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China Chuanglian Education Group Limited
中國創聯教育集團有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2371)

ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2014

The board (the “Board”) of directors (the “Directors”) of China Chuanglian Education Group Limited (the “Company”) hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2014 (the “Reporting Period”), together with the comparative figures for the corresponding period in 2013 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2014

	<i>Notes</i>	Six months ended 30 June	
		2014	2013
		<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Unaudited)
Revenue	3	23,149	28,826
Cost of sales and services		(7,974)	(12,737)
Gross profit		15,175	16,089

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2014

		Six months ended 30 June	
		2014	2013
	Notes	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Other income	4	511	2
Selling and marketing expenses		(4,004)	(163)
Administrative expenses		(17,878)	(13,868)
Impairment of trade and other receivables		(2,476)	–
Impairment loss on amount due from an associate		(2,483)	–
Finance costs	5	(90)	(6,406)
Loss before tax		(11,245)	(4,346)
Income tax credit (expense)	6	193	(3,860)
Loss for the period	7	(11,052)	(8,206)
Other comprehensive income (expense)			
<i>Item that may be reclassified to profit or loss:</i>			
Exchange differences arising on translation and other comprehensive income (expense) for the period		1,118	(4,856)
Total comprehensive expense for the period		(9,934)	(13,062)
Loss for the period attributable to:			
Owners of the Company		(10,699)	(8,210)
Non-controlling interests		(353)	4
		(11,052)	(8,206)
Total comprehensive expense for the period attributable to:			
Owners of the Company		(9,581)	(13,066)
Non-controlling interests		(353)	4
		(9,934)	(13,062)
Loss per share	9		
Basic and diluted (RMB cents)		(0.26)	(0.40)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

		30 June 2014 <i>RMB'000</i> (Unaudited)	31 December 2013 <i>RMB'000</i> (Audited)
	<i>Notes</i>		
Non-current assets			
Plant and equipment	10	8,522	10,730
Intangible assets		107,462	111,925
Goodwill		374,376	373,920
Interests in associates		1,050	—
Available-for-sale investments		1,603	1,953
		<u>493,013</u>	<u>498,528</u>
Current assets			
Trade and other receivables	11	62,128	70,320
Amount due from an associate		8,545	11,740
Amount due from a director		—	352
Amount due from non-controlling interest holder		—	—
Bank balances and cash		45,964	50,917
		<u>116,637</u>	<u>133,329</u>
Current liabilities			
Trade and other payables	12	29,974	27,969
Amount due to a shareholder		10,016	1,563
Provision for a claim		10,722	10,722
Income tax payable		7,918	11,856
Other borrowing		—	18,000
		<u>58,630</u>	<u>70,110</u>
Net current assets		<u>58,007</u>	<u>63,219</u>
Total assets less current liabilities		<u><u>551,020</u></u>	<u><u>561,747</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

		30 June 2014	31 December 2013
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Audited)
Capital and reserves			
Share capital	13	32,997	205,864
Convertible preference share capital	14	19,230	67,027
Reserves		470,745	259,662
Equity attributable to owners of the Company		522,972	532,553
Non-controlling interests		2,186	2,539
Total equity		525,158	535,092
Non-current liability			
Deferred tax liability	15	25,862	26,655
		551,020	561,747

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL AND BASIS OF PREPARATION

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

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2014 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2013.

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC*) – Int 21	Levies

* IFRIC represents the International Financial Reporting Interpretation Committee.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. SEGMENT INFORMATION

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

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

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

Segment revenue and results

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

Six months ended 30 June 2014

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. SEGMENT INFORMATION *(Continued)*

Six months ended 30 June 2013

	Advertising media <i>RMB'000</i> (Unaudited)	Other media <i>RMB'000</i> (Unaudited)	Educational consultancy and online training and education <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
REVENUE				
External sales	<u>219</u>	<u>28,607</u>	<u>–</u>	<u>28,826</u>
Segment (loss) profit	<u>(2,818)</u>	<u>11,481</u>	<u>–</u>	<u>8,663</u>
Unallocated other income				2
Unallocated corporate expenses				(6,605)
Finance costs				<u>(6,406)</u>
Loss before tax				<u>(4,346)</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities

