Come First", and to be fair, honest and trustworthy, and has positive impact on the environment with the power of integrity. Being dutiful, efficient, taking up responsibility, actively taking up new tasks and challenges, at the same time, 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 believe 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.

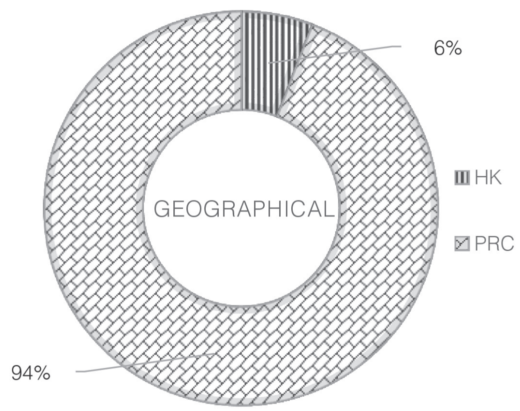
The Group adjusts employees' remuneration on a yearly basis in order to provide them with salary of market competitiveness. The Group also sets up salary scale to ensure employees will be treated equally according to the business system and the ranking. Other than providing statutory welfare protection 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.

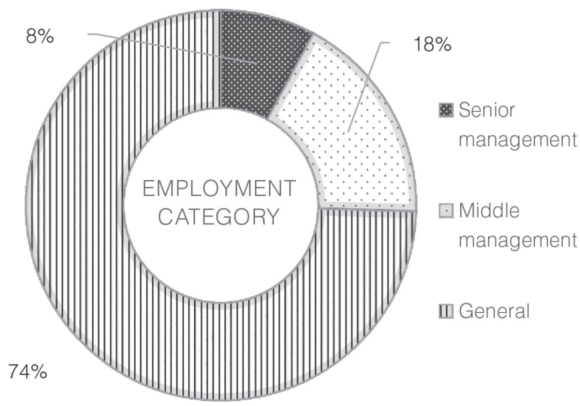
To let the employees to reach a work-life balance, the Group does not encourage overtime work. In case of any needs in extending the work hours, the overtime work has to be negotiated for consensus and also compensated with overtime payment or compensation leaves. In addition to the statutory holidays, 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, during the year, the Group provided various employee benefits such as celebration on 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, and Providing free oral consultation. The Group attempts to meet its employees' needs in all aspects so as to cultivate loyalty and dedication.

At the end of the reporting period, the Group has 255 employees located in Hong Kong and the PRC. Below is the employee breakdown by gender, age group, employment category and geographical region.









B2. Health and Safety

The Group takes into consideration every precaution to establish a healthy and safe working environment for its employees. The Group strictly complies with the rules and guidelines stipulated in the Occupational Safety and Health Ordinance by the Labour Department in Hong Kong and any other applicable laws and regulations such as the Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases. Besides, we maintain a healthy and safe workplace for our employees. Reviews will be conducted with immediate follow-up actions and improvements whenever necessary. Safety guidelines are in place for our laboratories as well. In 2018, no concluded cases regarding health and safety were brought against the issuer or its employees.

Safety and health of employees are assets of the Group. For the vast majority time, our employees working 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. In this year, there was no death due to employment injuries. 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.

The Group not only values the healthy and safe working environment, but also puts attention to the mental health of its 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 such as monthly birthday parties, handmade sachet event of Dragon Boat Festival, and Spring Festival Festive Gala, the members of the Group can believe themselves, enhance their health and physique, have a feeling for the warmth of the organization. Besides, this can facilitate exchange among the colleagues and nurture the team spirit along their tense work. This allows the employees to devote themselves to the work with fresher faces and better spirit in achieving individual values.

B3. Development and training

The Group sticks 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. The Group also introduces competition mechanism and implement the principle of "the Survival of the Fittest". It forms a positive mechanism for employees. In addition, the Group conducts regular examination to employee for motivation purpose. Additional bonuses will be distributed according to the results of the examination. The Group also holds 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.

The Group provides diversified on-the-job trainings to employees, particularly wealth management and financial market directions and decision-making, with the aim to ensure that employees have the technical and professional skills needed to preform tasks smoothly and efficiently. Trainings at all levels are available to meet the needs of respective positions as below.

1. **Orientation trainings** - New employees will receive orientation trainings related to corporate culture.

2. **Job skills trainings** - All new and internally transferred employees will receive trainings related to department functions, job responsibilities and job skills within the first week of work to ensure they have a complete understanding of the job.

3. **External trainings** - Professional trainings for certain job positions based on the operation needs of the Group such as WMC Orientation Workshop provided by Wealth Management Cube Limited, Advanced Technical Analysis Module 3 provided by Vocational Training Council, and Law Relating to Asset Protection - Trusts provided by Vocational Training Council.

In 2018, the detailed breakdown of the percentage of employees trained and the average training hours completed per employee by gender and employee category is as follows:

Training	Average training hours (hours/employee)	Percentage of employee trained (%)
By gender		
Male	6	30
Female	4	28
By employment category		
Senior management	12	15
Middle management	5	20
General	5	32

B4. Labour standards

The Group respects the human rights of employees, and is strongly against the employment of child labour and forced labour. 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 strictly complies 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 labour. 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 labour.

Operating Practices

To realize the Group's business philosophy "Client Cantered", we are committed 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 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.

B5. Supply Chain Management

As part of its commitment to environmental and corporate responsibility, the Group attaches great importance to supplier management and monitors by formulating internal procedures and guidelines for managing environmental and social risks of the supply chain. It undertakes regular reviews on its supply chain to ensure that its partners do not have significant impact on the environment and society.

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 activities 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 labour 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.

B6. Product Responsibility

The Group is committed to providing quality and customer-centred online educational services. We continue to cultivate a corporate culture which emphasises the provision of fair and just services for its customers. The Group is in strict compliance with related laws and regulations, including "Product Quality Law of the People's Republic of China". During the reporting period, the Group did not discover any significant risk exposure in relation to the product responsibility.

Quality Management

In order to enhance the quality of products and services provided by the Group, the Group has set up internal policies - "Product Inspection Procedures", "Products Recall Guidelines" and other related procedures in accordance with the requirement of ISO 9001:2017 - Quality Management System. Inspections are performed in different stages of the production line before the products are packed for delivery to ensure the quality of products. Procedures for control of nonconforming products shall apply to protect customers against safety risks for any products which are inspected to be unqualified. If products are recalled for safety and health reasons unfortunately, product recalling procedures and analysis shall be carried out to reduce similar incidents. During the reporting period, 44 products sold were recalled for safety and health reasons.

The Group's department of commerce is responsible for dealing with the complaints from customers. Prompt response will be made and the problem will be tackled to prevent similar complaints from happening. During the year, no complaints related to the quality of products were received by the Group. Regular customer satisfaction survey is carried out biannually for the continuous improvement of quality of products and services.

Information Protection

The Group respects customer data privacy and is committed to preventing customer data leakage or loss. According to the Group's "Customers Property Control Procedures", collected customer personal data and property are accessible only by authorised personnel and handled with care. The Group complies with relevant customer information protection laws and regulations. During the year, no severe laws violation in this aspect was found to have posed significant impact on the Group.

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 in the PRC, the Provisions on Protecting the Personal Information of Telecommunications and Internet Users in the PRC, and the Computer Crimes Ordinance in Hong Kong, 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 client's information, learning record and payment record etc., but also designate personnel to manage client's 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 organizes 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.

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 software 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.

B7. Anti-Corruption

The Group holds itself to the highest level of integrity and ethical standards upon its businesses. The Group has been in strict compliance with the related local laws and regulations in the PRC and Hong Kong including the Prevention of Bribery Ordinance and the Criminal Law of the People's Republic of China. Therefore, it formulates a set of policy guidelines and codes of conduct for the employees, under which any kinds of bribery and corruption practices are strictly forbidden. There is also a comprehensive system for declaration of interests, as well as a sound reporting mechanism for any suspicious activity. These principles are well conveyed to our employees through daily communication, trainings and workshops such as Anti-Money Laundering and Counter-Terrorist Financing Seminars provided by the Securities and Futures Commission. Our customers, suppliers and contractors are expected to follow the same policy when working with us. During the reporting period, there was no legal case regarding corrupt practices brought against the Group or its employees.

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.

COMMUNITY

B8. COMMUNITY INVESTMENT

The Group is committed to supporting and contributing to the society by implementing related policies and measures to understand the needs of the community. Contribution to the community and maintaining a harmonious relationship with the stakeholders in the region of operation are crucial for the sustainable development of the Group.

The Group is willing to participate in activities organised by the community in order to enhance the communication among different stakeholders. 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 nongovernmental 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 this 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 fulfil social responsibility, spare no effort to let every learner have access to more abundant educational resources and humanistic care.

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KPI B2.1	Number and rate of work—related fatalities	No case of work—related fatalities was observed	—
KPI B2.2	Lost days due to work injury	No case of lost days due to work injury was observed	—
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	"Health and Safety"	52
B3: Development and Training			
General Disclosure		"Development and Training"	54
KPI B3.1	The percentage of employee trained and employee category	"Development and Training"	54
KPI B3.2	The average training hours completed per employee by gender and employee category	"Development and Training"	54
B4: Labour Standards			
General Disclosure		"Labour Standards"	55
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour	—	—
KPI B4.2	Description of steps taken to eliminate such practices when discovered	—	—
Operating Practices			
B5: Supply Chain Management			
General Disclosure		"Supply Chain Management"	55
KPI B5.1	Number of suppliers by geographical region	—	—
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	"Supply Chain Management"	55

Subject areas, aspects, general disclosures and Key Performance Indicators (KPIs)		Section	Page
B6: Product Responsibility			
General Disclosure		"Product Responsibility"	56
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	"Product Responsibility — Quality Management"	56
KPI B6.2	Number of products and service related complaints received and how they are dealt with	"Product Responsibility — Quality Management"	56
KPI B6.3	Description and practices relating to observing and protecting intellectual property rights	"Product Responsibility – Intellectual Property Protection"	57
KPI B6.4	Description of quality assurance process and recall procedures	"Product Responsibility — Quality Management"	56
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	"Product Responsibility — Customer Information Protection"	57
B7: Anti-corruption			
General Disclosure		"Anti-corruption"	58
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the case	"Anti-corruption"	58
KPI B7.2	Description of preventive measures and whistle—blowing procedures, how they are implemented and monitored	"Anti-corruption"	58
Community			
B8: Community Investment			
General Disclosure		"Community Investment"	59
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport)	—	—
KPI B8.2	Resources contributed (e.g. money or time) to the focus area	"Community Investment"	59

ASSUMPTIONS AND REFERENCES

Assumption of calculating KPIs	
1.	We have assumed that the accuracy of information provided to us by the Group and relied to a considerable extent on such information in arriving at our result of calculation and consumption data is adjusted so as to be consistent with the reporting period of the report.
2.	For calculation of SO2 emission from vehicles, the sulfur content of petrol and diesel are assumed to be 50ppm and 350 ppm respectively based on《道路機動車大氣污染物排放清單編制技術指南(試行)》.
3.	For calculation of air pollution from mobile source based on kilometres travelled by vehicles, we assume that the vehicles are under the following conditions: running at average speed of 30 km/hour, 50% relative humidity, temperature of 15 Degree Celsius, the sulfur content of petrol and diesel are 50ppm and 350 ppm and loading percentage is 50%.
4.	According to Appendix 2: Reporting Guidance on Environmental KPIs issued by HKEX, as non-hazardous weight data is not available from the Group, the weight data is estimated by the Group using other available information. We have assumed that the estimated data are not materially different from the actual one.
Key references of calculating KPIs	
1.	Appendix 27 to the rules governing the Listing Rules – "Environmental, Social and Governance Reporting Guide"
2.	Appendix 2: Reporting Guidance on Environmental KPI
3.	Sustainability Report 2016, HK Electric Investment
4.	Sustainability Report 2016, CLP Group
5.	Heat Values of Various Fuels, World Nuclear Association
6.	《道路機動車大氣污染物排放清單編制技術指南(試行)》，中華人民共和國環境保護部
7.	《車用柴油》國家標準，國家能源局
8.	《車用汽油》國家標準，國家能源局
9.	《準確核算每一噸排放：企業外購電力溫室氣體排放因子解析》，世界資源研究所
10.	《溫室氣體核算體系能源消耗引起的溫室氣體排放計算工具指南(2.1版)》，世界資源研究所
11.	《綜合能耗計算通則》(GB/T2589-2008)，國家標準化委員會

The Directors hereby present the annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2018.