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

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Segment assets		
Advertising media	3,821	5,228
Other media	44,727	45,934
Educational consultancy and online training and education	474,583	500,187
Total segment assets	523,131	551,349
Unallocated corporate assets	86,519	80,508
Consolidated assets	<u>609,650</u>	<u>631,857</u>
Segment liabilities		
Advertising media	14,423	14,350
Other media	253	28
Educational consultancy and online training and education	11,910	10,023
Total segment liabilities	26,586	24,401
Unallocated corporate liabilities	57,906	72,364
Consolidated liabilities	<u>84,492</u>	<u>96,765</u>

4. OTHER INCOME

	Six months ended 30 June 2014 RMB'000 (Unaudited)	2013 RMB'000 (Audited)
Interest income	273	2
Net foreign exchange gain	21	—
Others	217	—
	<u>511</u>	<u>2</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. FINANCE COSTS

	Six months ended 30 June	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Interest on other borrowing wholly repayable within five years	90	190
Effective interest expenses on convertible loan notes	—	6,216
	<u>90</u>	<u>6,406</u>

6. INCOME TAX (CREDIT) EXPENSE

	Six months ended 30 June	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
PRC Enterprise Income Tax		
– Current year	600	3,860
Deferred tax credit	(793)	—
	<u>(193)</u>	<u>3,860</u>

7. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging:

	Six months ended 30 June	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Depreciation of plant and equipment	2,643	1,479
Amortisation of intangible assets (included in cost of services)	4,463	94
Impairment loss recognised on available-for-sale investments	399	—
Net foreign exchange losses	—	3
Loss on disposal of plant and equipment	2	—
Operating lease rentals in respect of rented premises	<u>5,850</u>	<u>3,123</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8. DIVIDEND

No dividends were paid, declared or proposed during the interim period. The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

9. LOSS PER SHARE

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

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Loss		
Loss for the period attributable to owners of the Company for the purpose of basic and diluted loss per share	<u>(10,699)</u>	<u>(8,210)</u>
	'000	'000

Number of shares

Weighted average number of ordinary shares for the purpose of basic loss per share	<u>4,169,023</u>	<u>2,060,975</u>
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The computation of diluted loss per share does not assume the exercise of the Company's share options because the exercise price of those share options were higher than the average market price for shares or their exercise would result in a decrease in loss per share. Diluted loss per share was the same as the basic loss per share as there were no potential dilutive ordinary shares outstanding on share options and convertible loan notes for both periods.

10. MOVEMENTS IN PLANT AND EQUIPMENT

During the six months ended 30 June 2014, the Group paid approximately RMB639,000 for acquisition of certain plant and equipment in the PRC (six months ended 30 June 2013: Nil).

During the six months ended 30 June 2014, the Group had disposed of certain plant and equipment with an aggregate amount of RMB289,000 for cash consideration of approximately RMB287,000, resulting in a loss on disposal of approximately RMB2,000 (six months ended 30 June 2013: Nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11. TRADE AND OTHER RECEIVABLES

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Trade receivables	20,808	29,096
Less: impairment loss recognised	(4,606)	(4,606)
	16,202	24,490
Other receivables	43,735	23,786
Less: impairment loss recognised	(86)	(85)
	43,649	23,701
Deposits	2,011	21,451
Prepayments	266	678
	62,128	70,320

The Group does not hold any collateral over these receivables.

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

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Within 30 days	10,906	211
31 to 60 days	–	18,461
61 to 180 days	247	739
181 to 365 days	1,106	4,579
Over 365 days	3,943	500
	16,202	24,490

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. TRADE AND OTHER PAYABLES

	30 June 2014 <i>RMB'000</i> (Unaudited)	31 December 2013 <i>RMB'000</i> (Audited)
Trade payables	3,608	3,792
Other payables	2,472	2,574
Receipts in advance	10,428	4,993
Accruals	13,466	16,610
	29,974	27,969

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

	30 June 2014 <i>RMB'000</i> (Unaudited)	31 December 2013 <i>RMB'000</i> (Audited)
Within 30 days	17	177
31 to 60 days	17	–
61 to 180 days	164	–
Over one year	3,410	3,615
	3,608	3,792

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. SHARE CAPITAL

	Number of shares		Share capital		Equivalent nominal value of ordinary shares	
	30 June	31 December	30 June	31 December	30 June	31 December
	2014	2013	2014	2013	2014	2013
	'000	'000	HK\$'000	HK\$'000	RMB'000	RMB'000
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Ordinary shares of HK\$0.01 each						
as at 30 June 2014						
(31 December: HK\$0.1 each)						
Authorised:						
At beginning of the period / year	10,000,000	10,000,000	1,000,000	1,000,000	879,100	879,100
Increase of shares upon capital reorganisation	90,000,000	–	–	–	–	–
At end of the period/year	100,000,000	10,000,000	1,000,000	1,000,000	879,100	879,100
Issued and fully paid:						
At beginning of the period / year	2,369,023	2,021,937	236,902	202,194	205,864	178,517
Issue of shares upon conversion of convertible loan notes	–	215,186	–	21,518	–	16,992
Issue of shares upon conversion of preference shares	1,560,592	100,000	85,208	10,000	67,295	7,847
Issue of shares upon exercise of share options	–	1,900	–	190	–	149
Issue of shares upon placing	–	30,000	–	3,000	–	2,359
Reduction of share capital upon capital reorganisation	–	–	(282,814)	–	(240,162)	–
At end of the period / year	3,929,615	2,369,023	39,296	236,902	32,997	205,864

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. CONVERTIBLE PREFERENCE SHARES AND CONSIDERATION PAYABLE

Convertible preference shares at HK\$0.1 each

	Number of shares		Share capital		Equivalent nominal value of preference shares	
	June 30	31 December	June 30	31 December	June 30	31 December
	2014	2013	2014	2013	2014	2013
	'000	'000	HK\$'000	HK\$'000	RMB'000	RMB'000
Authorised:						
At beginning of the period/year	2,000,000	–	200,000	–	157,629	–
Increment (<i>Note</i>)	–	2,000,000	–	200,000	–	157,629
At end of the period/year	<u>2,000,000</u>	<u>2,000,000</u>	<u>200,000</u>	<u>200,000</u>	<u>157,629</u>	<u>157,629</u>
Issued and fully paid:						
At beginning of the period/year	850,000	–	85,000	–	67,027	–
Issue during the period/year	950,000	950,000	95,000	95,000	76,305	74,874
Conversion to ordinary shares	(1,560,592)	(100,000)	(156,059)	(10,000)	(124,102)	(7,847)
At end of the period/year	<u>239,408</u>	<u>850,000</u>	<u>23,941</u>	<u>85,000</u>	<u>19,230</u>	<u>67,027</u>

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

On 8 August 2013, the Company issued 950,000,000 convertible preference shares of par value of HK\$0.1 each as the initial consideration for acquisition of Housden Holdings Limited. The profit guarantee was met and additional 950,000,000 convertible preference shares of par value of HK\$0.1 each was issued under the acquisition agreements in relation to the acquisition of Housden Holdings Limited during the six months ended 30 June 2014.

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. CONVERTIBLE PREFERENCE SHARES AND CONSIDERATION PAYABLE (*Continued*)

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

15 DEFERRED TAX LIABILITY

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

	<i>RMB'000</i>
At 1 January 2013	–
Arising from acquisition of a subsidiary	27,687
Credit to profit or loss	(766)
Exchange realignment	<u>(266)</u>
At 31 December 2013	26,655
Credit to profit or loss	<u>(793)</u>
At 30 June 2014	<u><u>25,862</u></u>

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the Reporting Period, the Group recorded a turnover of approximately RMB23,149,000 (six months ended 30 June 2013: approximately RMB28,826,000), representing a decrease of 19.7% as compared to the last corresponding period. The loss for the Reporting Period attributable to owners of the Company aggregated at approximately RMB10,699,000 (six months ended 30 June 2013: approximately RMB8,210,000), representing an increase of approximately 30.3% as compared to the last corresponding period. The basic loss per share for the six months ended 30 June 2014 was RMB0.26 cents (six months ended 30 June 2013: basic loss per share RMB0.40 cents), representing a decrease of approximately 35% as compared to the last corresponding period.

Of these, turnover derived from on-line training education income, advertising media income and other media income were approximately RMB18,606,000, RMB250,000 and RMB4,293,000 respectively (six months ended 30 June 2013: Nil, approximately RMB219,000 and RMB28,607,000 respectively). Administrative expenses for the Reporting Period was approximately RMB17,878,000 (six months ended 30 June 2013: approximately RMB13,868,000), representing an increase of 28.9% as compared to the last corresponding period. The increase in expenses was mainly due to the increase in the staff cost and the legal and professional fee.