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 38 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.

Our major suppliers are generally cloud delivery network providers and computer hardware providers and had business relationship with the Group for over 5 years on average, which mainly located within Hebei Province, the PRC.

The payables were usually settled within the credit period. The credit terms granted to the Group ranged from 30 to 90 days. Details of the trade and other payables of the Group as at 31 December 2018 are set out in note 24 to the consolidated financial statements. Up to the date of this report, approximately 10.1% of the trade and other payables to the major suppliers has been settled.

The Group puts emphasis on procurement and adheres to the principle of "Act with Justice, Safeguard The Group's Interest" while purchasing. In order to alleviate risks for conduct of suppliers, the Group has developed 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 year ended 31 December 2018, the Group did not have any significant disputes with our major suppliers.

The Group are principally engaged in the provision of the online training and education services in the PRC. Our major customers are mainly government associations and industry training platforms which offer training to civil servants and professional technical personnel and the trading terms with them are mainly on monthly basis. Besides, the Group has entered into the insurance related business in 2017 and the major customers are those who demand for insurance products. The trading terms with them are mainly on contract basis. The years of business relationship with the Group ranged from 3 to 5 years. Details of the trade and other receivables of the Group as at 31 December 2018 are set out in note 21 to the consolidated financial statements. Up to the date of this report, approximately 70.5% of the trade and other receivables of the major customers has been settled.

As we are providing online services, network information security is important to the operation of our regular business. In order to alleviate the security risk, the Group has complied 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.

During the year ended 31 December 2018, the Group has not experienced any major disruption of business due to material delay or default of payment by our customers due to their financial difficulties. We did not have any major product dispute with our customers.

RESULTS

The results of the Group for the year ended 31 December 2018 are set out in the consolidated statement of profit or loss and other comprehensive income on page 83.

DIVIDEND

The Board resolved not to recommend the payment of a final dividend for the year ended 31 December 2018.

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 26 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 87 and 88.

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 *(resigned on 29 March 2019)*
Mr. Xu Dayong *(appointed on 8 January 2019)*

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. Xu Dayong, 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.

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 5 years.

Movements of share options during the year ended 31 December 2018 under the Share Option Scheme 2014 are summarised as follows and details of which are set out in note 30 to the consolidated financial statements:

Movements of Share Option Scheme 2014 during the year

List of Grantees	Balance as at 1 January 2018	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Balance as at 31 December 2018	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	–	–	–	–	3,000,000	0.127	29/06/2017	29/06/2017 – 28/06/2022 *(Note 6)*
Wang Cheng	3,000,000	–	–	–	–	3,000,000	0.127	29/06/2017	29/06/2017–28/06/2022 *(Note 6)*
Li Dongfu *(resigned on 29 March 2019)*	1,500,000	–	–	1,500,000	–	–	0.4	04/05/2015	04/05/2015 – 03/05/2018
	3,000,000	–	–	–	–	3,000,000	0.127	29/06/2017	29/06/2017 – 28/06/2022 *(Note 6)*
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	–	–	–	–	1,000,000	0.127	29/06/2017	29/06/2017 – 28/06/2022 *(Note 6)*
Wang Shuping	1,000,000	–	–	1,000,000	–	–	0.4	04/05/2015	04/05/2015 – 03/05/2018
	500,000	–	–	–	–	500,000	0.127	29/06/2017	29/06/2017 – 28/06/2022 *(Note 6)*
Subtotal	28,000,000	–	–	17,500,000	–	10,500,000			

List of Grantees	Balance as at 1 January 2018	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Balance as at 31 December 2018	Exercise Price	Date of grant	Exercise Period
Employees									
In aggregate	41,774,000	—	—	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	—	—	—	—	28,800,000	0.127	29/06/2017	29/06/2017 – 28/06/2022 *(Note 6)*
Subtotal	86,784,000	—	—	44,774,000	—	42,010,000			
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	—	—	—	—	3,000,000	0.127	29/06/2017	29/06/2017 – 28/06/2022 *(Note 6)*
Subtotal	221,200,000	—	—	211,200,000	—	10,000,000			
Total	335,984,000	—	—	273,474,000	—	62,510,000			

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. 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 2018, 273,474,000 share options were lapsed and no share options were granted, exercised or cancelled under the Share Option Scheme 2014.

The total number of securities available for issue under the Share Option Scheme 2014 is 559,361,057, representing approximately 11.3% 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 2018, 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	46,452,000	—	836,080,323	16.83%
	Held by controlled corporation	789,628,323 (Note 1)	—		
Li Jia	Beneficial owner	7,936,000	—	7,936,000	0.16%
Wu Xiaodong	Beneficial owner	15,103,000	3,000,000	18,103,000	0.36%
Wang Cheng	Beneficial owner	12,166,000	3,000,000	15,166,000	0.31%
Li Dongfu *(resigned on 29 March 2019)*	Beneficial owner	—	3,000,000	3,000,000	0.06%
Wang Shuping	Beneficial owner	—	500,000	500,000	0.01%
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 2018, 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 the above sections headed "Directors' and Chief Executives' Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company or its Associated Corporations" and "Share Option Schemes", at no time during the 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 2018, 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	13.69%
Guo Zhen Bao	Beneficial owner Held by spouse	184,622,032 196,408,000 *(Note 2)*	381,030,032	7.67%
Sheng Yuan Asset Management Limited	Beneficial owner	354,972,000	354,972,000	7.14%
Ho Wai Kong ("Mr. Ho")	Beneficial owner Held by controlled corporation Held by spouse	500,000 241,639,306 *(Note 3)* 50,220,000 *(Note 4)*	292,359,306	5.88%
Guo Binni	Beneficial owner Held by spouse	50,220,000 242,139,306 *(Note 3)*	292,359,306	5.88%

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 196,408,000 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 2018, 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 2018, 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 2018 attributable to the Group's major suppliers is as follows:

	Percentage of purchases
The largest supplier	8.3%
Five largest suppliers combined	32.6%

The percentage of sales for the year ended 31 December 2018 attributable to the Group's major customers is as follows:

	Percentage of sales
The largest customer	15.6%
Five largest customers combined	47.9%

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 35 to the consolidated financial statements.

EVENT AFTER THE REPORTING PERIOD

No important events affecting the Group have occurred since the end of the Reporting Period.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 7 June 2019 to Friday, 14 June 2019, 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 Friday, 14 June 2019 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 Registrar (HK) Limited, Room 2103B, 21/F., 148 Electric Road, North Point, Hong Kong for registration not later than 4:30 p.m. on Thursday, 6 June 2019.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "**AGM**") will be held on 14 June 2019 and the notice thereof will be published and despatched to shareholders of the Company (the "**Shareholders**") in due course.

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

There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of any listed securities of the Company during the year ended 31 December 2018.

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 25 to 35 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 2019

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
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China Chuanglian Education Financial Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 83 to 186, which comprise the consolidated statement of financial position as at 31 December 2018, 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 2018, 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, and 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 pages 100 to 103.

The key audit matter	How the matter was addressed in our audit
Revenue from online training and education services is recognised over time based on output method, which is to determine progress towards complete satisfaction of the performance obligation of the courses. The Group maintains information systems to record the number of accounts activated during the training period, including 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 used to capture and maintain the training record and relevant data for revenue recognition of online training and education services and performing substantive test on the Group's online training and education services revenue. We had engaged IT audit expert to test the Group's information systems and checked the arithmetical accuracy of the computation of stage of completion based on the information generated from the information systems.

IMPAIRMENT ASSESSMENT OF GOODWILL AND INTANGIBLE ASSETS

Refer to notes 18 and 19 to the consolidated financial statements and the accounting policies on pages 100 and 119.

The key audit matter	How the matter was addressed in our audit
The Group has goodwill of approximately RMB50,317,000 and intangible assets of approximately RMB59,828,000 as at 31 December 2018. The Company's directors' assessment of impairment of goodwill and intangible assets involves judgment and 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 adoption of key assumptions and input data may be subject to management bias and changes in these assumptions 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 adoption of key assumptions and input data. In particular, we tested the cash flow forecast on whether it is agreed to the budget approved by directors of the Company and compared the budget with actual results. We also challenged the appropriateness of the assumptions, including the sales growth rates and gross margin, against latest market expectations and the discount rate employed in the calculation of value in use. 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.

VALUATION OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Refer to note 20 to the consolidated financial statements and the accounting policies on pages 108 and 120.

The key audit matter	How the matter was addressed in our audit
As at 31 December 2018, included in the financial assets at fair value through other comprehensive income are unlisted equity investments of approximately RMB51,100,000. Independent valuer was engaged by the management for the fair value estimations of the unlisted investments as at 31 December 2018. We have identified the valuation of the unlisted investments as a key audit matter since significant judgements and estimates, including use of significant unobservable inputs, have been used in the fair value estimations by the management and the independent valuer at the end of the reporting period.	Our procedures were designed to challenge the reasonableness of judgements and estimates, including use of significant unobservable inputs adopted in the fair value estimations by the management and the independent valuer. We have also reviewed the methodology and the input data used with reference to the latest available market data.

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 Lau Kai Wong.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Lau Kai Wong
Practising Certificate Number: P06623

Hong Kong
29 March 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 RMB'000	2017 RMB'000
Continuing operations			
Turnover	7	**152,084**	134,022
Revenue	7	**152,084**	129,769
Cost of services		**(69,672)**	(56,021)
Gross profit		**82,412**	73,748
Realised loss on held for trading investments		**—**	(7,828)
Other income and gain	9	**747**	1,801
Selling and marketing expenses		**(28,404)**	(22,331)
Administrative expenses		**(52,846)**	(63,329)
Gain on deconsolidation of subsidiaries	33	**13,619**	—
Impairment on goodwill	19	**(5,025)**	—
Share of result of an associate		**—**	(139)
Profit (loss) before tax		**10,503**	(18,078)
Income tax expenses	10	**(4,271)**	(7,235)
Profit (loss) for the year from continuing operations		**6,232**	(25,313)
Discontinued operation			
Profit for the year from discontinued operation	11	**—**	10,473
Profit (loss) for the year	12	**6,232**	(14,840)
Other comprehensive (expense) income			
Items that will not be reclassified subsequently to profit or loss:			
Change in fair value of equity investments at fair value through other comprehensive income		**(23,500)**	—
Income tax relating to change in fair value of equity investments at fair value through other comprehensive income		**1,400**	—
		(22,100)	—
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of financial statements of foreign operations		**985**	(3,031)
Reclassification adjustment for the cumulative gain included in profit or loss upon disposal of a foreign operation		**—**	(6)
		985	(3,037)
Total other comprehensive expense for the year		**(21,115)**	(3,037)
Total comprehensive expense for the year		**(14,883)**	(17,877)

	Notes	2018 RMB'000	2017 RMB'000
Profit (loss) for the year attributable to owners of the Company			
— from continuing operations		**7,588**	(25,705)
— from discontinued operation		**—**	10,473
Profit (loss) for the year attributable to owners of the Company		**7,588**	(15,232)
(Loss) profit for the year attributable to non-controlling interests			
— from continuing operations		**(1,356)**	392
— from discontinued operation		**—**	—
(Loss) profit for the year attributable to non-controlling interests		**(1,356)**	392
		6,232	(14,840)
Total comprehensive (expense) income for the year attributable to:			
Owners of the Company		**(13,527)**	(18,269)
Non-controlling interests		**(1,356)**	392
		(14,883)	(17,877)
Earnings (loss) per share	16		
From continuing and discontinued operations			
Basic and diluted (RMB cent)		**0.15**	(0.33)
From continuing operations			
Basic and diluted (RMB cent)		**0.15**	(0.55)

Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2018

	Notes	2018 RMB'000	2017 RMB'000
Non-current assets			
Plant and equipment	17	39,939	35,576
Intangible assets	18	59,828	54,711
Goodwill	19	50,317	44,374
Financial assets at fair value through other comprehensive income	20	51,100	—
Financial asset at fair value through profit or loss	20	3,415	—
Available-for-sale investments	20	—	68,243
		204,599	202,904
Current assets			
Trade and other receivables	21	22,525	19,690
Bank balances and cash	22	85,088	80,192
		107,613	99,882
Current liabilities			
Contract liabilities	23	15,318	—
Trade and other payables	24	21,221	49,783
Amount due to a director	25	4,830	—
Amount due to a shareholder	25	57	141
Income tax payable		5,641	5,946
		47,067	55,870
Net current assets		60,546	44,012
Total assets less current liabilities		265,145	246,916

	Notes	2018 RMB'000	2017 RMB'000
Capital and reserves			
Share capital	26	41,385	38,703
Reserves		208,863	190,889
Equity attributable to owners of the Company		250,248	229,592
Non-controlling interests		2,918	4,274
Total equity		253,166	233,866
Non-current liability			
Deferred tax liability	27	11,979	13,050
		265,145	246,916

The consolidated financial statements on pages 83 to 186 were approved and authorised for issue by the board of directors on 29 March 2019 and are signed on its behalf by:

Wang Cheng
Director

Wu Xiaodong
Director

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2018

	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	–	–	–	–	–	5,598	–	–	–	5,598	–	5,598
Share repurchased and cancelled (note 26)	(83)	(966)	–	–	–	–	–	–	–	(1,049)	–	(1,049)
Capital contribution by non-controlling interest	–	–	–	–	–	–	–	–	–	–	1,480	1,480
Disposal of subsidiaries (note 34)	–	–	–	–	–	–	–	–	–	–	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

	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)	Investment revaluation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2018 (as originally stated)	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
Effect of changes in accounting policies (note 2)	–	–	–	–	–	–	–	–	8,200	(528)	7,672	–	7,672
At 1 January 2018 (as restated)	38,703	1,109,490	15,536	5,630	595	88,743	1,927	140,477	8,200	(1,172,037)	237,264	4,274	241,538
Profit (loss) for the year	–	–	–	–	–	–	–	–	–	7,588	7,588	(1,356)	6,232
Other comprehensive (expense) income for the year													
– Change in fair value of equity investments at fair value through other comprehensive income, net of income tax	–	–	–	–	–	–	–	–	(22,100)	–	(22,100)	–	(22,100)
– Exchange differences arising on translating foreign operations	–	–	–	985	–	–	–	–	–	–	985	–	985
Total comprehensive income (expense) for the year	–	–	–	985	–	–	–	–	(22,100)	7,588	(13,527)	(1,356)	(14,883)
Issue of shares (note 26)	2,682	21,994	–	–	–	–	–	–	–	–	24,676	–	24,676
Recognition of equity-settled share-based payment expenses (note 30(a))	–	–	–	–	–	1,835	–	–	–	–	1,835	–	1,835
At 31 December 2018	41,385	1,131,484	15,536	6,615	595	90,578	1,927	140,477	(13,900)	(1,164,449)	250,248	2,918	253,166

Notes:

(a) Special reserve represents the difference between the nominal value of the ordinary share issued by the Company and a former subsidiary and the aggregate of share capital and share premium or net assets of the subsidiaries acquired by the Company and the former subsidiary 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 (note 30(b)).

(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 in prior years.

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2018

	2018 RMB'000	2017 RMB'000
OPERATING ACTIVITIES		
Profit (loss) before tax		
— Continuing operations	**10,503**	(18,078)
— Discontinued operation	**—**	10,491
	10,503	(7,587)
Adjustments for:		
Interest income	**(570)**	(460)
Amortisation of intangible assets	**7,242**	5,775
Depreciation of plant and equipment	**8,774**	7,693
Write back of provision for a claim	**—**	(1,295)
Impairment loss on goodwill	**5,025**	—
Impairment loss on trade and other receivables	**—**	4,181
Share-based payment expenses	**1,835**	5,617
Loss (gain) on disposal of plant and equipment	**7**	(3)
Gain on deconsolidation of subsidiaries	**(13,619)**	—
Gain on disposal of subsidiaries	**—**	(10,550)
Realised loss on held for trading investments	**—**	7,828
Share of result of an associate	**—**	139
Operating cash flows before movements in working capital	**19,197**	11,338
Decrease in trade and other receivables	**1,373**	981
Decrease in held for trading investments	**—**	4,420
Increase in contract liabilities	**1,668**	—
Decrease in trade and other payables	**(1,211)**	(803)
Cash generated from operations	**21,027**	15,936
Income tax paid	**(5,647)**	(7,080)
NET CASH FROM OPERATING ACTIVITIES	**15,380**	8,856

	Notes	2018 RMB'000	2017 RMB'000
INVESTING ACTIVITIES			
Purchase of plant and equipment		**(12,563)**	(8,506)
Additional investments to available-for-sale investments		**—**	(20,000)
Purchase of intangible assets		**(8,103)**	(801)
Advances to independent third parties		**(7,740)**	—
Net cash outflow on acquisition of subsidiaries	32	**(12,840)**	(11,731)
Net cash inflow on deregistration of an associate		**—**	736
Net cash outflow on deconsolidation of subsidiaries	33	**(27)**	—
Net cash outflow on disposal of subsidiaries	34	**—**	(98)
Interest received		**522**	460
Proceeds on disposal of plant and equipment		**83**	45
NET CASH USED IN INVESTING ACTIVITIES		**(40,668)**	(39,895)
FINANCING ACTIVITIES			
Proceeds from issue of shares		**24,676**	—
Advances from a director		**4,830**	—
Repayment to a shareholder		**(84)**	—
Capital contribution by non-controlling interest		**—**	1,480
Payment on repurchase of own shares		**—**	(1,049)
NET CASH FROM FINANCING ACTIVITIES		**29,422**	431
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**4,134**	(30,608)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**80,192**	113,181
Effect of foreign exchange rate changes		**762**	(2,381)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, represented by bank balances and cash		**85,088**	80,192

1. GENERAL

China Chuanglian Education Financial Group Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on the 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.

The Company is principally engaged in investment holding and securities trading. The principal activities of its principal subsidiaries are set out in note 38.

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 AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(S)")

In the current year, the Group has applied, for its first time, the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of Annual Improvements to HKFRSs 2014 -2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property
HK(IFRIC) — Int 22	Foreign Currency Transactions and Advance Consideration

The impact of the adoption of HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers have been summarised below. The application of other new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and position for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(S)") *(Continued)*

HKFRS 15 *Revenue from Contracts with Customers*

HKFRS 15 superseded HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard established a five-step model for determining whether, how much and when revenue is recognised. The Group has elected to adopt the modified retrospective approach for contracts with customers that are not completed as at the date of initial application (i.e. 1 January 2018) with the cumulative effect of initially applying HKFRS 15, if any, as an adjustment to the opening balance of accumulated losses and comparative information is not restated. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 Revenue. Details are described below.

The Group's accounting policies for its revenue streams are disclosed in detail in note 3 below.

The impact of transition to HKFRS 15 was insignificant on the accumulated losses at 1 January 2018.

The amount of adjustment for each financial statement line item of the consolidated statement of financial position at 1 January 2018 affected by the application of HKFRS 15 is illustrated below. Line items that were not affected by the changes have not been included.

	Carrying amount previously reported at 31 December 2017	Impact on adoption of HKFRS 15 - Reclassification	Carrying amount as restated at 1 January 2018
	RMB'000	*RMB'000*	*RMB'000*
Trade and other payables	49,783	(13,650)	36,133
Contract liabilities	—	13,650	13,650

Note: As at 1 January 2018, the "receipts in advance" of approximately RMB13,650,000 previously included in trade and other payables was reclassified to contract liabilities.

Disclosure of the estimated impact on the amounts reported in respect of the year ended 31 December 2018 as a result of the adoption of HKFRS 15 on 1 January 2018

The following table summarises the estimated impact of applying HKFRS 15 on the consolidated statement of financial position at 31 December 2018, by comparing the amounts reported under HKAS 18 and related interpretations that were in effect before the change. Line items that were not affected by the adjustments have not been included.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(S)") *(Continued)*

HKFRS 15 *Revenue from Contracts with Customers* (Continued)

Impact on the consolidated statement of financial position at 31 December 2018

	As reported	Impact on adoption of HKFRS 15	Amounts excluding impacts of adopting HKFRS 15
	RMB'000	*RMB'000*	*RMB'000*
Trade and other payables	21,221	15,318	36,539
Contract liabilities	15,318	(15,318)	—

Note: As at 31 December 2018, the "receipts in advance" of approximately RMB15,318,000 reported as contract liabilities would be included in trade and other payables, if without adopting HKFRS 15.

HKFRS 9 *Financial Instruments*

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The Group has applied HKFRS 9 retrospectively to financial instruments that have not been derecognised at the date of initial application (i.e. 1 January 2018) in accordance with the transition provisions under HKFRS 9, and chosen not to restate comparative information. Differences in the carrying amounts of financial assets and financial liabilities on initial application, if any, are recognised in accumulated losses and investment revaluation reserve as at 1 January 2018.

The Group's accounting policies for the classification and measurement of financial instruments and the impairment of financial assets are disclosed in detail in note 3 below.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(S)") *(Continued)*

HKFRS 9 *Financial Instruments* (Continued)

(i) Classification and measurement of financial instruments

The directors of the Company reviewed and assessed the Group's existing financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of HKFRS 9 has had the following impact on the Group's financial assets and liabilities as regards their classification and measurement:

(a) Unlisted equity investments previously classified as available-for-sale investments carried at cost less impairment:

The Group had elected to present in other comprehensive income for the fair value changes in respect of certain of the Group's unlisted equity instruments amounting to RMB65,000,000 as they are held for medium or long-term strategic purpose, and reclassified them to financial assets at fair value through other comprehensive income ("FVTOCI") upon initial application of HKFRS 9. The Group measures them at fair value at the end of subsequent reporting periods with fair value gains or losses to be recognised as other comprehensive income and accumulated in the investment revaluation reserve, which will not be reclassified to profit or loss when they are derecognised. On initial application of HKFRS 9, an amount of approximately RMB8,200,000 representing the fair value gain of RMB9,600,000, net of the related deferred tax impact of approximately RMB1,400,000, was adjusted to investment revaluation reserve at 1 January 2018.

(b) Investment in fund previously classified as available-for-sale financial assets:

Investment in fund amounting to RMB3,243,000 do not meet the criteria to be classified either as at FVTOCI or at amortised cost under HKFRS 9 and were reclassified to financial assets at fair value through profit or loss ("FVTPL") upon its initial application. The Group measures such investment at fair value at the end of subsequent reporting periods with fair value gains or losses to be recognised in profit or loss.

(ii) Loss allowance for expected credit losses ("ECL")

The adoption of HKFRS 9 has changed the Group's accounting for impairment losses for financial assets by replacing HKAS 39's incurred loss model with a forward-looking expected credit loss ("ECL") model. As at 1 January 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9.