Business Review

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

The contributions from the online training and education services business become the most important income of the Group and the advertising media business continued to decrease in the first 6 months of 2014. The Directors expect that the online training and education services business will further broaden the source of revenue of the Group in the second half of the year.

Business Outlook

The Group established an online education platform facilitating online learning to public services, intelligent management of online education, and educational resources trading with the capacity of supporting large-scale online users using online education simultaneously. Currently, the platform mainly provides specific online education and training service to two types of users: 1) those who require further education due to career development, as demonstrated by providing online education for domestic civil servants who need on-the-job training, professional and technical personnel who need further education, and employees of enterprises, public institutions as well as the cadres from the organizations of the Ministry of Human Resources and Social Security; 2) those who prepare for professional qualification examinations to obtain corresponding qualification certificates, as demonstrated by providing them with online education before relevant examinations. As at the end of the first half of 2014, our services have covered 44 provinces and cities and industries across the PRC with 2.42 million registered users and 1.69 million paid users, and are expected to continue to grow in the future.

According to the forecast conducted by GSV Global Education Industry Report, it is expected that the global online education market scale in 2017 will expand to a value of US\$255.5 billion, representing a compound annual growth rate (CAGR) of 23%. Meanwhile, the online education in the PRC will embrace an explosive growth. According to the Sohu White Paper on Education Industry of 2012, the scale of online education market in the PRC in 2012 has amounted to a value of RMB72.3 billion. It is expected that by 2017, the CAGR of the online education market in the PRC will reach 31.7% with an overall market scale surpassing a value of RMB170 billion. In respect of the Group's on-the-job training of the PRC's civil servants and continuing education market that serves professional and technical personnel, as stipulated by the 2013-2017 National Cadre Education and Training Planning announced by the Chinese government, civil servants and professional and technical personnel shall satisfy the annual minimum professional training requirements, of which hours for online training course shall not be less than 40% of those for the whole training course. In the mean time, relevant authorities issued notices to require that the cadre training course shall make possible use of information technologies (including the network and videos) and greatly encourage cadres to have elective study or self-study while on job or other ways of study, aiming to reduce training costs and improve training efficiency. Therefore, it is obvious that only a small portion of the market was explored by the Group and that a huge potential market is waiting to be explored.

While actively promoting the existing principal business of online training, the Group will, on the basis of our core competences in cooperation with local governments, step up investment in education and training and the strategic layout of business centres in the PRC and improve the online to offline (OTO) integrated business model of online education. In May this year, the Group has finally set up a branch in Guangxi and made investments jointly with an enterprise directly under the Guangxi Zhuang Autonomous Region State-owned Asset Management Commission to establish the Guangxi Beibu Gulf Guolian Jichuang Education Investment Company Limited* (廣西北部灣國聯集創教育投資有限公司). The joint venture will serve Guangxi enterprises, institutions, social organizations, educational institutes and students and the business of the Group will then be extended to a wider area in human resources including financial advisory services, talent import and export and headhunting services. In the second half of the year, the Group will set up similar branches in 3 to 4 provinces and municipalities progressively and diversified regional business centres will be formed gradually.

At the same time, the Group has also devoted efforts in the education and training market in various industries and other areas: 1) The Group cooperated with China Electronic Commerce Association* (中國電子商務協會) of the Ministry of Industry and Information Technology as well as the National Occupational Capability Evaluation Centre* (全國職業能力測評中心) of the National Development and Reform Commission and set up the National Electronic Commerce Professionals (Cadres) Training Platform* (全國電子商務人才(幹部)培訓平台). The Group is the lead operator of the platform and it has been operating smoothly for six months. A number of universities and training institutions have signed cooperation agreements and students have been accepted for online learning; 2) The Group and Research Center for Professional Managers which is under the State-owned Assets Supervision and Administration ("SASAC") of the State Council of the PRC, jointly set up a Training Platform for the National Professional Managers Knowledge Update Project* (全國職業經

* for identification purposes only

理知識更新工程培訓平台), which has officially commenced operation. The Group will be the party responsible for operation and technical services of the training platform. Together with the Research Center for Professional Managers of the SASAC, we will provide business managers in the country with education and training and knowledge update services which are of national standards and standardised for the benefit of the human resources reform in state-owned enterprises; 3) The Group has aligned itself with the requirements of government vocational education reform and strengthened liaison and communication with vocational schools and private universities, so as to get prepared for entering into the vocational education field.