As at 1 January 2018, an additional allowance on the Group's trade receivables of RMB528,000 have been recognised, thereby increasing the accumulated losses by RMB528,000.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(S)") *(Continued)*

HKFRS 9 *Financial Instruments* (Continued)

(iii) Summary of effects arising from initial application of HKFRS 9

The table below summarises the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets and reconciles the carrying amounts of financial assets under HKAS 39 to the carrying amounts under HKFRS 9 on 1 January 2018.

	Carrying amount previously reported at 31 December 2017 (HKAS 39)	Impact on adoption of HKFRS 9 — Reclassification	Impact on adoption of HKFRS 9 — Remeasurement	Carrying amount as restated at 1 January 2018 (HKFRS 9)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Loan and receivables				
— Trade and other receivables	12,567	(12,567)	—	—
— Bank balances and cash	80,192	(80,192)	—	—
At amortised cost				
— Trade and other receivables	—	12,567	(528)	12,039
— Bank balances and cash	—	80,192	—	80,192
Available-for-sale ("AFS") investments				
— Unlisted equity investments	68,243	(68,243)	—	—
Financial asset at FVTPL				
— Fund investment	—	3,243	—	3,243
Financial assets at FVTOCI				
— Unlisted equity investments	—	65,000	9,600	74,600

All the financial liabilities of the Group that are subject to HKFRS 9 are continued to be classified and measured on the same basis as they were under HKAS 39.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(S)") *(Continued)*

HKFRS 9 *Financial Instruments* (Continued)

(iii) Summary of effects arising from initial application of HKFRS 9 (Continued)

The table below summarises the impact of transition to HKFRS 9 on accumulated losses, investment revaluation reserve and deferred tax liability at 1 January 2018.

	Accumulated losses *RMB'000*	Investment revaluation reserve *RMB'000*	Deferred tax liability *RMB'000*
Balance at 31 December 2017 as originally stated	(1,171,509)	—	13,050
Recognition of additional expected credit losses	(528)	—	—
Fair value gain on financial assets at FVTOCI	—	8,200	1,400
Balance at 1 January 2018	(1,172,037)	8,200	14,450

New and revised HKFRSs issued but not yet effective

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

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 -2017 Cycle[1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKAS 1 and HKAS 8	Definition of Material[2]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
HK(IFRIC) — Int 23	Uncertainty over Income Tax Treatments[1]

1 Effective for annual periods beginning on or after 1 January 2019.
2 Effective for annual periods beginning on or after 1 January 2020.
3 Effective for annual periods beginning on or after 1 January 2021.
4 Effective for business combinations and asset acquisition for whch the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020.
5 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 AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(S)") *(Continued)*

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.

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.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of approximately RMB9,594,000 as disclosed in note 28. 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 Group has: (i) power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Group's returns. When the Group has less than a majority of the voting rights of an investee, power over the investee may be obtained through a contractual arrangement with other vote holders.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

Profit or loss and each item of other comprehensive income of subsidiaries 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.

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost and (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), 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 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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.

Revenue recognition

Policy applicable to the year ended 31 December 2018 (with application of HKFRS 15)

Revenue is recognised 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. Specifically, the Group uses a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Policy applicable to the year ended 31 December 2018 (with application of HKFRS 15) *(Continued)*

The Group recognised revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to customers.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- The Group's performance creates and enhances an asset that the customer controls as the asset is created and enhanced; or

- The Group' performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct goods or service.

Revenue is measured based on the consideration specified in a contract with a customer, excludes sales related taxes.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration from the customer.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Policy applicable to the year ended 31 December 2018 (with application of HKFRS 15) *(Continued)*

The Group recognised revenue from the following major sources:

- Online training and education services
- On-site training services
- Insurance brokerage services

Online training and education services

The Group's online training and education services are mainly carried out in the PRC. The Group earns revenue by providing pre-recorded online course services to customers during the service period for a fixed fee, during which customers can access the pre-recorded online courses at any time. The service period is determined from the date of the activation till the due date of the course as specified in course order. Revenue is recognised over time as the customers simultaneously receive and consume the benefits provided by the Group's performance as the Group performs.

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to determine progress towards complete satisfaction of the performance obligation of the pre-recorded online courses and revenue is recognised on a straight-line basis during the service period.

On-site training services

The Group provides on-site training and related services to institutional customers in the PRC and recognise revenue at a point in time upon completion of services.

Insurance brokerage services

Revenue from insurance brokerage services is recognised at the point when the relevant insurance policy becomes effective in accordance with the commission terms of the underlying agreements entered into with insurance policy issuers.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Policy applicable to the year ended 31 December 2017

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.

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.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Plant and equipment *(Continued)*

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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 (loss) 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, 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 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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.

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 with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

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. 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (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.

Under HKFRS 9 (applicable on or after 1 January 2018)

Financial assets

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.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, FVTOCI, and FVTPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

Financial assets at amortised cost (debt instruments)

The Group measures financial assets subsequently at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the 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.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment.

(i) Amortised cost and 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Under HKFRS 9 (applicable on or after 1 January 2018) *(Continued)*

Financial assets *(Continued)*

Financial assets at amortised cost (debt instruments) *(Continued)*

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), 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) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired.

Interest income is recognised in profit or loss and is included in the "other income and gain" line item (note 9).

Equity instruments designated as at FVTOCI

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investment revaluation reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Under HKFRS 9 (applicable on or after 1 January 2018) *(Continued)*

Financial assets *(Continued)*

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically, debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other income and gain" line item. Fair value is determined in the manner described in note 6(c).

Impairment loss of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group measures the loss allowance equal to 12-month ECL, unless when there has a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of a default occurring since initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Under HKFRS 9 (applicable on or after 1 January 2018) *(Continued)*

Financial assets *(Continued)*

Impairment loss of financial assets *(Continued)*

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Under HKFRS 9 (applicable on or after 1 January 2018) *(Continued)*

Financial assets *(Continued)*

Impairment loss of financial assets *(Continued)*

Significant increase in credit risk *(Continued)*

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term, and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

The Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Under HKFRS 9 (applicable on or after 1 January 2018) *(Continued)*

Financial assets *(Continued)*

Impairment loss of financial assets *(Continued)*

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over 12 months past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Under HKFRS 9 (applicable on or after 1 January 2018) *(Continued)*

Financial assets *(Continued)*

Impairment loss of financial assets *(Continued)*

Measurement and recognition of expected credit losses *(Continued)*

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Derecognition of financial assets

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 party.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investment revaluation reserve is not reclassified to profit or loss, but is transferred to accumulated losses.

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Under HKFRS 9 (applicable on or after 1 January 2018) *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not 1) contingent consideration of an acquirer in a business combination, 2) held-for-trading, or 3) designated as at FVTPL, are subsequently measured at amortised cost using the 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 amortised cost of a financial liability.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Under HKAS 39 (applicable before 1 January 2018)

Financial assets

The Group's financial assets are classified into 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Under HKAS 39 (applicable before 1 January 2018) *(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 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 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)*

Under HKAS 39 (applicable before 1 January 2018) *(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 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Under HKAS 39 (applicable before 1 January 2018) *(Continued)*

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.

Other financial liabilities

Other financial liabilities including trade and other payables and amount due to a director/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.

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.

Derecognition

A financial asset is derecognised 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Under HKAS 39 (applicable before 1 January 2018) *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Derecognition (Continued)

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.

A financial liability is derecognised 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payment transactions *(Continued)*

Equity-settled share-based payment transactions *(Continued)*

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, with a corresponding increase in equity (share options reserve), when the counterparties render services, unless the services qualify for recognition as assets.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fair value measurement

When measuring fair value, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Specifically, the Group categorised the fair value measurements into three levels, based on the characteristics of inputs, as follow:

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

At the end of the reporting period, the Group determines whether transfer occur between levels of the fair value hierarchy for assets and liabilities which are measured at fair value on recurring basis by reviewing their respective fair value measurement.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets, 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 followings are the critical judgments, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised 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 subsidiaries, including 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.

* For identification purposes only

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

Critical judgments in applying accounting policies *(Continued)*

Judgments in determining the timing of satisfaction of performance obligations

The recognition of each of the Group's revenue stream requires judgment by the directors of the Company in determining the timing of satisfaction of performance obligations.

In making their judgment, the directors of the Company considered the detailed criteria for recognition of revenue set out in HKFRS 15 and in particular, whether the Group has satisfied all the performance obligations over time or at a point in time with reference to the detailed terms of transaction as stipulated in the contracts entered into with its customers.

For educational consultancy and online training and education services, the directors of the Company have determined that the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs. Therefore, the directors of the Company are satisfied that the performance obligation is satisfied over time and recognised the revenue over the service period.

Key sources of estimation uncertainty

The followings 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.

Depreciation of plant and equipment and amortisation of intangible assets

Plant and equipment, other than construction in progress, 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 2018, the carrying value of plant and equipment is approximately RMB39,939,000 (2017: RMB35,576,000), net of accumulated impairment loss of approximately RMB1,587,000 (2017: RMB1,587,000).

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

Key sources of estimation uncertainty *(Continued)*

Estimated impairment loss on intangible assets

At the end of the reporting period, the Group assessed 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 2018, the carrying value of intangible assets is approximately RMB59,828,000 (2017: RMB54,711,000), net of accumulated impairment loss of approximately RMB73,351,000 (2017: RMB651,399,000). Details of the recoverable amount calculation are disclosed in note 18.

Estimated impairment loss on goodwill

Determining whether goodwill is impaired requires an estimation of the value-in-use of the cash-generating units to which goodwill has been allocated. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2018, the carrying value of goodwill was approximately RMB50,317,000 (2017: RMB44,374,000), net of accumulated impairment loss of approximately RMB331,474,000 (2017: RMB326,449,000). Details of the assumption used are disclosed in note 19.

Impairment loss on trade receivables

Since 1 January 2018, the impairment provisions for trade receivables are based on assumptions about ECL. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the number of days that an individual receivable is outstanding as well as the Group's historical experience and forward-looking information at the end of the reporting period. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment charge to the consolidated statement of profit or loss and other comprehensive income. At 31 December 2018, the carrying value of trade receivables is approximately RMB4,620,000.

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

Key sources of estimation uncertainty *(Continued)*

Fair value measurement and valuation process of financial assets at FVTOCI

In estimating the fair value of the investments in unlisted equity securities classified under financial assets at FVTOCI as at 31 December 2018, the directors of the Company and independent professional valuer use their judgements in selecting an appropriate valuation technique for unlisted equity securities Valuation techniques commonly used by market practitioners are applied. At 31 December 2018, the fair value of financial assets at FVTOCI is approximately RMB51,100,000. The directors of the Company believe that the chosen valuation techniques and assumptions are appropriate in determining the fair value of these investments.

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. As at 31 December 2018, the carrying value of the insurance brokerage licence is RMB10,000,000 (2017: RMB10,000,000).

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, amount due to a director, 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

	2018 RMB'000	2017 RMB'000
Financial assets		
Financial assets at amortised cost/loans and receivables (including cash and cash equivalents)	**102,613**	92,759
Financial asset at FVTPL	**3,415**	—
Financial assets at FVTOCI	**51,100**	—
Available-for-sale investments	**—**	68,243
Financial liabilities		
Financial liabilities at amortised cost	**24,395**	34,550

(b) Financial risk management objectives and policies

The Group's major financial instruments include financial asset as FVTPL, financial assets at FVTOCI, available-for-sale investments, trade and other receivables, bank balances and cash, trade and other payables and amount due to a director/a shareholder. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

As at 31 December 2018 and 2017, no transaction was denominated in currencies other than the respective functional currencies of the relevant group entities, i.e. RMB or HK$, except for financial asset at FVTPL and bank balances 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.

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk *(Continued)*

(i) Currency risk (Continued)

The carrying amounts of the Group's foreign currency denominated monetary assets at the end of the reporting period are as follows:

	Assets	
	2018	2017
	RMB'000	RMB'000
United States Dollar ("USD")	**3,462**	3,243

Sensitivity analysis

The Group is mainly exposed to USD. No sensitivity analysis is presented for the exposure to USD as HK$ is pegged to USD while HK$ is the functional currency of the group entity holding the foreign currency denominated assets.