As the Chinese education and training market is very large, the Board of Directors is optimistic that the new online platform under cooperation and the education and training business will be able to drive business growth of and sustain profit for the Group; and will continue to strengthen the integration of resources in the field of education and training in order to achieve long-term goal of enhancing the profitability and shareholders' equity of the Group.

Advance to an Entity

On 10 July 2009, Smart Century Investment Limited, a wholly-owned subsidiary of the Company, provided financial assistance in the sum of HK\$20,000,000 to Apex One Enterprises Limited ("Apex One"), a 49%-owned and affiliated company of the Company. The principal activity of Apex One is securities trading. For more details, please refer to the Company's announcements dated 10 July 2009 and 13 July 2009.

At 30 June 2014, the amount due from Apex One was approximately RMB8,545,000.

Liquidity and Financial Resources

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

As at 30 June 2014, the Group had bank balances and cash of approximately RMB45,964,000 (at 31 December 2013: approximately RMB50,917,000).

As at 30 June 2014, the Group's net current assets totalled approximately RMB58,007,000 (at 31 December 2013: approximately RMB63,219,000).

The Group's current ratio was approximately 1.99 times as at 30 June 2014 as compared with 1.90 times as at 31 December 2013.

Gearing Ratio

The gearing ratio of the Group (measured as total liabilities to total assets) was 13.9% as at 30 June 2014 (at 31 December 2013: 15.3%).

* *for identification purposes only*

Capital Structure

As at 30 June 2014, the Company's issued share capital was approximately HK\$39,296,146 and the number of its issued ordinary shares was 3,929,614,578 shares of HK\$0.01 each.

The Court of Cayman has approved the proposal of the Capital Reorganisation, pursuant to which (i) the par value of each of the issued Existing Shares will be reduced from HK\$0.10 to HK\$0.01 each by cancelling the paid-up capital to the extent of HK\$0.09 per issued Existing Share; and (ii) each unissued Existing Share in the authorised share capital of the Company shall be subdivided into 10 New Shares of HK\$0.01 each such that the Company shall have an authorised share capital of HK\$1,200,000,000 divided into 100,000,000,000 New Shares of a nominal value of HK\$0.01 each and 2,000,000,000 Preferred Shares of a nominal value of HK\$0.10 each.

Details regarding the approval have been set out in the announcement dated 18 June 2014 published by the Group.

Material Transaction

Connected Transaction in relation to the Provision of Loan

On 16 May 2014, 北京創聯中人技術服務有限公司 (Beijing Chuanglian Zhongren Technical Service Company Limited* or the "Lender") entered into a loan agreement with 北京創聯教育投資有限公司 (Beijing Chuanglian Education Investment Company Limited* or the "Borrower"), pursuant to which the Lender agreed to grant to the Borrower a loan in the principal amount of RMB7,000,000 (equivalent to approximately HK\$8,710,100 at exchange rate of RMB1:HK\$1.2443), with a term of one year (the "Loan").

The Borrower, is a variable interest entity whose entire beneficial interests are held by the Mr. Lu Xing (the "Guarantor"). References are made to (i) the Company's circular dated 28 June 2013; (ii) the Company's announcements dated 9 September 2012, 24 July 2013, 8 August 2013 and 5 May 2014, regarding, among other matters, a major transaction of the Company in relation to the acquisition of the entire issued share capital of Housden Holdings Limited involving issue of preferred shares of the Company. As the Guarantor would become a substantial shareholder of the Company, each of the Guarantor and the Borrower will become a connected person of the Company under the Listing Rules and the Loan constitutes a connected transaction accordingly.

As each of the applicable percentage ratios in respect of the transaction contemplated under the Loan Agreement exceed 0.1% but are less than 5% and the principal amount is less than HK\$10 million, such transaction is subject to the reporting and announcement requirements but exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Details of the Loan have been set out in the announcement dated 16 May 2014 published by the Company.

* for identification purposes only

Foreign Exchange Exposure

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

Charge on Group Assets

As at 30 June 2014 and 31 December 2013, the Group did not have any charges on its assets.

Contingent Liabilities

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

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

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

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

As advised by Chuangzhi LiDe on 9 April 2014, High Court of Hebei province* (河北省高級人民法院) (the “High Court”) promulgated the final decision, which the judgment issued by the Intermediate Court has been upheld. Accordingly, ChuangZhi LiDe has to pay an amount of approximately RMB10,332,000 plus the accrued interest with reference to the loan interest rate determined by the People’s Bank of China as from 16 April 2008 until payment thereon to Japan Chijian and borne the related court expenses of approximately RMB206,000.

* *for identification purposes only*

The total provision for the litigation claims in the consolidated financial statement of the Group as at 31 December 2013 was approximately RMB 10,722,000 and the Board considered that the amount is adequate and no further provision is required. After due and careful consideration, the Board resolved not to lodge further appeal against the High Court ruling. It is in the interest of the Company and the shareholders of the Company as a whole and has no material adverse impact on the existing business of the Group.

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

Capital Commitment

As at 30 June 2014, the Group has no material capital commitment (at 31 December 2013: Nil).

Employee Information and Remuneration Policy

As at 30 June 2014, the Group had 122 employees (31 December 2013: 122 employees) in Hong Kong and the PRC and the total staff costs (including all Directors' remuneration and fees) are approximately RMB4,258,000 for the Reporting Period (six months ended 30 June 2013: approximately RMB2,882,000).

We offer competitive remuneration package, including medical and retirement benefits, to eligible employees. In order to attract, retain and motivate eligible employees, including the Directors, the Company had adopted a share option scheme (the "Share Option Scheme"). As at 30 June 2014, there were 58,900,000 share options remained outstanding which can be exercised by the grantees of the Share Option Scheme.

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

SHARE OPTION SCHEME

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

The Share Option Scheme was adopted for a period of 10 years commencing from 31 October 2004 and will remain in force until 30 October 2014. Since the remaining life of the Share Option Scheme is 1 year, the Company has by resolution in the annual general meeting of the Company dated 28 May 2014 resolved to terminate the Share Option Scheme and to adopt the new share option scheme (the "2014 Share Option Scheme").

During the Reporting Period, 16,860,000 share options lapsed and no share option was granted, exercised and cancelled under the Share Option Scheme. Movements of share options for the Reporting Period under the Share Option Scheme are summarised as follows:

List of Grantees	Balance as at 1 January 2014	Granted during the Reporting Period	Exercised during the Reporting Period	Lapsed during the Reporting Period	Cancelled during the Reporting Period	Balance as at 30 June 2014	Exercise Price HK\$	Date of Grant	Exercise Period
Directors									
Mr. Li Jia	2,000,000	-	-	-	-	2,000,000	0.56	29/07/2011	29/07/2011-28/07/2014
Mr. Leung Siu Kee	460,000	-	-	(460,000)	-	-	0.58	02/06/2011	02/06/2011-01/06/2014
Ms. Wang Shuping	500,000	-	-	-	-	500,000	0.37	11/09/2013	11/09/2013-10/09/2016
Mr. Li Qing (Resigned on 7 July 2014)	980,000	-	-	(980,000)	-	-	0.58	02/06/2011	02/06/2011-01/06/2014
	<u>5,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,000,000</u>	0.55	05/09/2011	05/09/2011-04/09/2014
Subtotal	<u>8,940,000</u>	<u>-</u>	<u>-</u>	<u>(1,440,000)</u>	<u>-</u>	<u>7,500,000</u>			
Employees									
In aggregate	3,160,000	-	-	(3,160,000)	-	-	0.85	06/01/2011	06/01/2011-05/01/2014
	11,960,000	-	-	(11,960,000)	-	-	0.58	02/06/2011	02/06/2011-01/06/2014
	3,000,000	-	-	-	-	3,000,000	0.53	06/07/2011	06/07/2011-05/07/2014
	4,800,000	-	-	(300,000)	-	4,500,000	0.55	05/09/2011	05/09/2011-04/09/2014
	<u>32,900,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,900,000</u>	0.37	11/09/2013	11/09/2013-10/09/2016
Subtotal	<u>55,820,000</u>	<u>-</u>	<u>-</u>	<u>(15,420,000)</u>	<u>-</u>	<u>40,400,000</u>			
Consultants									
In aggregate	5,000,000	-	-	-	-	5,000,000	0.53	06/07/2011	06/07/2011-05/07/2014
	3,000,000	-	-	-	-	3,000,000	0.56	29/07/2011	29/07/2011-28/07/2014
	<u>3,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,000,000</u>	0.37	11/09/2013	11/09/2013-10/09/2016
Subtotal	<u>11,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,000,000</u>			
Total	<u><u>75,760,000</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>(16,860,000)</u></u>	<u><u>-</u></u>	<u><u>58,900,000</u></u>			

* According to the Share Option Scheme, the relevant options shall lapse 6 months following the date of cessation of his employment since the grantee is entitled to exercise such options within the said period.