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate loan receivable (note 21) and bank balances (note 22) carried at prevailing market rates.

The Group's cash flow interest rate is mainly concentrated on the fluctuation of RMB benchmark interest rate and RMB base deposit rate, arising from the Group's loan receivable and RMB denominated bank balances.

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 (2017: 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 (2017: 50 basis points) higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2018 would increase/decrease by approximately RMB418,000 (2017: loss the year would decrease/increase RMB401,000).

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk

As at 31 December 2018, 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.

The credit risk of our Group mainly arises from bank balances and cash and trade and other receivables. The carrying amounts of these balances represent our Group's maximum exposure to credit risk in relation to financial assets.

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.

Starting from 1 January 2018, for trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL collectively by using a provision matrix, estimated based on historical credit loss experience, as well as the general economic conditions of the industry in which the debtors operate. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

For other non-traded related receivables, the Group has assessed whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

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 considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout the reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk *(Continued)*

The tables below detail the credit quality of the Group's financial assets as well as the Group's maximum exposure to credit risk by credit risk rating grades.

31/12/2018	12-month or lifetime ECL	Gross carrying amount RMB'000	Loss allowance RMB'000	Net carrying amount RMB'000
Trade receivables (note a)	Lifetime ECL (simplified approach)	11,218	(6,598)	4,620
Loan receivables (note b)	12-month ECL	7,740	—	7,740
Other receivables (note b)	12-month ECL	5,260	(95)	5,165
		24,218	(6,693)	17,525

Notes:

(a) For trade receivables, expected credit loss rate of 100% was applied for balances past due over one year and the loss allowance for balances not yet past due and past due less than one year was significant.

(b) For loan receivables and other receivables, the Group has assessed these balances using 12-month ECL basis as there was no significant increase in credit risk for these balances since initial recognition. As at 31 December 2018, the loss allowance for loan receivables was insignificant and the loss allowance for other receivables was RMB95,000.

The Group's concentration of credit risk by geographical locations is in the PRC, which accounted for 100% (2017: 100%) of the total trade receivables as at 31 December 2018.

The Group has concentration of credit risk as 31% (2017: 39%) and 63% (2017: 80%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively within educational consultancy and online training and education segment.

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

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. 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 if necessary, subject to approval by the directors of the Company when the borrowings exceed certain predetermined levels of authority.

At 31 December 2018 and 2017, the Group's remaining contractual non-derivative maturity for its financial liabilities is within one year from the end of the reporting period.

6. FINANCIAL INSTRUMENTS *(Continued)*

(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 Levels 3 based on the degree to which the fair value is observable in accordance to the Group's accounting policy.

	31 December 2018 Level 3 RMB'000
Financial asset at FVTPL	
Fund investment	3,415
Financial assets at FVTOCI	
Unlisted equity investments	51,100

Reconciliation of recurring fair value measurements categorised within Level 3 of the fair value hierarchy:

	Fund investment RMB'000	Unlisted equity investments RMB'000
As at 1 January 2018	3,243	74,600
Change in fair value recognised in other comprehensive income	—	(23,500)
Exchange realignment	172	—
As at 31 December 2018	3,415	51,100

As at 1 January 2018, these fund investment and unlisted equity investments were reclassified from available-for-sale investments to financial assets at FVTPL and FVTOCI respectively.

There were no transfers out of level 3 of fair value hierarchy during the year.

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	Significant unobservable inputs	Relationship of key inputs and significant unobservable inputs to fair value
		31/12/2018 RMB'000	1/1/2018 RMB'000			
Fund investment	Level 3	**3,415**	3,243	Net asset value of fund	Underlying assets in the fund	The higher the value of the underlying assets, the higher the fair value
Unlisted equity investments	Level 3	**51,100**	74,600	Market approach by applying market multiples from comparable companies and adjusted by marketability discount	Multiples of comparable companies; Marketability discount	The higher the multiples/the lower the marketability discount, the higher the fair value

For the unlisted equity investments, if the multiples of comparable companies to the valuation model were 5% higher/lower while all the other variables were held constant, the carrying amount would increase/ decrease by RMB2,533,000. If the marketability discount to the valuation model was 5% higher/lower while all the other variables were held constant, the carrying amount would decrease/ increase by RMB844,000.

Except the financial assets listed 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 AND REVENUE

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:

	2018 RMB'000	2017 RMB'000
Revenue from contracts with customers within the scope of HKFRS 15 for the year ended 31 December 2018		
Disaggregated by major services lines		
Continuing operations		
Educational consultancy and online training services	131,471	117,933
On-site training services	11,091	8,211
Financial services	9,522	3,625
Total revenue	152,084	129,769*
Gross proceeds from sales of held for trading investments	—	4,253
Total turnover	152,084	134,022

* The amounts for the year ended 31 December 2017 were recognised under HKAS 18.

Disaggregation of revenue by timing of recognition

	2018 RMB'000
Timing of revenue recognition	
At a point of time	20,613
Over time	131,471
Total revenue from contracts with customers	152,084

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. Financial services — provision of insurance brokerage services and investments advisory 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 32.

An operating segment regarding the provision of consultancy and media business operation services and TV programmes distribution services was discontinued during the year ended 31 December 2017. The segment information reported does not include any amounts for the discontinued operation, which are described in more detail in note 11.

8. SEGMENT INFORMATION *(Continued)*

Segment revenue and results

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

For the year ended 31 December 2018

Continuing operations

	Securities trading RMB'000	Educational consultancy and online training and education RMB'000	Financial services RMB'000	Total RMB'000
TURNOVER	—	142,562	9,522	152,084
REVENUE				
External sales	—	142,562	9,522	152,084
Segment profit (loss)	—	19,570	(7,010)	12,560
Gain on deconsolidation of subsidiaries				13,619
Unallocated other income and gain				747
Unallocated corporate expenses				(16,423)
Profit before tax				10,503

8. SEGMENT INFORMATION *(Continued)*

Segment revenue and results *(Continued)*

For the year ended 31 December 2017

Continuing operations

	Securities trading *RMB'000*	Educational consultancy and online training and education *RMB'000*	Financial services *RMB'000*	Total *RMB'000*
TURNOVER	4,253	126,144	3,625	134,022
REVENUE				
External sales	—	126,144	3,625	129,769
Segment (loss) profit	(7,828)	11,759	831	4,762
Unallocated other income and gain				1,801
Unallocated corporate expenses				(24,641)
Loss before tax				(18,078)

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, other income and gain, gain on deconsolidation of subsidiaries and depreciation of certain plant and equipment. This is the measure reported to the executive directors of the Company, being the chief operating decision maker, for the purposes of resources allocation and performance assessment.

8. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities

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

	2018 RMB'000	2017 RMB'000
Segment assets		
Continuing operations		
Securities trading	69	2,068
Educational consultancy and online training and education	142,061	129,772
Financial services	26,642	20,588
Total segment assets	168,772	152,428
Unallocated corporate assets	143,440	150,358
Consolidated assets	312,212	302,786
Segment liabilities		
Continuing operations		
Securities trading	—	—
Educational consultancy and online training and education	33,576	32,886
Financial services	934	580
Total segment liabilities	34,510	33,466
Unallocated corporate liabilities	24,536	35,454
Consolidated liabilities	59,046	68,920

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, financial asset at FVTPL, financial assets at FVTOCI, available-for-sale investments, bank balances and cash and certain other receivables; and

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

8. SEGMENT INFORMATION *(Continued)*

Other segment information

For the year ended 31 December 2018

Continuing operations

	Securities trading RMB'000	Educational consultancy and online training and education RMB'000	Financial services 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)	—	20,555	14,071	1,877	36,503
Depreciation and amortisation	—	15,584	321	111	16,016
Impairment loss of goodwill	—	—	5,025	—	5,025
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	—	—	—	(570)	(570)
Loss on disposal of plant and equipment	—	—	—	7	7
Share-based payment expenses	—	—	—	1,835	1,835
Income tax expenses	—	4,268	3	—	4,271

8. SEGMENT INFORMATION *(Continued)*

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	Financial services 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	—	139	—	—	139
Impairment loss on trade receivables	—	4,181	—	—	4,181
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

Note: Non-current assets excluded financial asset at FVTPL, financial assets at FVTOCI and available-for-sale investments.

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	
	2018	2017
	RMB'000	RMB'000
PRC	**140,510**	132,866
Hong Kong	**9,574**	1,795
	150,084	134,661

Note: Non-current assets excluded financial instruments.

Information about major customers

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

	2018	2017
	RMB'000	RMB'000
Customer A[1]	**23,736**	18,141
Customer B[1]	**20,422**	N/A[2]
Customer C[1]	**N/A[2]**	35,663
Customer D[1]	**N/A[2]**	16,480

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

2 The corresponding revenue did not contribute over 10% of the total revenue of the Group.

9. OTHER INCOME AND GAIN

	2018 RMB'000	2017 RMB'000
Continuing operations		
Bank interest income	522	460
Other interest income from loan receivables	48	—
Net foreign exchange gain	34	—
Write back of provision for a claim (note a)	—	1,295
Gain on disposal of plant and equipment	—	3
Others	143	43
	747	1,801

Note:

(a) During the year ended 31 December 2017, the Group had recognised a reversal of provision for a claim amounting to approximately RMB1,295,000 resulting from the final decision of a legal case.

10. INCOME TAX EXPENSES

	2018 RMB'000	2017 RMB'000
Continuing operations		
PRC Enterprise Income Tax		
— current year	5,342	8,522
Hong Kong Profits Tax		
— over provision in prior years	—	(192)
Deferred tax (note 27)	(1,071)	(1,095)
	4,271	7,235

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 year ended 31 December 2018, two (2017: one) of the PRC subsidiaries of the Group were recognised as high new technology enterprises and entitled to a preferential tax rate of 15%.

No provision for Hong Kong Profits Tax has been made for the years ended 31 December 2018 and 2017 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.

10. INCOME TAX EXPENSES *(Continued)*

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

	2018 **RMB'000**	2017 RMB'000
Profit (loss) before tax from continuing operations	**10,503**	(18,078)
Tax at the applicable income tax rate at 25% (2017: 25%)	**2,626**	(4,520)
Tax effect of expenses not deductible for tax purpose	**3,715**	5,663
Tax effect of share of result of associates	**—**	35
Tax effect of income not taxable for tax purpose	**(4,650)**	(1,183)
Tax effect of tax losses not recognised	**5,363**	10,717
Utilisation of tax losses previously not recognised	**(753)**	—
Tax effect of tax concession period	**(3,934)**	(4,445)
Over provision in prior years	**—**	(192)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**1,904**	1,160
Income tax expenses for the year	**4,271**	7,235

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 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 was passed to the acquirer.

The profit for the year ended 31 December 2017 from the discontinued operation is set out below.

	For the period ended 20 June 2017 RMB'000
Loss of media operation for the period	(77)
Gain on disposal of media operation (note 34)	10,550
	10,473

11. DISCONTINUED OPERATION *(Continued)*

The results of the 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
Other income	20
Administrative expenses	(79)
Loss before tax	(59)
Income tax expense	(18)
Loss for the period	(77)
Loss for the period from discontinued operation includes the following:	
Depreciation of plant and equipment	(3)

During the year ended 31 December 2017, the Bold Champion Group contributed approximately RMB53,000 to the Group's net operating cash inflows, paid approximately RMB1,000 in respect of investing activities and the Bold Champion Group did not have any cash flows 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 34.