During the Reporting Period, no share options has been granted, exercised, cancelled or lapsed under the 2014 Share Option Scheme.

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

As at 30 June 2014, the following Directors or chief executives of the Company had held the following interests or short positions in the shares, underlying shares (as defined in the Securities and Futures Ordinance (the “SFO”)) and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules:

Long positions in the Company:

Name of Directors	Nature of interests	Number of issued ordinary shares held	Number of underlying shares held pursuant to share options	Aggregate number of shares held	Approximate aggregate percentage of the issued share capital
Li Jia	Beneficial owner	7,736,000	2,000,000	9,736,000	0.24%
Han Bing	Beneficial owner	1,900,000	–	1,900,000	0.05%
Wang Shuping	Beneficial owner	–	500,000	500,000	0.01%
Li Qing (resigned on 7 July 2014)	Beneficial owner	2,432,000	5,000,000	7,432,000	0.18%

Save as disclosed above, as at 30 June 2014, none of the Directors or chief executives of the Company held any interests or short positions in the shares, underlying shares (as defined in the SFO) or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange, pursuant to the Model Code.

DIRECTOR'S RIGHT TO ACQUIRE SHARES OR DEBENTURES

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

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

As at 30 June 2014, the following persons (other than Directors or chief executives of the Company) had an interest or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Long positions in the Company:

Name of substantial shareholders of the Company	Nature of interests	Number of issued ordinary shares/ underlying shares held	Aggregate number of shares held	Approximate aggregate percentage of the issued share capital
Ho Wai Kong ("Mr. Ho")	Held by controlled corporation (<i>Note 1</i>)	356,639,306	406,859,306	10.35%
	Held by spouse (<i>Note 2</i>)	50,220,000		
Guo Binni	Beneficial owner (<i>Note 2</i>)	50,220,000	406,859,306	10.35%
	Held by controlled corporation (<i>Note 1</i>)	356,639,306		
Rotaland Limited	Beneficial owner (<i>Note 1</i>)	355,139,306	355,139,306	9.03%
Lu Xing	Held by controlled corporation (<i>Note 3</i>)	950,043,323	950,043,323	24.17%
Headwind Holdings Limited	Beneficial owner (<i>Note 3</i>)	818,315,000	818,315,000	20.82%
Guo Zhen Bao	Beneficial owner (<i>Note 4</i>)	275,746,032	275,746,032	7.02%

Notes:

1. Of these 356,639,306 shares, 355,139,306 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.
2. These 50,220,000 shares are held by Ms. Guo Binni who is the spouse of Mr. Ho.

3. Of these 950,043,323 shares, 818,315,000 shares are held by Headwind Holdings Limited upon conversion of the preferred shares in full and 131,728,323 shares are held by Ascher Group Limited. Headwind Holdings Limited and Ascher Group Limited are companies incorporated in the British Virgin Islands with limited liability and wholly owned by Mr. Lu Xing.
4. Of these 275,746,032 shares, 272,746,032 shares and 3,000,000 share options are held by Mr. Guo Zhen Bao.

Save as disclosed above, as at 30 June 2014, the Company had not been notified of any interests or short position being held by any substantial shareholder in the shares or underlying shares in the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

CORPORATE GOVERNANCE CODE

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

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

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

COMPLIANCE WITH MODEL CODE

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

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

During the Reporting Period, the Company has issued 1,560,592,000 ordinary shares by means of conversion of preferred shares.

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

AUDIT COMMITTEE

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

By Order of the Board
China Chuanglian Education Group Limited
Li Jia
Executive Director

Hong Kong, 29 August 2014

As at the date of this announcement, the Board comprises Mr. Li Jia as executive Director; and Mr. Leung Siu Kee, Mr. Han Bing and Ms. Wang Shuping as independent non-executive Directors.