12. PROFIT (LOSS) FOR THE YEAR

Profit (loss) for the year has been arrived at after charging:

	2018 RMB'000	2017 RMB'000
Continuing operations		
Directors' and chief executive's emoluments (note 13)	2,785	3,929
Other staff costs (excluding directors' and chief executive's emoluments)	37,512	40,221
Share-based payment expenses (excluding directors' and chief executive's emoluments)	1,362	4,858
Retirement benefits scheme contributions (excluding directors' and chief executive's emoluments)	3,023	3,143
Total staff costs	44,682	52,151
Auditor's remuneration	1,268	1,295
Share-based payment expenses granted to consultants (note a)	221	591
Depreciation of plant and equipment	8,774	7,690
Amortisation of intangible assets (included in cost of services)	7,242	5,775
Research and development expenses	21,317	17,595
Impairment loss of goodwill	5,025	—
Impairment loss on trade receivables	—	4,181
Loss on disposal of plant and equipment	7	—
Net foreign exchange loss	—	722
Operating lease rentals in respect of rented premises	10,490	10,893

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 (2017: eight) directors were as follows:

Year ended 31 December 2018

	Executive directors					Independent non–executive directors			Total
	Lu Xing RMB'000	Li Jia RMB'000	Wu Xiao Dong RMB'000	Wang Cheng RMB'000	Li Dong Fu RMB'000 (note a)	Leung Siu Kee RMB'000	Wang Shu Ping RMB'000	Wu Yalin 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	304	507	304	304	304	101	101	101	2,026
– Salaries and other benefits	69	70	70	44	44	27	27	27	378
– Retirement benefits scheme contributions	33	33	33	15	15	–	–	–	129
– Share-based payment expenses	–	–	72	72	72	–	12	24	252
	406	610	479	435	435	128	140	152	2,785

Year ended 31 December 2017

	Executive directors					Independent non-executive directors			Total
	Lu Xing RMB'000	Li Jia RMB'000	Wu Xiao Dong RMB'000	Wang Cheng RMB'000	Li Dong Fu RMB'000	Leung Siu Kee RMB'000	Wang Shu Ping RMB'000	Wu Yalin 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 b)	–	–	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)*

Notes:

(a) Mr. Li Dong Fu resigned as execuive director on 29 March 2019.

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

None of the directors of the Company waived or agreed to waive any emoluments paid by the Group during the years ended 31 December 2018 and 2017. No emoluments were paid or payable by the Group to any directors of the Group as an inducement to join or upon joining the Group, or as compensation for loss of office for the years ended 31 December 2018 and 2017.

The Company did not appoint a chief executive during the years ended 31 December 2018 and 2017. Mr. Lu Xing performed the duties of chief executive for the years ended 31 December 2018 and 2017. 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, three (2017: two) were directors of the Company whose emoluments are included in the disclosures in note 13 above. The emoluments of the remaining two (2017: three) individuals were as follows:

	2018 **RMB'000**	2017 RMB'000
Salaries and other benefits	**2,661**	3,220
Retirement benefits scheme contributions	**30**	45
Share-based payment expenses	**14**	124
	2,705	3,389

Their emoluments were within the following bands:

	Number of employees	
	2018	2017
Nil to HK$1,000,000 (equivalent to approximately RMB845,000 (2017: RMB863,000))	**—**	2
HK$1,000,001 (equivalent to approximately RMB845,001 (2017: RMB863,001)) to HK$1,500,000 (equivalent to approximately RMB1,267,000 (2017: RMB1,294,000))	**1**	—
HK$1,500,001 (equivalent to approximately RMB1,267,001 (2017: RMB1,294,001)) to HK$2,000,000 (equivalent to approximately RMB1,690,000 (2017: RMB1,726,000))	**1**	1

14. EMPLOYEES' EMOLUMENTS *(Continued)*

No emoluments were paid or payable by the Group to the five highest paid individuals including the directors of the Company as an inducement to join or upon joining the Group, or as compensation for loss of office during the years ended 31 December 2018 and 2017.

15. DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2018, nor has any dividend been proposed since the end of the reporting period (2017: nil).

16. EARNINGS (LOSS) PER SHARE

For continuing and discontinued operations

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

Earnings (loss)

	2018 **RMB'000**	2017 RMB'000
Profit (loss) for the year attributable to owners of the Company for the purpose of basic and diluted earnings (loss) per share	**7,588**	(15,232)

Number of shares

	2018 **'000**	2017 '000
Weighted average number of ordinary shares for the purpose of basic and diluted earnings (loss) per share	**4,955,078**	4,648,425

16. EARNINGS (LOSS) PER SHARE *(Continued)*

For continuing and discontinued operations *(Continued)*

From continuing operations

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

Earnings (loss) figures are calculated as follows:	2018 RMB'000	2017 RMB'000
Profit (loss) for the year attributable to owners of the Company	7,588	(15,232)
Less: Profit for the year from discontinued operation	—	(10,473)
Profit (loss) for the purpose of basic and diluted earnings (loss) per share from continuing operations	7,588	(25,705)

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

From discontinued operation

Basic earnings per share for the discontinued operation was RMB0.22 cent per share for the year ended 31 December 2017 (2018: nil), based on the profit for the year from discontinued operation of approximately RMB10,473,000 (2018: nil) and the denominators detailed above for both basic and diluted loss per share.

The computation of diluted earnings (loss) per share for the year ended 31 December 2018 and 2017 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 RMB'000	Furniture and fixtures RMB'000	Computers and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
COST						
At 1 January 2017	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 32)	—	—	114	—	—	114
Derecognised on disposal of subsidiaries (note 34)	—	(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
Exchange realignment	111	9	11	29	—	160
Additions	1,853	54	1,104	1,013	8,539	12,563
Acquired on acquisition of subsidiaries (note 32)	—	8	—	675	—	683
Disposals	—	(73)	(138)	(130)	—	(341)
Derecognised upon deconsolidation of subsidiaries (note 33)	—	—	(713)	—	(1,587)	(2,300)
At 31 December 2018	43,994	4,659	9,030	5,602	8,539	71,824
DEPRECIATION AND IMPAIRMENT						
At 1 January 2017	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 34)	—	(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
Exchange realignment	111	9	11	27	—	158
Charge for the year	5,648	994	1,657	475	—	8,774
Eliminated on disposals	—	(68)	(132)	(51)	—	(251)
Eliminated on deconsolidation of subsidiaries (note 33)	—	—	(692)	—	(1,587)	(2,279)
At 31 December 2018	19,841	3,188	6,403	2,453	—	31,885
CARRYING VALUES						
At 31 December 2018	24,153	1,471	2,627	3,149	8,539	39,939
At 31 December 2017	27,948	2,408	3,207	2,013	—	35,576

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 or 33.33%, whichever is the shorter
Furniture and fixtures	20% — 33%
Computers and equipment	20% — 33%
Motor vehicles	10% — 20%

18. INTANGIBLE ASSETS

	LED displays advertising right RMB'000	Consultancy service contracts RMB'000	Software RMB'000	Customer relationship RMB'000	Insurance brokerage licence RMB'000	Cross boundary vehicle licence RMB'000	Total RMB'000
	note (i)	note (ii)	note (iii)	note (iv)	note (v)	note (vi)	
COST							
At 1 January 2017	680,320	42,403	13,700	108,281	—	—	844,704
Additions	—	—	801	—	—	—	801
Addition arising from acquisition of a subsidiary (note 32)	—	—	—	—	10,000	—	10,000
Derecognised upon disposal of subsidiaries (note 34)	—	(42,403)	—	—	—	—	(42,403)
At 31 December 2017	680,320	—	14,501	108,281	10,000	—	813,102
Exchange realignment	—	—	—	—	—	70	70
Additions	—	—	11,103	—	—	—	11,103
Addition arising from acquisition of a subsidiary (note 32)	—	—	—	—	—	1,186	1,186
Derecognised upon deconsolidation of subsidiaries (note 33)	(680,320)	—	—	—	—	—	(680,320)
At 31 December 2018	—	—	25,604	108,281	10,000	1,256	145,141
AMORTISATION AND IMPAIRMENT							
At 1 January 2017	680,320	42,403	10,596	61,700	—	—	795,019
Charge for the year	—	—	1,395	4,380	—	—	5,775
Derecognised upon disposal of subsidiaries (note 34)	—	(42,403)	—	—	—	—	(42,403)
At 31 December 2017	680,320	—	11,991	66,080	—	—	758,391
Charge for the year	—	—	2,958	4,284	—	—	7,242
Eliminated on deconsolidation of subsidiaries (note 33)	(680,320)	—	—	—	—	—	(680,320)
At 31 December 2018	—	—	14,949	70,364	—	—	85,313
CARRYING VALUES							
At 31 December 2018	—	—	10,655	37,917	10,000	1,256	59,828
At 31 December 2017	—	—	2,510	42,201	10,000	—	54,711

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 was generated from the LED displays advertising right during the year ended 31 December 2017. The LED displays advertising right was derecognised upon deconsolidation of subsidiaries (note 33).

(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 was 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 during the year ended 31 December 2017.

During the year ended 31 December 2017, the cost and accumulated impairment loss of the consultancy service contracts had been derecgonised upon disposal of the Bold Champion Group, as disclosed in note 34.

(iii) Software mainly represented an online training and education platforms which aim at providing end-users an online learning environment and are amortised on a straight-line basis over 5 years.

(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 the Group, 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 remaining useful life of 11.6 years from 1 January 2017 onwards with reference to turnover rate of the customers.

No impairment loss has been provided for the years ended 31 December 2018 and 2017.

18. INTANGIBLE ASSETS *(Continued)*

Notes: *(Continued)*

(v) Insurance brokerage licence represents the permission of operating insurance brokerage services in the PRC which was acquired through acquisition of the entire equity interests in 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 2018, the management reviewed the recoverable amount 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 years ended 31 December 2018 and 2017.

The recoverable amount 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 19.0% (2017: 18.5%). Cash flows beyond 5-year period are assumed constant with 3% (2017: 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 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.

(vi) Cross boundary vehicle licence is acquired through the acquisition of Sunday Technology Development Limited ("Sunday Technology") during the year ended 31 December 2018.

The useful life of the licence was assessed to be indefinite as it can be renewed after expiry each year at minimal cost and the completion of application form upon renewal. Therefore the licence was not amortised and was tested for impairment annually or when events or changes in circumstances indicate a potential impairment. It is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

As at 31 December 2018, the management reviewed the recoverable amount of the cross boundary vehicle licence based on the market value. No impairment loss is considered necessary for the year ended 31 December 2018.

19. GOODWILL

	RMB'000
COST	
At 1 January 2017	383,852
Arising on acquisition of a subsidiary (note 32)	6,084
Derecognised upon disposal of subsidiaries (note 34)	(19,113)
At 31 December 2017	370,823
Arising on acquisition of a subsidiary (note 32)	10,968
At 31 December 2018	381,791
IMPAIRMENT	
At 1 January 2017	345,562
Derecognised upon disposal of subsidiaries (note 34)	(19,113)
At 31 December 2017	326,449
Impairment loss recognised during the year	5,025
At 31 December 2018	331,474
CARRYING VALUES	
At 31 December 2018	50,317
At 31 December 2017	44,374

The carrying amounts of goodwill as at 31 December 2018 and 2017 allocated to the units are as follows:

	2018 RMB'000	2017 RMB'000
Insurance brokerage — Beijing Zhongjin	**4,350**	4,350
Insurance brokerage — Well Tunes Financial Group Limited ("Well Tunes")	**—**	1,734
Educational consultancy and online training and education — Housden Holdings Limited ("Housden Holdings")	**38,290**	38,290
Investments advisory — Premier Management	**7,677**	—
	50,317	44,374

19. GOODWILL *(Continued)*

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 19.0% (2017: 18.5%). 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 are 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 2018 and 2017, the management determines that there is no impairment of goodwill of Beijing Zhongjin.

Well Tunes

Goodwill was 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 18.5% (2017: 18.5%). 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. The recoverable amount of Well Tunes is nil as at 31 December 2018 and an impairment loss of approximately RMB1,734,000 (2017: nil) was recognised during the year ended 31 December 2018 as the actual results of Well Tunes did not meet the management's expectations .

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 (2017: 4-year) period and a pre-tax discount rate of 32.0% (2017: 31.2%). Cash flows beyond 4-year (2017: 4-year) period are assumed constant with 3% (2017: 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 2018, management of the Group determines that there is no impairment of goodwill of Housden Holdings (2017: nil).

Premier Management

Goodwill is arising on the acquisition of Premier Management in 2018. The recoverable amount of Premier Management 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 15.5%. 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 investments advisory services income and expected gross margins during the budget period. Expected cash inflows/outflows, which include investments advisory 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. The recoverable amount of Premier Management is approximately RMB7,677,000 as at 31 December 2018 and an impairment loss of approximately RMB3,291,000 is recognised during the year ended 31 December 2018 due to the change in external market indicators and business plan delay.

20. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS/FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/ AVAILABLE-FOR-SALE INVESTMENTS

	2018 RMB'000	2017 RMB'000
Financial asset at FVTPL comprises:		
Unlisted fund investment	3,415	—
Financial assets at FVTOCI comprise:		
Unlisted equity investments in the PRC	51,100	—
Available-for-sale investments comprise:		
Unlisted fund investment	—	3,243
Unlisted equity investments in the PRC, at cost	—	65,000
	—	68,243

The above fund investment and unlisted equity investments represent fund investment incorporated in the Cayman Islands and investments in unlisted equity securities issued by private entities incorporated in the PRC. At the date of initial application of HKFRS 9 at 1 January 2018, the Group reclassified the fund investment from available-for-sale investment to financial asset at FVTPL. Besides, the Group has elected to designate the unlisted equity investments into financial assets at FVTOCI as they are held for medium or long-term strategic purpose. An amount of approximately RMB9,600,000, representing the difference between the previous carrying amount and the fair value of unlisted equity investments at 1 January 2018, was adjusted to investment revaluation reserve.

Included in the above investments are the following amounts denominated in a currency other than the functional currency of relevant group entities:

	2018 RMB'000	2017 RMB'000
USD	3,415	3,243

21. TRADE AND OTHER RECEIVABLES

	2018 RMB'000	2017 RMB'000
Trade receivables	11,218	12,481
Less: impairment loss recognised	(6,598)	(6,070)
	4,620	6,411
Other receivables	2,779	2,975
Less: impairment loss recognised	(95)	(90)
	2,684	2,885
Loan receivables (note a)	7,740	—
Prepayments	3,212	5,146
Deposits	2,481	3,271
Value added tax recoverable	1,788	1,977
	22,525	19,690

The Group does not hold any collateral over these receivables.

As at 31 December 2018, the gross amount of trade receivables arising from contracts with customers amounted to approximately RMB11,218,000 (1 January 2018: RMB12,481,000).

Note:

(a) As at 31 December 2018, loan receivables represented a loan of RMB5,000,000 carried interest at RMB Benchmark Interest Rate quoted by the People's Bank of China and an interest-free loan of RMB2,740,000 provided to two independent third parties. The loan receivables were unsecured and repayable within one year.

Trade receivables are due according to the terms on the relevant contacts as at 31 December 2018 and 2017. 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.

	2018 RMB'000	2017 RMB'000
Within 30 days	3,560	5,490
31 to 60 days	917	359
61 to 180 days	143	10
181 to 365 days	—	24
Over 365 days	—	528
	4,620	6,411

21. TRADE AND OTHER RECEIVABLES *(Continued)*

As at 31 December 2018, included in the Group's trade receivables balances were approximately RMB3,560,000 (2017: RMB5,490,000) which was not yet due according to the contract terms as at the end of the reporting period.

Ageing of trade receivables which are past due but not impaired

	2017 RMB'000
Within 30 days	359
31 to 60 days	10
61 to 180 days	24
181 to 365 days	528
	921

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

Commencing from 1 January 2018, the Group measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the group's different customer bases.

21. TRADE AND OTHER RECEIVABLES *(Continued)*

Ageing of trade receivables which are past due but not impaired *(Continued)*

The movement in the allowance for impairment of trade receivables is set out below:

	2018 RMB'000	2017 RMB'000
At the beginning of the year	6,070	3,803
Effect on adoption of HKFRS 9	528	—
Impairment losses recognised on trade receivables	—	4,181
Derecognised on disposal of subsidiaries	—	(1,914)
31 December	6,598	6,070

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. The individually impaired receivables are recognised based on the credit history of its customer and current market conditions.

The movement in the allowance for impairment of other receivables is set out below:

	2018 RMB'000	2017 RMB'000
1 January	90	15,731
Derecognised on disposal of subsidiaries	—	(15,634)
Exchange realignment	5	(7)
31 December	95	90

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, which their recoverability is considered doubtful by the directors of the Company.

22. BANK BALANCES AND CASH

Bank balances carried interest at market rates which range from 0.01% to 1.75% (2017: 0.01% to 1.75%) per annum.

23. CONTRACT LIABILTIIES

	31/12/2018 RMB'000	1/1/2018 RMB'000
Educational consultancy and online training and education service contract	15,318	13,650

Contract liabilities include advances received from institutions or individual customers mainly for Group's online training services.

In general, the Group requests advance payment from customers who are individuals after they sign the service agreements for certain contracts. The contract liabilities will be recognised as revenue over the relevant period of the applicable online programmes.

Revenue recognised during the year ended 31 December 2018 that was included in the contract liabilities as at 1 January 2018 is approximately RMB13,650,000. There was no revenue recognised in the current year that related to performance obligations that were satisfied in a prior year.

24. TRADE AND OTHER PAYABLES

	2018 RMB'000	2017 RMB'000
Trade payables	6,303	5,937
Other payables	349	489
Payables of litigation claim (note a)	—	13,492
Receipts in advance	—	13,650
Other tax payables	1,713	1,724
Accruals	12,856	14,491
	21,221	49,783

24. TRADE AND OTHER PAYABLES *(Continued)*

Note:

(a) As at 31 December 2017, payables of litigation claim represented payables to a supplier amounting to approximately RMB12,787,000 and 廊坊市時代廣場管理處 ("Management office") amounting to approximately RMB705,000.

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, net of accumulated impairment loss of approximately 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.

As at 31 December 2017, the payable of litigation claims amounting to RMB12,787,000, including litigation claim of approximately RMB10,342,000 plus the estimated accrued interest of approximately RMB2,322,000 and related court expenses of approximately RMB123,000.

During the year ended 31 December 2018, payables of litigation claim was derecognised upon deconsolidation of subsidiaries (note 33).

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

	2018 **RMB'000**	2017 RMB'000
Within 30 days	**2,809**	4,502
31 to 60 days	**295**	15
61 to 90 days	**320**	581
91 to 150 days	**2,039**	—
Over 365 days	**840**	839
	6,303	5,937

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.

25. AMOUNT DUE TO A DIRECTOR/A SHAREHOLDER

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

26. SHARE CAPITAL

	Number of shares		Share capital		Equivalent nominal value of ordinary shares	
	2018	2017	**2018**	2017	**2018**	2017
	'000	'000	**HK$'000**	HK$'000	**RMB'000**	RMB'000
Ordinary shares of HK$0.01 each (2017: 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	**4,642,511**	4,652,523	**46,425**	46,525	**38,703**	38,786
Shares repurchased and cancelled (note a)	**—**	(10,012)	**—**	(100)	**—**	(83)
Issue of shares (note b)	**326,000**	—	**3,260**	—	**2,682**	—
At end of the year	**4,968,511**	4,642,511	**49,685**	46,425	**41,385**	38,703

Notes:

(a) During the year ended 31 December 2017, 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.

Except for the above, none of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the years ended 31 December 2018 and 2017.

(b) The Company has allotted and issued 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 (equivalent to approximately RMB24,676,000). The subscription of shares was completed on 16 January 2018. The new Shares rank pari passu with the existing shares in all respects.

27. DEFERRED TAXATION

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	Fair value change of financial assets at FVTOCI	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2017	11,645	—	11,645
Credit to profit or loss	(1,095)	—	(1,095)
Additions arising from acquisition of a subsidiary (note 32)	2,500	—	2,500
At 31 December 2017 (as originally stated)	13,050	—	13,050
Effect of changes in accounting policies (note 2)	—	1,400	1,400
At 1 January 2018 (as restated)	13,050	1,400	14,450
Credit to profit or loss	(1,071)	—	(1,071)
Credit to other comprehensive income	—	(1,400)	(1,400)
At 31 December 2018	11,979	—	11,979

As at 31 December 2018, the Group has unused tax losses of approximately RMB231,659,000 (2017: RMB224,973,000) available to offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

The tax losses of approximately HK$190,645,000 (equivalent to approximately RMB160,552,000) (2017: HK$163,223,000 (equivalent to approximately RMB140,916,000)) may be carried forward indefinitely while the tax losses of approximately RMB71,107,000 (2017: RMB84,057,000) 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 RMB166,589,000 (2017: RMB138,863,000) 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.

28. OPERATING LEASES 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:

	2018 RMB'000	2017 RMB'000
Within one year	**9,544**	5,134
In the second to fifth year inclusive	**50**	1,875
	9,594	7,009

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 (2017: one to five) years with fixed rentals.

29. CAPITAL COMMITMENTS

	2018 RMB'000	2017 RMB'000
Commitments contracted but not provided for in respect of:		
— Capital contribution to an associate	**—**	3,840
— Acquisition of plant and equipment	**19,511**	—
	19,511	3,840

30. 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.

30. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

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

(a) Share option scheme *(Continued)*

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

Date of grant	Vesting period	Exercise period	Exercise price	Fair value at grant date
4 May 2015	Note	4 May 2015 to 3 May 2018	HK$0.40	HK$0.17
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
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 Shares Option Scheme, these share options vested at the date grant.

30. 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 Colmpany's share options held by directors, employees and consultants during the year:

For the year ended 31 December 2018

Date of grant	Outstanding at 1 January 2018	Forfeited during the year (note a)	Expired during the year	Outstanding at 31 December 2018
Directors				
4 May 2015	17,500,000	—	(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
	335,984,000	(3,000,000)	(273,474,000)	62,510,000
Exercisable at the end of the year				25,820,000
Weighted average exercise price	HK$0.45	HK$0.18	HK$0.45	HK$0.20

Note:

(a) During the year ended 31 December 2018, aggregate number of 3,000,000 share options were forfeited due to early termination of those share options in regards on resignation of an employee.

30. 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 Colmpany's Share options held by directors, employees and consultants during the year: *(Continued)*

For the year ended 31 December 2017

Date of grant	Outstanding at 1 January 2017	Granted during the year	Forfeited 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

30. 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. The estimated fair values of the options granted on those dates were approximately RMB2,411,000.

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

Date of grant	**29 June 2017**
Share price on the date of grant	HK$0.127
Exercise price	HK$0.127
Expected volatility	75.39%
Expected life	5 years
Risk-free rate	1.130%
Expected dividend yield	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$2,172,000 (equivalent to approximately RMB1,835,000) for the year ended 31 December 2018.

30. 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 issued share capital of the Company (the "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 year ended 31 December 2018 and 2017, no options were granted and outstanding under the Share Incentive Scheme.

31. 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 2018, 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 RMB438,000 (2017: RMB424,000).

31. RETIREMENT BENEFITS SCHEME *(Continued)*

The PRC

As stipulated by rules and regulations in the PRC, subsidiaries in the PRC are required to contribute to a state-managed retirement plan for all its employees at a certain percentage of the basic salaries of its employees. The state-managed retirement plan is responsible for the entire pension obligations payable to all retired employees. Under the state-managed retirement plan, the Group has no further obligations for the actual pension payments or post-retirement benefits beyond the annual contributions. During the year ended 31 December 2018, 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 RMB2,714,000 (2017: RMB2,851,000).

32. ACQUISITION OF SUBSIDIARIES

For the year ended 31 December 2018

(i) Acquisition of Sunday Technology

On 5 February 2018, the Group completed the acquisition of the entire equity interests in Sunday Technology from Mr. Lu Xing, a director of the Company, for a cash consideration of HK$2,200,000 (equivalent to approximately RMB1,861,000). The directors of the Company are of the opinion that the acquisition of Sunday Technology is in substance an asset acquisition instead of a business combination, as the net assets of Sunday Technology was mainly intangible assets and Sunday Technology was inactive prior to the acquisition by the Group.

Assets acquired at the date of acquisition are as follows:

	RMB'000
Intangible asset	1,186
Plant and equipment	675
	1,861
Satisfied by:	
Net cash outflow arising from acquisition	1,861

(ii) Acquisition of Premier Management

On 7 September 2018, the Group acquired the entire issued share capital of Premier Management for cash consideration of approximately HK$16,319,000 (equivalent to approximately RMB14,333,000). This acquisition has been accounted for using the acquisition method. The amount of goodwill arising as a result of the acquisition was approximately RMB10,968,000. Premier Management is engaged in the provision of investments advisory services. Premier Management was acquired so as to continue the expansion of the Group's business operations.

32. ACQUISITION OF SUBSIDIARIES *(Continued)*

For the year ended 31 December 2018 *(Continued)*

(ii) Acquisition of Premier Management *(Continued)*

Consideration transferred:

	RMB'000
Cash	14,333

Acquisition-related costs amounting to approximately RMB14,000 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
Plant and equipment	8
Trade and other receivables	94
Bank balances and cash	3,354
Trade and other payables	(91)
	3,365

The fair value and the gross contractual amounts of trade and other receivables at the date of acquisition amounted to approximately RMB94,000. There are no uncollectible contractual cash flows expected.

Goodwill arising on acquisition:

	RMB'000
Consideration transferred	14,333
Less: net assets acquired	(3,365)
Goodwill arising on acquisition	10,968

32. ACQUISITION OF SUBSIDIARIES *(Continued)*

For the year ended 31 December 2018 *(Continued)*

(ii) Acquisition of Premier Management *(Continued)*

Goodwill arose in the acquisition of Premier Management 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 revenue growth, future market development and the assembled workforce of Premier Management. 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 Premier Management:

	RMB'000
Cash consideration paid	14,333
Less: Bank balances and cash acquired	(3,354)
	10,979

Included in the profit for the year is a loss of approximately RMB619,000 attributable to the additional business incurred by Premier Management while Premier Management contributed insignificant revenue for the year.

Had the acquisition been completed on 1 January 2018, total Group revenue from continuing operations for the year would have been approximately RMB152,084,000 and profit for the year would have been approximately RMB5,312,000. 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 2018, nor is it intended to be a projection of future results.

32. ACQUISITION OF SUBSIDIARIES *(Continued)*

For the year ended 31 December 2017

(i) Acquisition of Beijing Zhongjin

On 27 April 2017, the Group acquired of the entire equity interest in Beijing Zhongjin for a 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 for 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 year ended 31 December 2017, 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.

32. ACQUISITION OF SUBSIDIARIES *(Continued)*

For the year ended 31 December 2017 *(Continued)*

(i) 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 ended 31 December 2017 was 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 RMB129,817,000 and loss for the year from continuing operations 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.

32. ACQUISITION OF SUBSIDIARIES *(Continued)*

For the year ended 31 December 2017 *(Continued)*

(ii) 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.

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 for the year ended 31 December 2017, 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.

32. ACQUISITION OF SUBSIDIARIES *(Continued)*

For the year ended 31 December 2017 *(Continued)*

(ii) Acquisition of Well Tunes *(Continued)*

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.

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 ended 31 December 2017 was a loss of approximately RMB29,000 attributable to the additional business incurred by Well Tunes. Revenue for the year ended 31 December 2017 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 ended 31 December 2017 would have been approximately RMB129,817,000 and loss for the year ended 31 December 2017 from continuing operations 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.

33. DECONSOLIDATION OF SUBSIDIARIES

During the year ended 31 December 2018, a subsidiary, 創智利德(北京)科技發展有限公司 ("Chuangzhi Lide") was in the process of liquidation. The Group had lost control over Chuangzhi Lide at the time when control over Chuangzhi Lide was passed to the liquidators appointed by the court in the PRC. The net liabilities of Chuangzhi Lide at the date of deconsolidation were as follows:

Analysis of assets and liabilities over which control was lost:

	RMB'000
Plant and equipment	21
Intangible assets	—
Bank balances and cash	27
Trade and other receivables	19
Payables of litigation claim	(13,492)
Trade and other payables	(194)
Amounts due to the Group	(28,003)
Net liabilities derecognised	(41,622)

Gain on deconsolidation of subsidiaries:

	RMB'000
Net liabilities derecognised	41,622
Loss allowance on amount due from Chuangzhi Lide	(28,003)
	13,619

Net cash outflow arising upon deconsolidation:

	RMB'000
Bank balances and cash derecognised upon deconsolidation	(27)

34. DISPOSAL OF SUBSIDIARIES

As referred to in note 11, on 20 June 2017, the Group discontinued its media operation upon disposal of the Bold Champion Group to an independent third party at a cash consideration of RMB9,000.

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)

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 ended 31 December 2017 from discontinued operation (see note 11).

34. DISPOSAL OF SUBSIDIARIES *(Continued)*

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 for the year ended 31 December 2017 was disclosed in note 11.

35. RELATED PARTY TRANSACTIONS

(a) Other than disclosed elsewhere in the consolidated financial statements, the Group had no other material 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:

	2018 RMB'000	2017 RMB'000
Short-term benefits	4,051	5,445
Post-employment benefits	144	145
Share-based payment expenses	266	168
	4,461	5,758

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

36. RECONCILIATION OF LIABILTIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the consolidated statement of cash flows as cash flows from financing activities.

	1 January 2017, 31 December 2017 and 1 January 2018 RMB'000	Financing cash flows RMB'000	31 December 2018 RMB'000
Amount due to a director	—	4,830	4,830
Amount due to a shareholder	141	(84)	57
	141	4,746	4,887

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2018 RMB'000	2017 RMB'000
Non-current assets			
Investments in subsidiaries		1,947	13
Financial asset at FVTPL		3,415	—
Available-for-sale investment		—	3,243
		5,362	3,256
Current assets			
Other receivables		1,907	2,889
Amounts due from subsidiaries	(a)	202,723	180,289
Bank balances and cash		2,285	6,271
		206,915	189,449
Current liabilities			
Other payables		1,607	2,277
Amount due to a subsidiary	(a)	259	—
Amount due to a director		4,830	—
		6,696	2,277
Net current assets		200,219	187,172
Net assets		205,581	190,428
Capital and reserves			
Share capital		41,385	38,703
Reserves	(b)	164,196	151,725
Total equity		205,581	190,428

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Notes :

(a) The amounts due from (to) subsidiaries are unsecured, interest-free and repayable on demand.

(b) Movements in reserves

	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	(1,263,329)	190,610
Loss for the year	–	–	–	–	–	–	–	(26,532)	(26,532)
Other comprehensive expense for the year									
— Exchange difference arising on translation of financial statement from functional currency to presentation currency	–	–	(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 30)	–	–	–	–	–	5,598	–	–	5,598
Share repurchased and cancelled (note 26)	(966)	–	–	–	–	–	–	–	(966)
At 31 December 2017	1,109,490	57,814	42,017	141,000	595	88,743	1,927	(1,289,861)	151,725

	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 2018	1,109,490	57,814	42,017	141,000	595	88,743	1,927	(1,289,861)	151,725
Loss for the year	–	–	–	–	–	–	–	(22,310)	(22,310)
Other comprehensive expense for the year									
— Exchange difference arising on translation of financial statement from functional currency to presentation currency	–	–	10,952	–	–	–	–	–	10,952
Total comprehensive expense for the year	–	–	10,952	–	–	–	–	(22,310)	(11,358)
Issue of shares (note 26)	21,994	–	–	–	–	–	–	–	21,994
Recognition of equity-settled share-based payment expenses (note 30)	–	–	–	–	–	1,835	–	–	1,835
At 31 December 2018	1,131,484	57,814	52,969	141,000	595	90,578	1,927	(1,312,171)	164,196

38. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Company's principal subsidiaries as at 31 December 2018 and 2017 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
				2018		2017		
				Directly	Indirectly	Directly	Indirectly	
Chuangzhi Lide	The PRC	Registered capital	RMB45,965,860	–	– (note a)	–	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	–	– (note a)	–	97.82%	Operating and broadcasting outdoor displays
Precious Luck	The BVI	Ordinary	US$100	–	100%	–	100%	Investment holding
Beijing Zhongjin	The PRC	Registered Capital	RMB50,000,000 (2017: RMB15,000,000)	–	99.50%	–	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$1,390,000 (2017: HK$250,000)	–	100%	–	100%	Provision of insurance brokerage services
Premier Management	Hong Kong	Ordinary	HK$7,500,000		100%		–	Provision of investment advisory services
廣西創聯國培教育諮詢有限公司	The PRC	Registered capital	RMB10,000,000	–	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	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	RMB150,000,000	–	100%	–	100%	Provision of technical consultancy services
北京創聯教育投資有限公司	The PRC	Registered capital	RMB11,000,000	–	– (note b)	–	– (note b)	Investment management and the provision of educational consultancy services
Zhongren Guanghua	The PRC	Registered capital	RMB5,000,000	–	– (note b)	–	– (note b)	Provision of internet information services and the promotion of technologies

38. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

Notes:

(a) The Group had lost control over the subsidiaries at the time when control over them was passed to the liquidators appointed by the court in the PRC.

(b) 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 北京創聯教育投資有限公司 and Zhongren Guanghua to the Group and/or the Group's other legally owned subsidiaries. As a result, they are presented as controlled structured entities of the Group. As at 31 December 2018 and 2017, the Group has 100% of voting right for 北京創聯教育投資有限公司 and 51% of voting right for Zhongren Guanghua.

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

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

		Number of subsidiaries	
Principal activities	**Place of incorporation**	**31/12/2018**	31/12/2017
Inactive	Hong Kong	**2**	1
	The BVI	**1**	1
	The PRC	**12**	10
Investment holding	Hong Kong	**2**	2
	The BVI	**5**	4
	The PRC	**1**	—
		23	18

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

38. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

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

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

Name	Place of incorporation/ operations	Proportion of ownership interests and voting rights held by non-controlling interests		(Loss) profit allocated to non-controlling Interests		Accumulated non-controlling interests	
		2018	2017	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
Zhongren Guanghua	The PRC	49%	49%	(423)	1,364	294	717
Individually subsidiaries with immaterial non-controlling interests				(933)	(972)	2,624	3,557
				(1,356)	392	2,918	4,274

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.

Zhongren Guanghua

	2018 RMB'000	2017 RMB'000
Current assets	4,532	4,459
Non-current assets	3,072	5,227
Current liabilities	7,003	8,222
Equity attributable to owners of the Company	307	747
Non-controlling interests	294	717

38. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

Zhongren Guanghua *(Continued)*

	2018 RMB'000	2017 RMB'000
Revenue	**16,996**	37,511
Expenses	**(17,859)**	(34,726)
(Loss) profit and total comprehensive expenses for the year	**(863)**	2,785
(Loss) profit attributable to owners of the Company	**(440)**	1,421
(Loss) profit attributable to non-controlling interests	**(423)**	1,364
Total comprehensive (income) expenses for the year	**(863)**	2,785
Net cash inflow (outflow) from operating activities	**1,337**	(10,890)
Net cash outflow from investing activities	**(374)**	(2,857)
Net cash outflow from financing activities	**—**	—
Net cash inflow (outflow)	**963**	(13,747)